



ASX Code: **PHK**

Share Price: **A\$0.043**

52 Week High: **A\$0.073**

52 Week Low: **A\$0.025**

Issued Shares: **243.6m**

Market Cap: **A\$10.5M**

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ASX ANNOUNCEMENT

29th April, 2015

Business Progress

Key Points:

- **\$1.2 Million of Orders and near term projects**
- **Significant progress on 3 Large projects**
- **Milestone application completed for a drinking water reservoir in Brazil**
- **A\$1 Million Convertible Security financing completed in March**

Business Update

During the March 2015 quarter, Phoslock Water Solutions Limited (ASX:PHK) received orders for projects and customers totalling approx. \$600,000 in Europe, United States, Canada and Australia. The current value of near term projects (*order not received but pending*) is a further \$600,000. The orders not already delivered and near term projects should be completed over the next 3-4 months.

The Company has three Large Projects totalling \$7 Million of sales revenue in a very advanced stage. As all of these projects are for government or government authorities, the timing of approvals and signing of contracts is beyond the control of the Company.

Our manufacturing facility is currently undertaking a large production run to meet both current and anticipated orders.

Cash receipts for the quarter were \$401,000. Net operating cashflow for the quarter was (A\$64,000). Cash at bank as at 31 March, 2015 was \$1.05 Million.

Europe

Applications of Phoslock took place in the United Kingdom and Germany during the quarter and new orders were also received by Phoslock Europe's specialist retail distributors. Phoslock Europe and Bentophos (PHK licensees for Germany) continue to work towards a number of large-scale applications, currently scheduled to take place during the second half of 2015.

Five Phoslock related presentations were given at a special session on Lake Restoration at Association for the Sciences of Limnology and Oceanology (“ASLO”) 2015 in Granada, Spain. ASLO is the leading professional organisation for researchers and educators in the field of aquatic sciences, and the inclusion of so many presentations on Phoslock related topics in a special session at ASLO’s Aquatic Sciences Meeting is indicative of the growing interest in Phoslock as a lake restoration tool among leading international scientists.

North America

Further orders for inventory were received from PHK’s United States licensee, SePRO Corporation, which is reporting strong growth in U.S. sales. Sales in the first half of this financial year (U.S. financial year starts in October) have almost doubled over the corresponding period from 2013-14. Demand has been driven by SePRO’s nationwide network of aquatic distributors, who typically undertake projects in the 1-10 ton range. SePRO is also working on several medium sized to larger projects, several of which are expected to be undertaken later in the year.

In Canada, orders were received from two municipal authorities in Alberta during the quarter. These authorities used Phoslock in 2014 to treat storm water management facilities and will increase the scale of their treatment program in 2015 due to earlier positive results. Further orders are expected from Canada during 2015, including for several major projects. One of these projects was originally scheduled to proceed in spring 2015, however the project has been postponed until autumn due to administrative delays in obtaining permits. The Company continues to work on several very large projects in Canada, which would be material to the Company in terms of monetary value.

An extensive marketing visit to Canada and the US was undertaken during February in order to present Phoslock to a number of new potential customers and regulators and to discuss projects where Phoslock is currently under consideration or being tested.

Australia

PHK completed several smaller applications in Australia during the quarter. PHK has received an order from a customer for a bi annual application to a medium size lake. This will be the fourth application to this lake over the last 8 years.

South America

Phoslock was applied to a drinking water reservoir in Southern Brazil by our Brazilian representative, HydroScience. The application was completed in February and monitoring is currently underway. Initial results are encouraging and we are confident that success in this project will lead to further drinking water projects in Brazil.

Large Projects (\$1 Million to \$100 Million)

The Company is working on a total of 11 Large Projects (including the three noted earlier) in Asia, South America, Canada and Europe. The Company continues to expend substantial resources on all of the Large Projects. Because many of these

projects are for government or government authorities, the timing of approvals is beyond the control of the Company.

Manufacturing Facility in China

PHK's manufacturing facility is currently undertaking a large production run to meet current and anticipated orders for larger projects. Since March PHK has expended \$200,000 for inventory currently being delivered in North America, Europe and Australia.

Phoslock Patent

Over the last couple of years, the Company and its patent attorney have been working on "re-greening" the *Phoslock* technology. The Company 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 the year 2033. The *Phoslock* trademark is registered in over 30 countries and can be extended at any time. Trademarks are able to be maintained indefinitely provided *Phoslock* is actively used in the registered country. The rules relating to "use" differ from country to country and is usually measured over a 5 to 10 year time frame.

Financial Commentary

Cash receipts for the quarter were \$401,000. Cash costs, excluding inventory purchases plus interest, was \$404,000.

As at 31 March, 2015 the Company had cash in bank of \$1.05 Million.

On 23 March, 2015 the Company announced that it had secured A\$1,000,000 in funds through the issue of a Convertible Security to The Australian Special Opportunity Fund, LP, a New York-based institutional investor, managed by The Lind Partners, LLC (together, "Lind"). This facility was drawn in full on 27 March, 2015. The Convertible Security will be repaid in 15 monthly payments in either PHK shares or cash, at PHK's option.

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ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

PHK produces *Phoslock*, a patented technology which was developed by the Australian government scientific body, 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 the year 2033.

PHK is headquartered in Sydney, Australia and has offices in Brisbane, Sichuan, China and European Operations (covering Europe, Central & South America) near Bremen, northern Germany. PHK 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 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)

ABOUT PHOSLOCK – the Product

Phoslock is a unique water treatment product that binds phosphorus from a water body and 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 has been used on a number of high profile water bodies in Europe/UK, North America and Australia.

Over 25 peer reviewed technical papers, authored by leading academics, have been published in leading scientific journals on *Phoslock*.