



ASX Code: **PHK**

ASX ANNOUNCEMENT

Monday 10th April, 2017

BREAKTHROUGH CHINESE BUSINESS TRANSFORMATION

Key Points:

- **Major Chinese commercial agreement.**
- **Substantial sales increase forecast.**
- **New China - specific operating company.**
- **Expansion of activities and products.**

Phoslock Water Solutions Ltd (ASX: PHK) is pleased to advise that it has reached agreement to significantly broaden its Chinese business and diversify its sales and earnings.

PHK is forming a new wholly-owned subsidiary, Phoslock (Beijing) Environment Engineering Technology Co. Ltd, to focus on engineering solutions for polluted Chinese water bodies.

Importantly, PHK has expanded its products to include remediation of nitrates and bacteria, in addition to its historic treatment of phosphate in water bodies.

Chinese water conditions require the comprehensive use of water remediation products such as Phoslock, zeolites and other complementary inputs. These are now part of PHK's comprehensive product range.

Phoslock Beijing will be able to undertake end-to-end design, engineering, application and maintenance for water remediation of river, canal and lake projects throughout China. This is a substantial broadening of the Company's current business base and will allow PHK to undertake a broader array of projects, including services and materials.

Phoslock Beijing has recruited an experienced team of water engineering and implementation specialists. They bring with them existing projects and a large network of industry and government contacts.

PHK will issue the Phoslock Beijing management team 20 million Performance Options at 10.5c, **which will only be paid for and vest if Phoslock Beijing (including sales booked through Phoslock Shanghai) records commercial sales of no less than rmb 100,000,000 (approx. A\$20,000,000) or net profit before tax of not less than rmb 16,000,000 (approx. A\$3,000,000) in aggregate for the period to 30 June 2019.**

Share Price: **A\$0.10**

52 Week High: **A\$0.125**

52 Week Low: **A\$0.059**

Issued Shares: **367.9m**

Market Cap: **A\$36.8m**

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

PHK is also making a placement of 30 million shares at 7 cents per share to China Environmental Corporation (CEC). This Company, owned by senior Chinese water industry executives will, together with PHK, develop its business in China and potentially internationally.

In addition, CEC will receive 30 million Performance Options on the same terms as those issued to Phoslock Beijing executives. On completion of the share placement, CEC will be invited to appoint one director to the PHK Board.

The Share Placement will result in CEC owning 7.6% of PHK. PHK will receive \$2.1 million in two equal tranches on 10 May and 25 May, 2017. The issuing of the Performance Options will be subject to a Shareholder Meeting to be held in early June. A Notice of Meeting will be sent to shareholders in late April.

PHK will also issue 15 million Performance Options to PHK executives on the same terms, but with relevant performance criteria to be finalised.

PHK Chairman, Mr Laurence Freedman AM highlighted: *"We have been working for some time to develop a structure to grow our Chinese business. It is evident that to succeed in China the Company needs to be more than a materials supplier. It must have projects with a design, engineering and implementation focus. We are very pleased to be working with China Environmental Corporation in the establishment of this breakthrough business development"*.

"I must stress that the 65 million Performance Options all have high sales performance criteria. If achieved, PHK Shareholders will gain significant benefits".

PHK Managing Director, Mr Robert Schuitema commented: *"The amount of work needed for water remediation throughout China is overwhelming. PHK brings significant water quality expertise and materials experience to projects. To be successful we need to have a business which can undertake design, engineering and implementation, as well as corporate/ government relationships to be able to secure contracts"*

*"Our association with CEC provides a platform for significant sales in China. CEC and the Phoslock Beijing executives have agreed to **minimum sales** of rmb 100,000,000 (approx. A\$20,000,000) or net profit before tax of not less than rmb 16,000,000 (approx. 3,000,000) in aggregate for the period to 30 June 2019, which shows their confidence in the future of PHK"*.

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ABOUT 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 to 2033.

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

PHK recently forming a new company, Phoslock (Beijing) Environment Engineering Technology Co., Ltd that will focus on both engineering solutions for water environment projects as well use of water remediation products such as Phoslock, zeolites and other solutions in China. Phoslock Beijing will be able to undertake design, engineering, implementation and use of remediation materials for river, canal and lake projects in China. This is a significant broadening of the current PHK business base and will allow it to undertake a broader array of projects in China, supplying services and materials. PHK has also signed six agreements in China with a number of environmental companies to gain access to its clients for work on lake, river and canal remediation projects.

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 has been certified by Chinese Research Academy of Environmental Sciences (CRAES). *PHOSLOCK* is classified as a general environmental substance. It is neither hazardous nor harmful to the environment. *PHOSLOCK* has low risk to hydro ecological system.



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.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 certified by Chinese Research Academy of Environmental Sciences (CRAES). *PHOSLOCK* is classified as a general environmental substance. It is neither hazardous nor harmful to the environment. *PHOSLOCK* has low risk to hydro ecological system.

PHOSLOCK has been used on many of high profile water bodies in Europe/UK, North America and Australia. To date over 300 initial and follow-up applications have been successfully made.

Over 50 peer reviewed scientific and technical papers, have been published on *PHOSLOCK* in leading scientific journals. For access: www.PHOSLOCK.com.au