



ASX Code: **PHK**

Share Price: **A\$0.265**

52 Week High: **A\$0.33**

52 Week Low: **A\$0.11**

Issued Shares: **481.8m**

Market Cap: **A\$127m**

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PHK BLOG on Water Issues:

www.phoslock.com.au

ASX ANNOUNCEMENT

Friday 27th April, 2018

Business Progress

Key Points:

- Work on initial three Chinese wetland projects, worth \$10m, moves to implementation stage
- Over \$2m of sales to customers in Brazil, US, Poland, Holland and Australia
- Company remains debt free: \$6.5m cash plus \$6m debtors and inventories

CHINA

Work has moved from planning to project implementation on the initial three wetland projects in Beijing. These projects have a combined value in excess of \$10 million. They involve the movement of large volumes of materials, mainly zeolites, for the wetlands construction. The first shipment of 40,000 tons to the site is currently in progress. This involves rail freight to Beijing and over 1,300 truck movements to the wetland sites. Current indications are that the first site is expected to be completed by the end of May; the second is expected to be finished by June and the third by September 2018.

Work continues on the Beijing canal project. A combination of Phoslock, zeolites and bacterial products are being used on parts of the canal. Dosing is undertaken from mobile containers with automated application equipment.

The Beijing sales & engineering office now has 25 professional employees. In addition to the above Beijing projects, the team is working on several large engineering projects which will result in sales this calendar year.

PWS has signed several Frame Agreements with major Chinese end users; shipments have now commenced to supply materials for river, canal and lake remediation projects.

The PWS Board recently held its first board meeting in Beijing. The Directors toured the Beijing canal project and the new Beijing wetland projects.



PWS Directors and Senior Management in PBEE Beijing Office

From left to right:

Mr Andrew Winks - General Manager Global Operations
Mr Tingshan Liu - General Manager Phoslock Beijing
Mr Zingang Zhang - PWS Director
Mr Laurence Freedman - PWS Chairman
Ms Brenda Shanahan - PWS Director
Mr Robert Schuitema – PWS Managing Director
Ms Catherine Wang - Phoslock Beijing Accountant
Mr Jason Hai - General Manager Phoslock Changxing
Mr Chris Hui – PWS Group Accountant

CHANGXING FACTORY

The Phoslock production line at the multi-purpose manufacturing facility in Changxing, Zhejiang Province has been running on one shift for the winter, matching production with demand. Recently 600 tons of Phoslock has been exported to Europe, Brazil, US and Australia for a range of projects. In addition to Phoslock, zeolites and bacterial agents are produced at the factory.

PWS Changxing (PWSC) was recently awarded “High Technology Project” status by Huzhou City. The Company has also qualified for rebates totalling \$150,000 which has been awarded under the five year Investment Agreement with the Changxing Government.

Extensive R&D work is conducted in the factory. A major focus is on treatment products, and material combinations, to be used in flowing water; three new products are currently being trialled.

INTERNATIONAL BUSINESS

The northern hemisphere winter freeze has finished and work has continued or commenced on ten different projects in Europe, North America along with Brazil and Australia.

Europe

The PWS consortium is about to commence application of the remaining 150 tons to Lake Goldap, a large, natural lake in North Eastern **Poland**. The first application took place in December 2017. The total project value is \$1.3m.



Aerial view from drone of first application to Lake Goldap in Poland

100+ tons of Phoslock applications are taking place over April and May for projects in Holland, Belgium and UK.

The Americas

North American sales were boosted in April by additional orders from SePRO Corporation, the **US** licensee.

Brazilian licensee, Hidrosience, has completed the Lake Pampulha project having applied over 1,000 tonnes. In order to maintain the excellent water quality in the lake, the city has implemented a maintenance program requiring significant quantities of Phoslock to be applied on a quarterly basis. The success of the Pampulha project has attracted considerable interest across Brazil, resulting in HidroScience being invited to assist in the remediation of several large lakes.

A large application was made to an urban lake in the City of Salvador. A follow up treatment has been completed for a drinking water reservoir near Salvador. Negotiations are continuing with several other Brazilian water companies to use Phoslock on large drinking water reservoirs.

FINANCIAL COMMENTARY

Cash receipts for the March quarter were \$2.0m (\$1.1m pcp). Cash receipts for YTD to 31 March, 2018 were \$5.1m (\$2.5m pcp). Debtors as at 31 March, were \$4.5m, these figures do not include any payments or receipts for the Beijing wetlands projects. PWS is forecasting payments of \$5m in the June 2018 quarter relating to raw materials for the current projects on hand.

Cash costs remain steady for the March 2018 quarter, at \$1.6m, excluding inventory purchases (\$1.5m in previous quarter).

Product and raw material purchases for the quarter were \$1.0m (\$3.8m for nine months to 31 March). PWS has issued large purchase orders for materials required for the wetland projects, which will be recorded in the June quarter.

As at 31 March, PWS was debt free, had cash on hand of \$6.5m and receivables/debtors and inventories of approx. \$6.0m

Mr Laurence Freedman AM
Chairman

Mr Robert Schuitema
Managing Director

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PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

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

PWS is an environmental company specialising in engineering solutions and water treatment products to remediate impaired lakes, rivers, canals and drinking water reservoirs.

PWS formed 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.



PWS is headquartered in Sydney, Australia with offices in Brisbane, Beijing & Changxing, China; Manchester, UK 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 a number of marketing and co-operation agreements in China with various environmental companies and government agencies.

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, United States & Canada, Brazil, Australia and China. To date over 300 initial and follow-up applications have been successfully completed.

Over 70 peer reviewed scientific and technical papers have been published on PHOSLOCK in leading scientific journals. For access: www.PHOSLOCK.com.au