



Phoslock Water Solutions Ltd.
ABN 88 099 555 290



ASX ANNOUNCEMENT

Wednesday, 31st January, 2007

BUSINESS UPDATE

Sales for the December quarter were affected by two committed orders in Australia and the UK being delayed until the March quarter 2007, due to local climatic issues. In both instances, there is currently no alternative water source to take the drinking water reservoirs “offline” to allow the Phoslock application to be completed.

The pipeline of large Phoslock applications continues to build. PWS is working with its customers seeking final approvals and ensuring funding is in place.

AUSTRALIA

Drought like conditions plus summer temperatures around most parts of Australia has accentuated the nutrient problem in water bodies. Water quality and algal outbreaks are a significant problem for managers of large water bodies. PWS has a number of Phoslock applications scheduled for completion during the next few months.

INTERNATIONAL

Phoslock applications completed in Germany, Poland, UK and South Africa in 2006 all achieved predetermined objectives of taking Phosphorus levels down to extremely low levels and capping the sediment to prevent future phosphorus mobilisation. As a result, our licencees have intensified marketing and have established a strong pipeline of applications for the 2007 year. PWS has received a number of orders for February and March deliveries. The pipeline of very large applications (greater than 1,000 Tons) continues to increase in Europe and Asia. PWS is working with various parties in these regions to receive relevant approvals and ensure funding is in place.

PWS has recently signed licenses for the sale of Phoslock products in Benelux (Belgium, Netherlands, Luxemburg) and Hungary. PWS is in advanced discussions with potential licensees in Israel, Denmark, Sweden and Brazil. Each new licensee has an obligation to identify immediate new projects, purchase Phoslock, and provide full time staff dedicated to the development of the Phoslock business. Licencees must purchase agreed quantities of Phoslock each year to retain their licence.

ASX Code: PHK
Share Price: A\$0.355
Issued Shares: 144.1m
Market Cap: A\$51.2m
Unlisted Options: 29.9m

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Aquaculture

Results for trials at prawn farms in Indonesia continue to be positive. The addition of Phoslock to prawn ponds is producing higher levels of oxygen in the water and low algae/phosphorus levels resulting in larger prawns and significantly lower mortality rates. Trials will continue for a number of months as we continue to examine the optimal application rates and timing of applications. The potential market for Phoslock sales to the prawn farming industry in South East Asia (Indonesia, Thailand, Malaysia and Vietnam) is enormous.

WaterSavr

Phoslock acquired the Australian license for the WaterSavr evaporation control product for municipal and council waterbodies effective 1 January 2007. The response to date has been overwhelming. With the current water crisis in Australia, WaterSavr is an ideal product for managers of water storages to reduce evaporation losses in their reservoirs by between 30 – 50%. PWS has already secured a number of Watersavr sales with strong demand being shown for the product.

Liquidity

As at 30 January, 2007 PWS has current assets of approx A\$5.4m made up; of cash (A\$2.7m), inventory – at cost (A\$1.2m); debtors and other receivables (A\$1.5m)

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