



Phoslock Water Solutions Ltd.
ABN 88 099 555 290



ASX ANNOUNCEMENT

Thursday 28th January, 2010.

Appendix 4c

Attached is PWS's 4c quarterly cashflow for the period 1 October, 2009 to 31 December, 2009. The quarter was one of high activity for PWS with several lakes lake applications completed in Europe (including the company's largest application to date to a lake in northern Germany) and several large proposals advised as successful (totalling approx A\$500,000) for North America and Australia in December.

Cash receipts for the quarter were \$525,000 predominately from sales in Europe and Australia. Cash receipts did not include any of the A\$500,000 projected sales/orders notified in December, which should be included in the next quarters' cashflow numbers.

Cash payments to finance normal operational costs (employee, sales & marketing, premises, communications, technical, listing & compliance costs) were \$547,000 for the December 2009 quarter which is below PWS's budget. Over the last two years the PWS has reduced quarterly normal operational costs from over \$1.0 million per quarter to current levels.

During the quarter the Kunming production plant operated continuously. The PWS Directors resolved in August 2009 to increase inventory levels from the previous 600-800 tons range to 1,200-1,400 tons range to meet large anticipated orders in the first half of 2010. Increasing inventory levels has a cashflow impact which PWS estimates was A\$470,000 for the December quarter.

PWS maintains a solid liquidity position. As at 31 December 2009, PWS had net assets of approx A\$3.2m made up of group cash (A\$0.96m), inventories (A\$1.2m), short term receivables (A\$0.7m) and long term receivables (0.4m). PWS's trade creditors were less than A\$0.05m and the PWS Group was debt free.

Scheduled larger applications for the January-March 2010 quarter include the North American and Australian projects referred to above, along with another mid sized lake project in northern Germany and large Polish lake, and projects in Canada, United States, China and Australia.

PWS has received requests for tender for six separate projects in Australia, Canada, United States and China totalling in excess of 2,500 tons (A\$6 million in sales revenue). All of these projects are for application over the next six months and most have Phoslock named as the only approved product for use in the project.

ASX Code: **PHK**
Share Price: **A\$0.115**
Issued Shares: **186.5m**
Market Cap: **A\$21.4m**
Unlisted Options: **23.6m**

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PWS is undertaking significant work on a number of demonstration projects in Europe, North America, China and South East Asia. These projects entail customers using smaller quantities of Phoslock (purchased at commercial rates) on a section of the water body. The projects are time intensive from PWS's perspective however are required for customers to obtain internal and external approvals. The results of these trials are very positive and will generate significant sales over the next 12-24 months.

PWS will issue its audited accounts for the six months to 31 December, 2009 on or around 26th February, 2010.

ABOUT PHOSLOCK

Phoslock is a unique water treatment product that locks up phosphorus and provides a protective permeable layer to sediments preventing the re-release of phosphorus. Removal 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 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 and canals. Phoslock is also being trialed in fish and prawn farms to control algal concentrations in water bodies and prevent and control the outbreak of HAB.

Phoslock also absorbs other harmful contaminants including arsenic, vanadium, boron and selenium.

PWS owns the Phoslock technology and markets and sells the technology world wide. The Phoslock technology comprises the patents, manufacturing and application methods. PWS is headquartered in Sydney, Australia and has offices in Kunming, China and European operations (covering 16 countries) in Bremen, northern Germany. Phoslock is represented by licensees and agents in ten other countries.

For more information please contact Mr Robert Schuitema; Managing Director on (02) 9453 0455