



ASX Code: **PHK**

Share Price: **A\$0.195**

52 Week High: **A\$0.24**

52 Week Low: **A\$0.068**

Issued Shares: **475.8m**

Market Cap: **A\$92.8M**

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ASX ANNOUNCEMENT

Chairman's Address at AGM

Thursday 23rd November, 2017

Dear Shareholders,

I am delighted to report to you on the significant changes over the last 12 months, which have transformed the Phoslock business.

The catalyst to the transformation has been the strategic agreement with Beijing BHZQ Environmental, which is 70% owned by Beijing Enterprises Water Group, a Hong Kong listed company with a market capitalisation of some \$9 billion. The result has been the setting up of the Phoslock Beijing office with an experienced executive team of water industry professionals, including chemists and marketing personnel. Phoslock Beijing is already substantially broadening our business, which now includes design, engineering, implementation and contract management of water related projects and we have some 20 professional employees.

Mr Zhigang Zhang, Managing Director of BHZQ Environmental has joined the PWS Board and has already made a significant contribution to development of the China business.

We have recently completed a large manufacturing facility in Changxing, China, 150 kilometres inland from Shanghai. This facility is wholly owned and has massively increased our capacity to produce our core product, Phoslock, along with our growing suite of water treatment materials. Significant economies of scale provide us with a substantial cost saving.

A 5 minute video on the Changxing Factory will be shown during the meeting. The video can be accessed on www.phoslock.com.au/site/what-we-do/production-facility

The Company's business mix is changing. From only selling Phoslock internationally in the past, we will have changed to a mix of 40% China contracting business, 30% China materials and 30% international materials by the end of the financial year.

We are currently forecasting revenue for this financial year of \$22 million, some 450% higher than the last financial year.

Of the \$22 million revenue forecast, approximately half is already contracted and half are contracts in advanced stages and likely to be signed over the next six months.

The breakdown of sales revenue for FY2017-18 is expected to be some 1/3rd booked in the first half and 2/3rd in the second half.

Looking forward to 2018-19, based on annuity income, current projects extending into next financial year and projects at an advanced stage which will be commencing next financial year, the Board is currently projecting revenue of \$40 million. This is a long term forecast, which the Board will continue to evaluate and advise on any material change.

While many investors focus mainly on short-term factors such as quarterly sales, the following facts give an idea of the size of the water pollution problem in China and therefore the long-term scope for PWS.

Firstly, virtually every water body, river, reservoir and canal in China is polluted. Of these, there are some 98,000 reservoirs, 536,000 square kilometres of rivers and canals, 2,865 lakes greater than 1km², 696 greater than 10 km² and 129 greater than 100 km².

Many lakes and waterbodies have continuous inflows of pollutants, hence our decision to transform PWS into a Comprehensive Ecological Service Provider. We are therefore providing not only direct water cleansing but also engineering, chemical and other external solutions.

And finally to gain an idea of the money available for this work, the annual Government expenditure on water remediation has been officially stated to be 10 Trillion RMB or \$A 2 Trillion. Australia's total GDP is \$1.2 trillion.

Outside of China, business is progressing well; sales for the previous financial year were \$4 million. We are now forecasting a 60% increase to \$6.4 million for the current financial year.

I am also pleased to inform you that in addition to Mr. Zhigang Zhang, we have further significantly strengthened the Board; Ms Brenda Shanahan, a highly experienced finance executive, joined us in September. She has many years' experience in international corporate matters and finance.

The Hon. Pam Allan will retire at the November AGM after ten years of service to the Company. I would like to thank Pam personally for her contributions to the Board.

On a further positive note, I am pleased to highlight that the share price over the past 12 months has doubled and is around 20c per share. The market capitalisation of the Company has risen almost threefold and now stands at around \$90 million. The share price, after all, is the best sign of a successful enterprise.

