



Phoslock Water Solutions Ltd.
ABN 88 099 555 290



ASX ANNOUNCEMENT

Friday 30th July, 2010.

4c Commentary

PWS lodged its 4c quarterly cashflow with the ASX today for the period 1 April to 30 June 2010. PWS recorded a positive Net Operating Cash Flow for the quarter of \$242,000.

Receipts from customers and Government Grants was \$934,000 for the quarter. Operating expenses (as defined in PWS's March 2010 quarterly was \$664,000 (versus \$616,000 in March 2010 quarter). The increase in operating expenses of 8% was attributable to additional costs for applications and increased business activity.

The major revenue territories were Europe, Canada, China and Australia.

The PWS Directors advised that they are very pleased to announce the April-June cash flow positive quarter and are focussing on ensuring that PWS is quarterly cash flow positive on a consistent basis.

Business Update

Europe

The level of activity in Europe remains high with two applications having been completed in Germany during the quarter and an additional three (in Germany and the Netherlands) confirmed for the coming months.

Funding decisions are currently pending on a further 14 projects (ranging in size from 10 to 300 tons) in Germany, Poland, the UK, Denmark and Finland. Eight of these, including two German projects totalling 445 tons, would be completed before the end of 2010, with the remainder to be completed during 2011.

Significant progress was also made during the quarter on major projects (> 2,000 tons) in Italy, Germany and Central America (which is also the responsibility of

ASX Code: **PHK**
Share Price: **A\$0.095**
Issued Shares: **186.5m**
Market Cap: **A\$17.7m**
Unlisted Options: **21.1m**

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Phoslock Europe). Proposals relating to the use of Phoslock on these lakes are currently under development.

North America

The business momentum in this region has increased significantly over the last 12 months. PWS has recently signed agreements with two major lake management/remediation companies in the United States relating to the use of Phoslock in selected projects - one for the California, Colorado and Washington/Idaho regions and the other in the Florida and south east US region.

PWS is in discussions with several other lake management/remediation companies relating to representation in the north eastern part of the US and Great Lakes area.

PWS continues its work in Ontario in Canada. Two large projects totalling 200 tons in Ontario are anticipated to be undertaken over the September-October 2010 period.

South East Asia

PWS is currently working with a major water authority on a large application to an inner city reservoir. A decision on this project will be known in the short term.

China

During the June quarter solid progress was made towards the generation of meaningful sales in China. Trials in Tianjin and greater Shanghai region were successful and have generated significant interest and enquiries for future applications. One customer has recently ordered 20 tons for a second project.

PWS was invited to submit a proposal by a State Authority with a local partner for the application of 500 tons of Phoslock on a medium sized lake later this year. The feedback from the State Authority has been very positive. This project is large by PWS standards however the application is very small in comparison to other lakes in the vicinity which suffer from major eutrophication problems and would be looking closely at the results of the 500 ton application.

Aquaculture

Sales to the aquaculture sector have increased in the last quarter. PWS has appointed an agent to represent Phoslock in certain Asian countries specifically for sales in this sector. This has generated a high enquiry rate with a number of

larger aquaculture companies buying quantities of Phoslock to use on a small number of ponds. There is potential to significantly increase sales into this sector if the larger companies use Phoslock on more growing ponds.

Cash Flow & Liquidity

PWS maintains a satisfactory liquidity position. As at the date of this announcement PWS had net current assets of A\$2.5m and was debt free.

For more information please contact Mr Robert Schuitema; Managing Director on (02) 9453 0455

