



**Phoslock Water Solutions Ltd.**  
ABN 88 099 555 290



## ASX ANNOUNCEMENT

Monday 23<sup>rd</sup> August, 2010.

### Market Updated

Over the last 2 weeks the company has seen its share price decrease by approx 1/3<sup>rd</sup> in value. The Directors believe that there is no business reason for this.

The company is currently completing its filing document (Appendix 4E) for the recently completed FY2009-10. This document is scheduled to be released on Monday 30<sup>th</sup> August and includes audited financial statements for the financial year ended 30 June 2010.

The Directors are releasing today the following financial information, which is based on audit reviewed accounts however the final audit certificate has not been issued so there is the possibility of slight changes to the figures disclosed in this announcement.

For the 12 month period 1 July 2009 to 30 June 2010:

**Revenues** from ordinary activities - **UP 79% to \$1,943,000**

Earnings before depreciation, amortisation, tax and interest (**EBITDA**) - **IMPROVED 40% to (\$1,194,000)**

**Net Loss** for the period - **IMPROVED 33% to (\$1,759,000)**

### Review of Operations

Revenues recorded for the year of \$1,942,846 represent a 79% increase over the prior year. The major increases were sales in Europe, North America and Australia along with access to Australian Government Grants for both export development and ongoing research and development.

Operating expenses (including depreciation and amortization) for the year decreased by approx \$460,000. This was mainly attributable to lower employee, occupancy and administration costs. This resulted in a full year operating loss of \$1,759,286 a 33% improvement over the previous year's loss of \$2,616,305.

Earnings before depreciation and amortization, tax and interest (EBITDA) for the year was (\$1,194,134) a 40% improvement over the previous year.

ASX Code: **PHK**  
Share Price: **A\$0.06**  
Issued Shares: **186.5m**  
Market Cap: **A\$11.2m**  
Unlisted Options: **5.4m**

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Although the Company recorded a loss for the latest financial year the company believes that the outlook for the business remains very positive. During FY2009-10 the Company focused on its key markets of Australia, Europe and UK, North America, China and other parts of Asia. The level of business activity was significant higher than previous years with 25 commercial applications (including paid trials) completed (2009 - 15). The number of applications completed during the year was 60% higher than the previous year and the average value of the projects was also significantly higher.

Approx 1/3rd of the projects completed in 2009/10 were for repeat customers. In addition, a number of sales were made to aquaculture farmers in Australia, South East Asia and South & Central America. The company is working with experienced aquaculture industry personnel to promote Phoslock to major aquaculture farmers as a tool to help control phosphorus in their growing ponds.

Trials remain an important part of our business. The company is still at its stage of development where customers with large water bodies still want to see Phoslock applied to and monitored in smaller water bodies before committing to a large application. These trials are resource and time consuming however success of these are vitally important to securing larger projects.

The notable exception is in Europe where our team, along with our joint venture partner, Bentophos, have completed 25 lake projects since early 2007 and have built up a significant database of application results indicating that the market has matured with fewer trials. This has led to a shorter selling process. A number of application case studies along with video clips can be seen on <http://www.phoslock.com.au> in the Case Study section accessible from the Phoslock Home Page.

This maturation of the market acceptance of the technology in Europe is expected to be followed in all markets in the coming years.

The Company is currently working on 17 separate projects (each greater than \$100,000) with a total sales value in excess of \$7,000,000 in our key markets (2 in Australia, 7 in Europe/UK, 4 in Asia, 4 in North America) with sales decisions due over the next 12 months.

The Company is also working with customers on five projects are in the range of \$5-\$10 million sales value. Decisions on some of these projects are expected over the next 6 to 24 months.

The key to PWS's growth and development is increasing sales by converting its extensive pipeline into sales and by increasing this pipeline in both new and existing markets. PWS is building a business in which it expects to increase sales from the current level of approximately 700 tons in FY2009/10 to 1,500 to 2,000 tons for FY 2010/11. Over the longer term annual sales are expected to reach 10,000 tons. PWS has invested heavily in the commercialisation of Phoslock and expects to quickly recoup this investment as the Phoslock business grows in the core target areas.

## **Financial Position**

The net assets of the economic entity increased by \$552,881 from 30 June 2009 to \$4,721,707 on 30 June 2010. The net increase is mainly as a result of the conversion of A\$1,000,000 of converting notes into shares when they matured in August 2009. The carrying value of Plant and Equipment and Intellectual Property has been reduced through the annual significant (\$500,000) depreciation and amortisation charges.

The consolidated cash for the group as at 30 June 2010 was \$462,833. The estimated consolidated cash for the group as at the 23 August 2010 is \$350,000.

The full Appendix 4E ASX filing is scheduled to be made on 30 August 2010.

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