



ASX Code: **PHK**

Share Price: **A\$0.083**

52 Week High: **A\$0.095**

52 Week Low: **A\$0.022**

Issued Shares: **268.9m**

Market Cap: **A\$22.3M**

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PHK BLOG on Water Issues:
www.phoslock.com.au

ASX ANNOUNCEMENT

Thursday 28th April, 2016

Business Progress

Key Points:

- Agreement signed with major Chinese Environmental Company to work jointly on lake restoration projects in China
- \$10 million Brazilian project commenced; first application in May
- Business activity at record levels – major or noteworthy applications in Germany, Holland, Scotland, Brazil, Canada & China
- Pipeline of future projects continues to grow in all regions

Highlights

During the March quarter, PHK signed an Agreement with Xingyuan Environment Technology Co. Ltd (“Xingyuan”), a large comprehensive environmental company which is listed on the Shenzhen Stock. Xingyuan has a market capitalisation of some A\$3.3 billion. The Agreement covers jointly working on lake, river & canal remediation projects in China. The first joint application is expected to be undertaken in June 2016.

Work on the A\$ 10 million Pampulha Brazil project has significantly progressed, with the first application now scheduled for May 2016.

Business activity for the March 2016 quarter was at record levels, with major or noteworthy applications in Germany, Holland, Scotland, Brazil, Canada & China

Cash receipts from sales for the March quarter were \$865,000, taking total cash revenue for the 9 months to \$2.1 million.

China

The Company has signed an Agreement with Xingyuan Environment Technology Co. Ltd (“Xingyuan”), a large comprehensive environmental company which is listed on the Shenzhen Stock. Xingyuan has a market capitalisation of some A\$3.3 billion.

The Agreement covers jointly working on lake, river & canal remediation projects in China. In addition to the provision of PHOSLOCK product and nitrogen absorption products, PHK will also provide technical and consulting services on projects with Xingyuan. The initial joint project has been identified. The parties are have commenced preliminary technical work for the first application, planned to commence by the end of June 2016.



Phoslock-Xingyuan Environmental signing ceremony in Hangzhou

*Left to Right - Mr Fan Changyuan, Assistant of Chairman, Xingyuan Environmental;
Mr Liwu Zhou, Chairman & Managing Director, Xingyuan Environmental;
Dr Xiong, Secretary of the Board, Xingyuan Environmental;
Mr Andrew Winks, General Manager Operations, PHK;
Mr Robert Schuitema, Managing Director, PHK;
Mr Dennis Hong, Executive Director, PHK Shanghai.*

Separately, the Company has completed an important pilot project in a major inner city canal in Zhejiang province. Both PHOSLOCK and a nitrogen product were applied to this inner city canal. The project was undertaken on full commercial terms. The project, in conjunction with a leading Chinese Academy of Environmental Protection Science Design “Chinese Academy”, is the first completed application since PHK China was established.

This application has widespread implications, allowing in due course, to enable PHK to tender, either independently or with partners, for regional inner city canal water projects across China. Ongoing co-operation with the Chinese Academy in other cities is in process.



Application to inner city canal in Zhejiang province

Brazil

In March, 2016 the Pampulha Lake Restoration Project was officially launched by Marcio Lacerda the Mayor of Belo Horizonte. This project is valued at more than 29.5 million Brazilian Real (A\$10.7 million) and will involve the application of more than 1,200 tonnes of PHOSLOCK (value of PHK product and other services approx. A\$4.5-5 million – subject to exchange rates). The site preparation is now complete and the first application of PHOSLOCK to the lake is scheduled for May 2016. The project is slated to run for up to 18 months.



Additionally, the second application of PHOSLOCK to a drinking water reservoir was completed in Brazil by PHK's Brazilian licensee, Hidroscience. The application, took place on a reservoir near the city of Salvador, involved the application of more than 45 tonnes. Salvador is the largest city in the northern part of Brazil and has a population of almost 3 million. The treatment of the Salvador reservoir is the second use of PHOSLOCK on potable water supply sources in Brazil, this following the treatment of a comparable reservoir in the southern State of Rio Grande do Sul earlier this year.



Application to reservoir near Salvador, Brazil

Europe

Four projects with a total project value (including licensee revenue) of approximately A\$600,000 were undertaken in Europe during the quarter. Two of these projects are located in Germany, with one each in the Scotland and Austria.

