

ASX ANNOUNCEMENT

Wednesday 16th October 2019

Business Update

Key Points:

- FY2019 Revenue guidance reaffirmed at \$27-30 million.
- Changxing Factory now producing at 20,000 tpa.
- Second production line to be completed by May 2020.
- PET debt free and Cash of \$14.6 million.
- Global project pipeline now greater than \$330 million.

FY2019 Revenue Guidance

The Company reaffirms its previous guidance of revenue at \$27-30 million for 2019.

PET currently holds some 3,000 tons of Phoslock[®] in inventory (sales value \$9 million) in China and at international warehouses. Expected sales for October to December 2019 are in the range of 4,000-5,000 tons.

The Company remains debt free and held \$14.6 million in cash as at 30 September 2019.

Changxing Factory

Modifications at the Changxing Factory have been successfully completed on time and within budget. Daily production is now over 50 tons per day; current production record is 58.5 tons per day. This takes annual production capacity to 20,000 tons for the first production line.

Plans for a second production line at the Changxing Factory of similar size are being finalised. The objective is to have it completed by May 2020. This expansion is expected to cost \$4-6m and can be funded out of existing resources.

The factory has been running at full capacity seven days a week, including the recent China National Holiday week, to deliver product for immediate application to the East Lake (Donghu) project in Wuhan (announced 1 October 2019).

Bagging of 16,000 25 kg bags (400 tons) has been completed for dispatch this week to the United States for the Florida projects (announced 9 October 2019).

Share Price: **A\$1.20**

52 Week High: **A\$1.60**

52 Week Low: **A\$0.32**

Issued Shares: **562.5m**

Market Cap: **A\$675m**

Address:

Suite 403
25 Lime Street
Sydney NSW 2000

Phone: +61 2 8014 7611

Email: ir@phoslock.com.au

www.phoslock.com.au

www.phoslock.eu

www.phoslock.com.br

www.phoslock.cn

PHK BLOG on Water Issues:

www.phoslock.com.au

Project Pipeline

The current project pipeline now totals some \$330 million, comprising of \$200 million in China and the previously announced increased total of \$130 million of new International projects since February 2019. This covers the period to end 2022 and includes over 40 International projects and four Chinese projects.

The criteria for inclusion in the pipeline is for projects at an advanced stage, dependent on final customer approval and/or financing.

Financial Commentary

Receipts from customers were \$4.6m for the September quarter, making a total of \$23.3m for the first nine months (2018 pcp \$7.4m). Operating costs (excluding raw material purchases and taxes) were \$2.3m for the quarter (\$2.2m for the June quarter).

Manufacturing costs, including raw material procurement, were \$5.1m for the quarter, reflecting a major increase in business activity. As at 30 September 2019, PET held some 3,000 tons of finished Phoslock® at various storage locations (value A\$9m), plus raw materials to manufacture another 3,500 tons. Expected sales for the three months to December 2019 are in the range of 4,000-5,000 tons.

Net Cash Flow from Operations (NCFO) for the quarter was a \$3.5 million outflow. Raw material procurement of \$5.1m was the major contributor. NCFO was a record \$7.3m inflow for the first nine months of 2019

Group Profit Margins remain around 50% for the period.

Capital Expenditure for the quarter was \$0.5m, predominantly for expansion works at the Changxing factory.

Share Register

The PET Share Register has undergone significant change over the last six months. During this period the level of share activity continued to grow strongly and the Company has been admitted into the ASX300.

The number of shareholders has increased from below 3,000 to over 6,000 shareholders, with a doubling in institutional investors.

	March 2019	October 2019
Institutional Shareholders	7%	15%
Directors & Management	30%	26%
Other Shareholders	63%	59%

Chairman Laurence Freedman AM stated:

“All areas of the business continue to expand significantly. We are particularly pleased with the developments in Florida and look forward to this project expanding within Florida and to other US states.

“The first stage of factory expansion, which increased capacity 33% is now completed. The second stage, which will double capacity from here, should be completed in seven months, all funded from existing cash reserves”.

Mr Laurence Freedman AM
Chairman

Mr Robert Schuitema
Managing Director

For more information please contact:

Mr Laurence Freedman AM – Chairman; Phone: + 61 (02) 8999 1999

Mr Robert Schuitema – Managing Director; Phone: +61 (02) 8014 7611

Mr Michael Kotowicz – Investor Relations; Phone: + 61 (02) 9199 8010 / Mob: 0416 233 145

PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED (PET)

Phoslock Environmental Technologies Limited is listed on the Australian Stock Exchange (ASX Code: PET).

Phoslock Environmental Technologies Limited (ASX: PET) is an international environmental company specialising in engineering solutions and water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs.

PET has its headquarters in Sydney, Australia with offices in Brisbane, Beijing & Changxing, China; and Manchester, UK. PET is represented by licensees, distributors and agents in ten other countries including SePRO Corporation in the United States and HidroScience in Brazil. PET has a number of marketing and co-operation agreements in China with various environmental companies and government agencies.

In 2017 Phoslock (Beijing) was formed to help remediate the massive Chinese algae and water pollution problem. This 100% owned subsidiary undertakes design, engineering, and implementation of rivers, canals, reservoirs and lakes, along with construction of wetland areas. The significant broadening of the historical PET business allows for work on a greatly increased array of projects both in China and elsewhere.

PET 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.

Phoslock[®] is certified to be used in drinking water in North America, Europe, UK, Brazil, Australia and China.

Along with Phoslock[®] PET also supplies:

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

PET 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 bacteria. It also has an engineering and physical water management division.

The Changxing Factory recently received ISO accreditation from TUV Rheinland, a German engineering accreditation agency for:
ISO 9001 – Quality Control and Documentation Certification;
ISO 14000 – Environmental Management Standards Certification; and
OSHA 18000 - Health and Safety Management Systems.

PET has secured the exclusive global licence to manufacture, sell and distribute a unique new product which, after removing phosphorus from polluted water, can be reused. PET has established a development team to advance the product to full commercialisation. It is anticipated that commercial quantities of the new product will be available by mid-2020.

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