



Quarterly Report - June 2013

Wednesday 17th July, 2013

Key Points:

- **Major projects completed in US and Canada**
- **Significant projects in development in Asia and South America**
- **Strong potential for additional near –term projects**

ASX Code: **PHK**
Share Price: **A\$0.063**
52 Week High: **A\$0.065**
52 Week Low: **A\$0.038**
Issued Shares: **239.6m**
Market Cap: **A\$15.1m**

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The June quarter saw a number of projects successfully completed in the UK, Canada and the United States. Significant work is now being undertaken on three very large projects throughout Asia and South America.

Business Update

North America

The largest ever application of Phoslock in North America was completed in April this year when more than 50 tonnes of the product was applied to a 13 hectare lake in Orange County near Los Angeles. The lake is a storm catchment basin for an adjacent creek and has suffered from poor water quality for many years due to excessive phosphorus levels. The project was an initiative of Aquatechnex, the Californian distributor for PHK's US licensee, SePRO Corporation.

A permit for the application was issued under the Clean Water Act and a comprehensive monitoring program is being undertaken to assess the effectiveness of the application on both water quality and biota. Since the application, phosphate levels have been reduced to levels close to the detection limit.

Phoslock was also applied to an urban lake in Canada in the Greater Toronto Area during April. Although Phoslock has been used in Ontario on storm water retention ponds, drainage canals and a variety of other water bodies over the past five years, this application was the first time that a municipally owned urban lake has been treated with the product in Canada. The project involved the application of 25 tonnes of Phoslock.

PHK is forecasting further sales of between A\$400,000 and A\$600,000 in North America for the July to December 2013 period.

Europe and the United Kingdom

No major projects were undertaken in Europe during the quarter, although a number of smaller projects (< 10 tonnes) took place in Germany, Austria and the U.K. The Austrian project took place on a small and picturesque lake near Innsbruck and represented the first application of Phoslock in Austria.

A number of projects are currently being negotiated in the U.K., Germany, Switzerland and the Netherlands with a total value in the A\$500,000 to A\$1 million range.

Australia

PHK has been asked to submit a further quote to supply Phoslock for a project with which the company has a long history. The estimated value for this project is in the \$150,000 to \$200,000 range.

Asia and South America

The Company continues to work on two major projects in Asia and South America. The potential size of both these projects is material in both volume of product and monetary value. A third project has progressed to the tender stage. The value of this project is expected to be between US\$3-4million. If successful, Phoslock will be applied over a 12 month period starting at the end of 2013.

Financial Commentary

Receipts from customers and government grants amounted to \$510,000 for the June quarter. Receipts were received for applications in the United Kingdom, Canada, the United States and several Asian countries.

Expenditure for the quarter was \$530,000 (excluding interest and inventory costs). The expenditure was significantly lower than the previous quarter, which included a number of one-off items. Net Operating Cash Flow (NOCF) for the quarter was (A\$152,000).

The group cash balance was \$474,000 as at 30 June, 2013. The Company holds approx. \$600,000 of inventory at current resale prices and debtors of approximately \$400,000.

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ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

PHK has worldwide exclusivity for the sale and marketing of Phoslock, a technology developed by the Australian government scientific body CSIRO. Phoslock removes phosphorus and harmful contaminants and has been applied in over 200 water bodies and used in over 20 countries since it was commercialised in 2005.

Phoslock is headquartered in Sydney, Australia and has offices in Brisbane, Kunming, China and European Operations (covering Europe, Central & South America) near Bremen, northern Germany. Phoslock is represented by licensees and agents in ten other countries including SePRO Corporation in the United States.

Phoslock is a certified NSF/ANSI Standard 60 product - North American Drinking Water (see websites ansi.org and scc.ca).

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

For more information about Phoslock Water Solutions visit www.phoslock.com.au or www.phoslock.eu

ABOUT PHOSLOCK – The Product

Phoslock is a unique water treatment product that binds phosphorus from a water body and provides a protective permeable layer to sediments preventing the re-release of phosphorus. Retention of phosphorus deprives algae of nutrients, which improves water quality for human use and aquatic life as well as preventing and controlling Harmful Algal Blooms (HAB).

