

ASX ANNOUNCEMENT

Thursday 24th May, 2018

Beijing Wetland Project increased by 50% to \$15m

Key Points:

- **50% increase in Wetlands projects**
- **Wetlands project value increased to \$15m**
- **FY 17/18 Net Profit before Tax target above \$3m**
- **Major boost to sales/profits at start of FY18/19**

Wetlands Projects

Phoslock Water Solutions Limited (ASX: PHK) is pleased to advise that the value of the Beijing Wetland projects has increased by 50% to over \$15m.

The Projects involve the movement of over 135,000 tons of materials, mainly zeolites, for the construction of the wetlands. These materials will be transported from the mine, railed over 500 km, then by truck to the wetland sites.

This is a huge logistical exercise, involving over 4,500 truck movements from the rail facilities to the sites. Limitations placed on the size of truck loads (30 tonnes maximum) and the amount of daily movements on the roads has reduced the amount of materials that can be moved each day.

Based on the current logistics schedule, some 55,000 tonnes or 40% of the total can be moved to the wetland sites before 30 June. This equates to \$6-7M of sales revenue being recorded in the current financial year and the balance of \$8-9m to be recorded in FY18/19 (subject to exchange rates).

Beijing Canal Project

The \$5m Beijing canal project commenced in October, 2017, and revenue of \$2.5m was booked in the December half year. Frozen conditions in Beijing during most of the March quarter resulted in the use of fewer materials. It is likely that some \$1.0m additional revenue will be booked in the current half year, with the balance of \$1.5m-2.5m expected in the next financial year.

ASX Code: **PHK**

Share Price: **A\$0.295**

52 Week High: **A\$0.33**
52 Week Low: **A\$0.16**

Issued Shares: **481.8m**

Market Cap: **A\$142M**

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PHK BLOG on Water Issues:

www.phoslock.com.au

The Wetland and Canal projects are works in progress, both of these contracts will be completed in calendar 2018, with the full \$20m of revenue to be recorded.

While China sales have increased substantially and continue to expand, the size of the increase has resulted in extensions to completion. Logistics will determine what will be completed in the current financial year and what will be completed in H1 18/19.

Expectations for FY17/18 are now sales of \$15-17m subject to exchange rate fluctuations and some \$3m Net Profit Before Tax (excluding non-cash option expense from prior year transactions).

The company will enter FY18/19 with \$10-12m of work in hand solely from the Beijing Canal and Wetland projects. With the expectation of substantial additional projects both in China and Internationally to be forthcoming.

At the date of this report, PWS is debt free, with \$5m cash on hand plus \$8m of debtors and inventories.

Chairman Laurence Freedman AM said, "The 50% increase in size of one project alone illustrates the very substantial increase in our expectations for water remediation in China. It gives an idea of the scale of the problem as well as the opportunities for PWS. While it means a slight delay to cash flow timing, which happens across the end of the current financial year, we are pleased to be commencing the new financial year with a very full, profitable and growing order book".

Mr Laurence Freedman AM
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ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (ASX: PHK)

Phoslock Water Solutions Limited (ASX: PHK) is an international environmental company specialising in engineering solutions and water treatment products to remediate impaired lakes, rivers, canals and drinking water reservoirs.

Phoslock Water Solutions Ltd (PWS) has its headquarters 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.

With the massive water remediation market in China, in 2017 Phoslock (Beijing) was formed. Our 100% owned subsidiary undertakes design, engineering, and implementation using remediation materials for rivers, canals, reservoirs and lakes along with construction of wetland areas. This is a significant broadening of the historical PWS business and enables it to undertake a greater array of projects in China and elsewhere, supplying both services and materials.

PWS owns the patent for *PHOSLOCK*; a unique water treatment product that permanently binds excess phosphorus in the water column and sediments. This in turn inhibits the growth of Harmful Algal Blooms (HAB) that lead to detrimental effects to both aquatic and human life.

Along with *PHOSLOCK*, PWS also supplies:

- 1) Zeolites - a porous, natural material that can be applied to heavily polluted water to absorb nutrients such as nitrogen. Nitrogen is another important food source for the growth of harmful algae; and
- 2) Bacteria. - Certain types of bacteria can break down contaminants and organic matter that pollute water and cause human and water borne diseases.

PWS has a large multi-purpose factory in Changxing, Zhejiang province, China, 150km inland from Shanghai, which manufactures its patented technology, *PHOSLOCK*, along with nutrient binding materials (zeolites) and biological solutions (such as nutrient consuming bacteria).

For more information on the company, recent news, and blogs please visit our website: **www.PHOSLOCK.com.au**