

Phoslock Water Solutions Limited

ABN 88 099 555 290



Phoslock Water Solutions Ltd.

Annual General Meeting

27th November 2008



Phoslock Water Solutions Limited

Managing Directors Presentation

Company Overview

- PWS is a global water technology company manufacturing & selling environmental solutions.
- PWS main product is Phoslock – 15 years of R&D; 3 ½ years of commercial sales.
- Phoslock is manufactured at J/V factory in Kunming, China.
- Over 150 applications taken place in 20 countries; results very positive.
- Sales momentum continues; focus on larger projects; four core business segments:
 - High value recreational lakes in Australia, NZ, UK, Western Europe, Canada (+US) and parts of Asia
 - Drinking water reservoirs in Australia, UK and parts of Asia
 - Storm Water Basins in Canada (+US)
 - Aquaculture (prawn/shrimp and fish farming) in closed pond environments
- Break even for PWS is approx 2,000 tpa of Phoslock product sales.
- Cash overheads reduced by 50% over last 12 months to approx. A\$2.2m per annum
- PWS has A\$3.2m of cash, inventories (at cost) and receivables and is debt free.*

* (Converting Notes will convert to shares in August 2009)

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Business Rationale

- Excessive phosphorus in water bodies is a global problem with few natural solutions; global warming will compound problem
- Phoslock is a natural product and environmentally friendly
- Phoslock is the ideal product to use in natural and manmade water bodies, including lakes, reservoirs, rivers and canals, storm water bodies, dams, and aquaculture ponds
- There are thousands of high value recreational lakes and drinking water reservoirs which require major reduction in nutrient loads to improve water quality, avoid/treat BGA issues and to make the water body usable/safe for public use/usage.

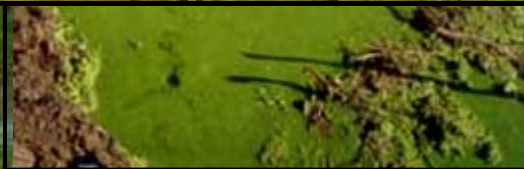


Dutch water body - LHS treated with Phoslock;
RHS no treatment

The potential for Phoslock is enormous – it is a natural solution to a global water quality problem.

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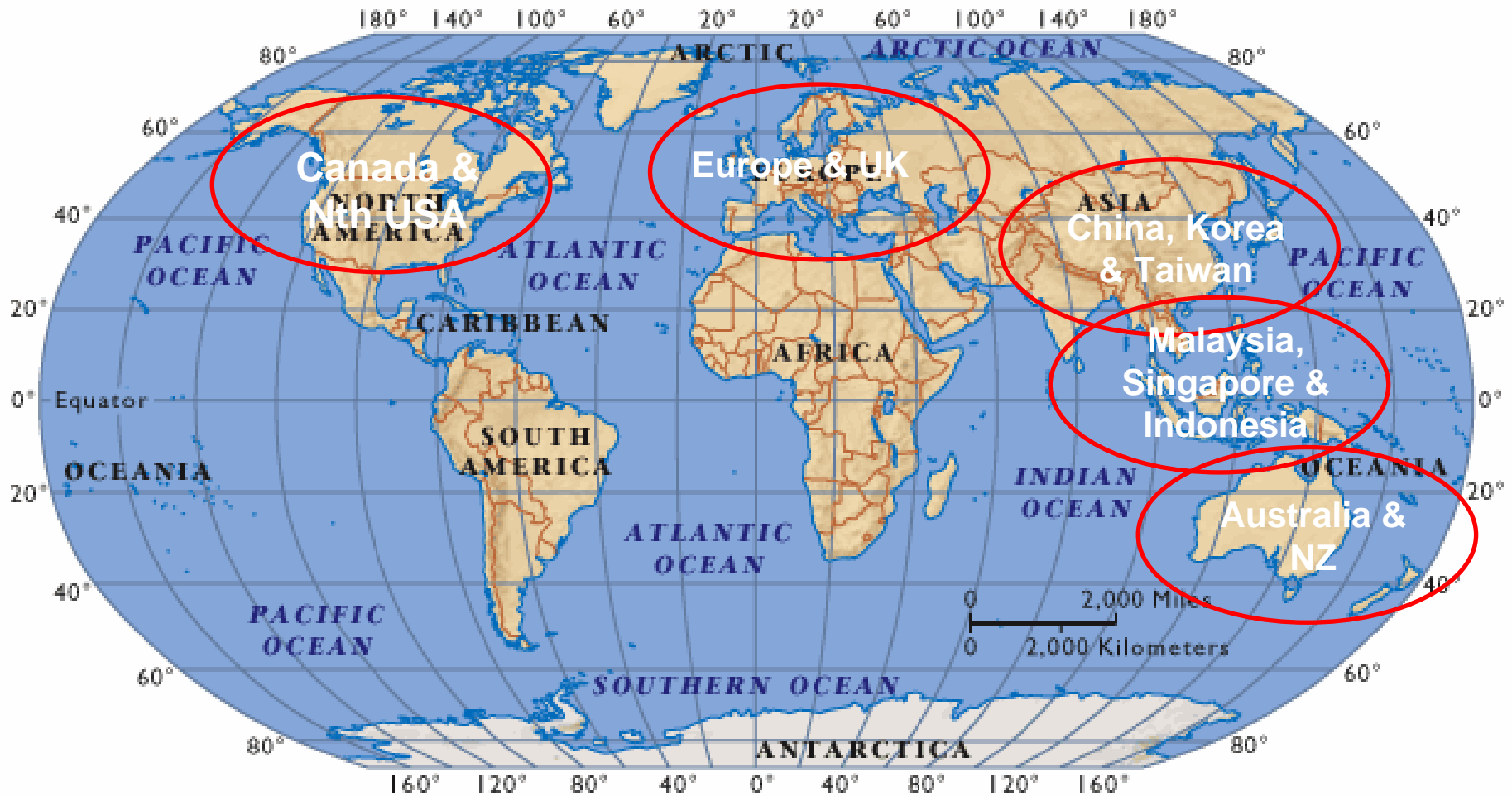
Sales & Marketing