Phoslock is primarily used as an in water solution for lakes, drinking water reservoirs and other high value recreational water bodies. It is also used as a preventative product to absorb phosphorus before it is transported into water bodies by being applied in storm water basins and inflow channels, rivers and canals.

Phoslock is approved for used in North American Drinking Water Reservoirs via NSF/ANSI Standard 60 Certification. This certifies that Phoslock is safe for use in drinking water.

Phoslock is now used by the aquaculture industry (fish and shrimp/prawn) to control phosphorus levels in grow-out ponds and eliminate harmful algae blooms (HAB) and blue green algae. These have a deleterious effect on the health of aquatic life.

PHOSLOCK BOARD OF DIRECTORS

Mr Laurence Freedman AM Non-Executive Chairman

Mr Freedman was appointed a Director of PWS in October, 2010 and became its Chairman in March 2011.

Mr Freedman has a long history of involvement and expertise in public companies with international trading and investment activities. He began his career with the Gold Fields Group: initially an analyst, he rose to Director of Group companies. He later joined BT Australia as Manager, Investments.

In 1980 he founded Equitilink Limited, an investment management group which he grew to a global company with operations around the world and over \$3 billion under management. He held Chairman and/or Director positions in a number of public and private companies in Australia, the United States, the United Kingdom, Canada, New Zealand and Taiwan.

He was a member of the syndicate which bought the Ten Network, of which he became a director, taking it out of receivership and helping to make it the most profitable media network in Australia for some years.

In 2000 he sold the Equitilink Group and in 2004 sold out of the Ten Group.

He currently manages his private investment portfolio of international shares, property and fixed income securities. He is a mentor to a number of resource, biotech and technology companies.

He is Chairman of The Freedman Foundation, a philanthropic foundation funded by the Freedman family, which assists and supports young Australians in many areas of endeavour. The Foundation also finances a broad range of medical and scientific programs and organisations.

In 2001 he was awarded The Order of Australia for service to the community, to medical research, the arts, and to business and investment in Australia.

He is also Chairman of ASX listed company KalNorth Gold Mines Limited (formerly called Carrick Gold Limited).

Mr Robert Schuitema Managing Director and Company Secretary

Mr Schuitema was appointed a Director of PWS in April 2005, and shortly thereafter assumed the role of Executive Chairman. In January 2007, he took over the role of Managing Director, and at the same time stepped down as Chairman.

Mr Schuitema brings to PWS a wide range of business and commercial skills. In

addition to the daily responsibilities of running PWS businesses globally, he is responsible for investor relations, stock exchange listing and capital raisings. Mr Schuitema is also a Director of PWS' Joint Venture manufacturing company in China, IETC.

Mr Schuitema is a former Managing Director of investment bank Chase Manhattan Bank and later JPMorgan Chase where he was global co-head of the Mining & Metals group and responsible for the Asia-Pacific region and also had extensive involvement in the bank's southern Africa business. He has extensive experience in a range of investment banking disciplines including commodity derivatives, equity issues, project finance for standalone projects, US\$ bond issues, trade finance, acquisition finance and mergers & acquisition advise.

Mr Schuitema is a Director of ASX listed company KalNorth Gold Mines Limited (formerly called Carrick Gold Limited) and previously a Director of Electro-Optical Systems Limited and Inca Copper & Gold Limited (formerly called Condor Metals Limited).

Honorable Pam Allan
Non-Executive Director

The Hon. Pam Allan was appointed a Director of PWS in July 2007.

The Hon. Pam Allan is a former Member of the NSW Parliament for 18 years (retired in March 2007) where she was Minister of Environment (1995-99) and chair of a number of parliamentary committees including Salinity and Resource Management.

The Hon. Pam Allan was elected to the Parramatta City Council in 1983, serving a four year term. In 1988 she was elected to the New South Wales Legislative Assembly for Wentworthville and then for Blacktown in 1991 and 1995. In 1999 and 2003 she was once again elected the Assembly's member for Wentworthville.

The Hon. Pam Allan became the Shadow Minister Planning & Environment 1988-1995, Minister of Environment 1995-1999, Chair for Select Committee on Salinity 2000-2002, the Chair, Standing Committee on Natural Resource Management from May 2003. She retired as the member for Wentworthville at the March 2007 election.

The Hon. Pam Allan currently serves on a number of local government bodies and authorities.