After many years of hard work laying the foundations, I am very excited about the future of Phoslock Limited. The Company is now debt free, has some \$6 million in the bank and over \$3.5 million of debtors and inventories. The Company has now firmly established a significant business base in China and is working with outstanding partners. The size and scope of the water remediation problem in China is beyond the normal bounds of imagination. In due course, we will be looking at other Asian countries which also have very serious and widespread water pollution.

I look forward to continuing our regular updates and expect to provide you with further positive news as the year progresses.

Finally, I would like to thank our employees and the executive officers for their significant contribution to the Company and, in particular, our Managing Director, Robert Schuitema.

Laurence Freedman AM
Chairman

ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

Phoslock Water Solutions Limited is listed on the Australian Stock Exchange (ASX Code: PHK).

PWS is an engineering and treatment products company for water remediation.

PWS recently formed a new company, Phoslock (Beijing) Environment Engineering Technology Co., Ltd to focus on engineering solutions for water environment projects as well as water remediation products such as Phoslock, zeolites and other solutions. Phoslock Beijing undertakes design, engineering, implementation and use of remediation materials for river, canal and lake projects. This is a significant broadening of the historical PWS business and enables it to undertake a broader array of projects in China and elsewhere, supplying both services and materials.

PWS has a large multi-purpose factory in Changxing, Zhejiang province, China, 150km inland from Shanghai, which manufactures its patented technology, *PHOSLOCK*, along with specialised other water treatment products.

A video on the Changxing Factory can be accessed on:
www.phoslock.com.au/site/what-we-do/production-facility

PWS is headquartered in Sydney, Australia with offices in Brisbane, Beijing & Changxing, China and Bremen, Germany. PWS is represented by licensees, distributors and agents in ten other countries including SePRO Corporation in the United States, HidroScience in Brazil and Bentophos across the E.U.

PWS has four marketing and co-operation agreements in China with environmental remediation companies.

For more information about PHOSLOCK Water Solutions and *PHOSLOCK* please visit our websites: www.PHOSLOCK.com.au or www.PHOSLOCK.eu (Spanish, Italian, Dutch and German) or www.PHOSLOCK.com.br (Portuguese) or www.PHOSLOCK.cn (Chinese).

PHOSLOCK BLOG on PHOSLOCK news and current Water Issues – see www.PHOSLOCK.com.au and look for PHOSLOCK BLOG icon in top right corner of the Home Page.

ABOUT *PHOSLOCK* – the Product

PWS produces *PHOSLOCK*, a patented technology developed by the Commonwealth Scientific and Industrial Research Organisation (“CSIRO”). PHK has lodged a subsequent patent application to extend and protect the core *PHOSLOCK* technology which is in an advanced stage of being granted in some 50 countries.

PHOSLOCK is a unique water treatment product that permanently binds phosphorus in water bodies such as lakes and dams. It provides a protective permeable layer to sediments, permanently preventing the re-release of phosphorus.

Retention of phosphorus reduces the level of algae by depriving it of nutrients. This in turn improves water quality, both for human use and aquatic life as well as preventing and controlling Harmful Algal Blooms (HAB).

While *PHOSLOCK* is primarily used as an in-water solution for lakes, drinking water reservoirs and other recreational water bodies, it is also used as a preventative product to absorb phosphorus before it enters water bodies by being applied in storm water basins and inflow channels, rivers and canals.

PHOSLOCK is a certified NSF/ANSI Standard 60 product - North American Drinking Water (see websites ansi.org and scc.ca). This certification enables *PHOSLOCK* to be applied to water bodies used for human consumption in the USA and Canada



PHOSLOCK has been certified by the Chinese Research Academy of Environmental Sciences (CRAES). *PHOSLOCK* is classified as a general environmental substance which is neither hazardous nor harmful to the environment.



PHOSLOCK has been used on many high profile water bodies in Europe/UK, North America and Australia. To date over 300 initial and follow-up applications have been successfully made.

Over 60 peer reviewed scientific and technical papers have been published on *PHOSLOCK* in leading scientific journals. For access: www.PHOSLOCK.com.au