- Established presence in Australia, NZ, Western Europe (Germany, Holland, UK, Poland, Italy), China and South Africa
- Developing presence in Canada, Brazil, South East Asia & US (2009)
- Sales process has been slower than anticipated due to:
 - Initial environmental agency approvals – now in place for most markets
 - Trials – planning, application, observation period and report writing
 - Client approvals (including finalising funding)
 - Optimal period(s) to apply Phoslock
- Phoslock Europe JV and very strong technically; have seven people dedicated to Phoslock business; providing consulting & pre monitoring services; long advanced pipeline of projects
- Majority of customers for larger projects are governmental authorities; understand their issues well; motivated to find a solution to water body issues; access to funding; sales process timeline varies according to circumstances
- Addition of Phoslock must be linked to an economic benefit for the customer
- Success in smaller trials/applications is a pre-requisite to treating larger water bodies
- Detailed application reports are significantly assisting sales process and shorten sales time period
- New enquiries from around the world are very strong.

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Major Focus Markets



Pipeline for Sales over next 12 months

- Key component for future sales (each >20 tons) is:
 - Trial or pilot project with customers; and/or
 - Intensive monitoring programme in place for water body
 - Local approvals (environmental, funding)
- These are currently taking place in:
 - Australia – large drinking water reservoir
 - Canada – a number of lakes and storm water basins in Ontario
 - UK – 3 separate lake projects
 - Germany – 6 separate lake projects
 - Holland – 2 separate lake projects
 - Poland – 2 separate lake projects
 - Italy – 1 very large lake project
 - Brazil – 1 very large lake project (commencing 2008)
 - China – 3 separate lake projects

PWS is currently working on over 20 separate projects with customers with potential sales in 7,000 – 10,000 tons

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Nutrient pollution costs the United States at least US\$4 billion a year

“Nutrient pollution, which causes unhealthy levels of nitrogen and phosphorus in lakes and rivers (as well as the dead zones in coastal areas), is one of the most widespread but least addressed water protection issues. While the federal Clean Water Act regulates point sources (wastewater treatment plants, industrial sources, etc.) for nutrient pollution, most of it comes from unregulated non point sources, namely agricultural, industrial and household run-off. This is a terrible problem for the health of our rivers and lakes. Nutrient pollution causes eutrophication when excess nitrogen and phosphorus feed algal blooms, which then starve the waterbody of dissolved oxygen killing a wide range of aquatic life.

*According to US EPA data, **over 90% of the rivers** in the continental US currently **exceed nutrient water quality standards**, putting these waterbodies at risk for eutrophication and resulting environmental impacts”.*

Study published in *Environmental Science & Technology* by Professor Walter Dodds of Kansas State University dated 25th November 2008.

Aquaculture

- Sales to prawn farms in Indonesia in Indonesia, Malaysia, Australia and India over the last 12 months
- Malaysia trials were 3 separate trials each for 100-120 days with control ponds
- Results in vast majority of Phoslock dosed ponds showed better water chemistry, higher production and lower feed costs despite lower amounts of Phoslock used
- Prawn industry in Asia currently facing declining economics (i.e. lower sales price and higher input costs)
- Indonesian trials with major prawn producer not commenced to date
- Customer acquired rival Indonesian producer during year resulting in integration issues with same team who conducts trials
- Anticipated that trials will proceed emphasising economic benefits – positive cash return; control BGA so that there is no taste or odour issues.

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Financial Outlook

- Sales for the first half of FY08/09 likely to be lower than expected due to timing delays on projects
- Delayed first half projects expected to be completed in second half of FY08/09
- No projects have been lost or cancelled (expect multi year delay in Rotorua lakes project)
- Pipeline of future projects has materially increased over the last six months
- Significant reduction in cash operating expenses over last six months with full benefit to be reflected in second half of FY08/09
- As at end of November, 2008 PWS has A\$3.2m of cash, inventories (at cost) and receivables and is debt free

Capital Structure

ASX Code:	PHK
Current Price:	10 cents*
Trading range: (last 12 months)	6 - 31 cents
Total Issued Shares:	165.6 million
Total Issued Options:	31.9 million **
Market Capitalisation:	A\$17 million ***

* Price on 25th November, 2008

** Exercise prices range between 11c – 60c and expiring between Nov 2008 and Dec 2011.

Future exercise value of all options is approx A\$8 m.

*** Includes 100 converting notes will Face Value of \$10,000 each which convert into approx 5.5 million PWS shares in August 2009

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Major Shareholders

Major Shareholders of Ordinary Shares * and Converting Notes**

Link Traders Pty Ltd	Investor	12.0%
Newest Pty Ltd	Investor	5.2%
Ludgate Environmental Fund	Environment Fund	3.3%
CSIRO	Govt Scientific Organisation	2.2%
Australian National University	Institutional Investor	2.1%
Current Directors and Executives – Ordinary Shares & Converting Notes		5.2%
Top 50 Shareholders aggregate holding		56.0%
Institutional Shareholding (approx)		10.0%
Total number of Shareholders (approx)		1,500

* Shareholders as at 25th November, 2008

** Based on conversion of 1 Note = 55,556 PWS shares

100 Notes on issue (equal to 5.6m plus shares)

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Questions