



Phoslock Water Solutions Ltd.
ABN 88 099 555 290



ASX ANNOUNCEMENT

Tuesday, 27th February, 2007

PWS Secures Two Major Treatment Contracts

PWS (ASX Code: PHK) has recently secured two large Phoslock treatment contracts.

The first contract is for a drinking water reservoir in rural NSW. The dam has been badly affected for a number of years by algal blooms (including blue-green algal outbreaks) and all other treatments, both chemical and physical (i.e. aeration) have not been successful. The presence of algae has created taste and odour problems in the water.

The second contract is for an Australian capital city lake which is currently experiencing an algal outbreak. This city is about to host a major sporting and cultural event which includes various activities on this lake. An emergency Phoslock application is being undertaken to significantly improve the water quality and reduce public health issues.

PWS is in negotiation with a number of other water authorities throughout Australia for the treatment of recreational lakes and drinking water reservoirs.

Aquaculture

Since our last announcement on 31 January, 2007 we have received a further three weeks of data from the prawn trials in Indonesia. The results continue to be positive. Following the addition of Phoslock to prawn growing ponds the preliminary results show lowered algae and phosphorus levels with larger prawns, higher yields and lower mortality rates compared with control ponds. Oxygen levels in the ponds are maintained at high levels under this treatment regime – a critical factor in aquaculture management. Trials are continuing to complete the collection of statistically significant results.

Trials are currently being conducted at five prawn farms and a major university in Indonesia. A decision has been made to broaden the trials (which also serve as demonstration sites) to a number of other prawn farms in Indonesia and to start trials on at least two prawn farms in Malaysia.

ASX Code: **PHK**
Share Price: **A\$0.435**
Issued Shares: **146.6m**
Market Cap: **A\$63.8m**
Unlisted Options: **29.8m**

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The potential market for Phoslock sales to the prawn farming industry in South East Asia (Indonesia, Thailand, Malaysia and Vietnam) is very large to those farms where similar prawn management techniques are used.

International

Phoslock is currently licensed for sale in 17 countries, three new licenses were completed recently. Australia, UK & Ireland, China & Hong Kong, have been retained by PWS with its own, direct sales teams. Each licensee has a formal obligation covering full time staff marketing Phoslock, how Phoslock should be represented in their license area and a minimum level of sales required to retain the Phoslock license.

A number of the licensees have made significant progress with their Phoslock business and have built up a meaningful pipeline of applications for 2007 and beyond.

In addition to the 17 licensed countries, PWS is currently finalising licensees for another five countries in North Asia and the Middle Eastern region.

WaterSavr

Since acquiring the Australian license for the WaterSavr evaporation control product for municipal and council water bodies, PWS has been overwhelmed by enquiries. A number of smaller sales have been made to water body managers in regional Victoria and NSW.

PWS is in dialogue with the managers of the larger municipal water bodies to use WaterSavr on their reservoirs. The cost/benefit analysis of using WaterSavr is 10:1 in favour of WaterSavr (when comparing WaterSavr to the wholesale cost of water saved)

First Half Results

PWS recorded a loss of A\$2.1 million for the six months to 31 December, 2006. This loss is a function of continuing to build out the PWS business globally. A high portion of expenditure was dedicated to sales & marketing. Over the last six months the potential transaction pipeline (for 2007 & 2008 years) has grown five fold (from 2,000 tons to over 10,000 tons). These figures exclude aquaculture.

The conversion rate of prospects to sales is presently still uneven. The company is generating a sales momentum where it expects to be cash flow positive during the first half of calendar 2007.

Liquidity

As at 23 February, 2007 PWS had current assets of approx \$5.3m made up of cash (A\$2.9m), inventory – at cost (A\$1.3m), debtors and other receivables (A\$1.1m).

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