The largest project was undertaken in Germany project by our licensee, Bentophos GmbH. The application of PHOSLOCK was to the Waidsee, just south of the city of Frankfurt am Main. The Waidsee is a recreational lake in the city of Weinheim. During the summer, the lake can receive up to 12,000 visitors per day.



Application to Waidsee, south of the city of Frankfurt am Main, Germany

The Company completed a lake within the Rouken Glen Country Park, located on the southern outskirts in Glasgow, one of the largest parks in Scotland. It ranks amongst the top 10 Scottish parks in terms of visitor numbers and has been a major attraction in the city for over 100 years.



Application to Rouken Glen Country Park, Glasgow, Scotland

Canada

A major project will commence in late April in Alberta, Canada, further details to follow once the project is completed.

Australia

PHK completed several smaller applications in Australia during the quarter for both new and existing customers.

Larger Projects

The Company is working on a total of eleven large to very large projects (\$1m - \$100m) in Asia, South America, North America and Europe, including the Pampulha project in Brazil. Progress was made on several of the Larger Projects during the quarter. Because many of these projects are for government or government authorities, the timing of approvals remains beyond the control of the Company.

Phoslock Production

The manufacturing facility ran at or near full production during most of the quarter, except for a break over the Chinese holiday period. The manufacturing facility had a break in April as production exceeded current and near term contracted production. The manufacturing facility has been restarted to meet production requirements for the next 3 months.

Phoslock Patent

As earlier announced, PHK has lodged a subsequent patent application to protect the core PHOSLOCK technology which is in an advanced stage of being granted in approx. 50 countries, with the intention of extending the core *PHOSLOCK* technology until 2033. During the first nine months of FY2015-16, PHK spent \$77,000 on its patent portfolio, the majority of these costs associated with the new patent. The examination and approval of the new patent in approx. 50 countries (all European countries are covered by one examination) is currently in process and expected to be completed over the next 6-18 months, depending on the

jurisdiction. For more information of the PHOSLOCK Patent approval process please read our Blog on our website - phoslock.com.au.

Financial Commentary

Cash receipts for the March quarter were \$865,000. Cash costs, excluding inventory purchases and interest, were \$463,000. In addition, \$468,000 was spent on inventory that was shipped to customers in Europe, North & South America.

During the March quarter, all three repayments under the Convertible Security to The Australian Special Opportunity Fund, LP, a New York-based institutional investor, managed by The Lind Partners, LLC were paid in cash. These totalled \$241,500. The April 2016 repayment was also paid in cash. As at the date of this report, the balance of Convertible Security is now repayable in three monthly payments of \$76,667 (total of \$230,000) in either PHK shares or cash, at PHK's option. Subject to future cash flow, it is the Company's intention to make repayments in cash.

For the nine month period 1 July 2015 to 31 March 2016, the Company's Net Operating Cash flow was negative \$84,000 based on cash revenues of \$2,120,000. As at 31 March, 2016 the Company had cash on hand of \$248,000.

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PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

PHK produces *PHOSLOCK*, a patented technology which was developed by the Commonwealth Scientific and Industrial Research Organisation (“CSIRO”). PHK has lodged a subsequent patent application to protect the core *PHOSLOCK* technology which is in an advanced stage of being granted in approx. 50 countries, with the intention of extending the core *PHOSLOCK* technology until 2033.

PHK is headquartered in Sydney, Australia and has offices in Brisbane, Shanghai & Sichuan, China and Bremen, Germany covering Europe and South America. PHK is represented by licensees, distributors and agents in ten other countries including SePRO Corporation (www.sepro.com) in the United States and HidroScience in Brazil.

PHK recently signed an agreement with the Shenzhen Stock Exchange listed Xingyuan Environmental Technology Co Ltd, (www.xingyuan.com) which covers working jointly on lake, river and canal remediation projects across China.

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.



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

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.com.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

PHOSLOCK is a unique water treatment product that 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).

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 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 has been used on many of high profile water bodies in Europe/UK, North America and Australia. To date over 250 initial and follow-up applications have been successfully made.

Over 40 peer reviewed scientific and technical papers, have been published on *PHOSLOCK* in leading scientific journals. For access: www.phoslock.com.au