



ASX ANNOUNCEMENT

4C Quarterly Report: Commentary and Business Update

Tuesday 31 January, 2012

Key Points:

- Record North American sales during December quarter
- Phoslock received gold standard certification for use in Drinking Water in North America
- Major UK sale for high profile water body

4C Quarterly Cashflow Commentary

Phoslock Water Solutions (ASX: PHK) lodged its Quarterly 4C cashflow report with the ASX today for the period 1 October 2011 to 31 December 2011.

Receipts from customers for the December quarter were \$522,000 (\$1,337,000 for the six months, including Government Grants). Cash payments for the quarter were \$619,000 (excluding interest). This was 10% lower than the quarterly norm of \$680,000.

The Company recorded Net Operating Cash Flow of (\$125,000) for the quarter and (\$190,000) for the six months to 31 December 2011.

Phoslock remains in a solid financial position with \$359,000 in cash and no debt. As at the date of this announcement, Phoslock had net current assets, in terms of cash, inventory and receivables, of \$1.7 million.

Business Update

Drinking water certification

Towards the end of the December quarter, Phoslock received certification for use in drinking water. The certification (NSF/ANSI Standard 60) is the nationally recognised health effects standard for products which are used to treat drinking water and is internationally

ASX Code:	PHK
Share Price:	A\$0.072
52 Week High:	A\$0.125
52 Week Low:	A\$0.051
Issued Shares:	213.0m
Market Cap:	A\$15.3m
Unlisted Options:	0.15m

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recognised as the highest standard set by water authorities. This award ensures that Phoslock applications (at the maximum use rate specified on the product label) do not contribute contaminants that could cause adverse human health effects.

This is a landmark step for the product and efforts are currently underway to receive comparable approvals in various countries.

North America

Phoslock recorded record sales for North America during the December quarter.

Furthermore, sales momentum continues to build in North America as the Company's US licensee, SePRO Corporation continues to develop the US market, particularly in California, Florida and the Tri-States (New York region). Significant work was undertaken to progress approvals for applications during the quarter. A number of larger applications are scheduled over the next two quarters.

Phoslock continues its work in Ontario, Canada with several larger projects anticipated to be undertaken after the ice melt in March and April.

Europe

During the December quarter sales of approx. \$350,000 was recorded in the European region with orders received from customers in the UK, Germany, the Netherlands and Finland.

The largest project to date in the UK will take place within the next two weeks on a high profile site. Details remain confidential at this stage, however the project is expected to generate considerable publicity in coming months. Funding has also been approved for a second and larger application in the UK, timing of which is yet to be finalized.

Final reports for the in-lake trials of Phoslock in Lake Varese in Northern Italy have been released. All reports confirm that the aims of the trials had been achieved. Discussions relating to a full scale application of Phoslock on the lake are now underway between the Provincial Government, stakeholders and various scientific research institutions.

Other major projects in the pipeline in Germany, Italy, Finland, Denmark, Spain and the UK remain on track and several are expected to take place during the year.

Trials with Phoslock on a major drinking water reservoir in Central America have also concluded. Results clearly show Phoslock's effectiveness at reducing phosphorus levels and preventing phosphorus release from sediments. Discussions have now commenced relating to a full scale application of Phoslock on another nearby reservoir.

Australia

During the quarter Phoslock completed approx. \$100,000 of applications to a number of small and medium sized water bodies in Australia. This included completing its annual maintenance application to a series of water bodies on the perimeter of Perth. A number of sales were made to Australian fish and prawn producers.

Phoslock recently received a Western Australian Water Award for Water Innovation, recognising innovative ideas for water resource management.

Comment by Phoslock Managing Director, Robert Schuitema

“It has been a strong quarter for Phoslock with record sales reported in North America and some exciting projects advancing in Europe.

We are confident that the drinking water certification received will only serve to accelerate this growth and open up further commercial opportunities around the world.”

For more information please contact:

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ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (PWS)

Phoslock Water Solutions 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.

The Company 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 found in water bodies. It 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 use 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 DIRECTORS

Mr Laurence Freedman AM
Non-Executive Chairman

Mr Freedman was appointed a Director of PWS in October, 2010 and became 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 organizations.

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 companies Carrick Gold Limited and Condor Metals Limited.

Mr Robert Schuitema

BCA, CA, INFNZ

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 fulltime 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 day to day 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 companies Carrick Gold Limited and Condor Metals Limited and previously a Director of Electro-Optical Systems Limited.

Honorable Pam Allan

BA (Hons), Dip Ed (Syd) Honours in Government

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.