



Phoslock Environmental Technologies

Tuesday 3rd December 2019

Preliminary forecast: 100% sales increase for FY2020

Preliminary Sales Forecast \$50-\$70 million

The FY 2020 Sales Forecast is made up of:

- Phoslock[®] sales of 10,000-20,000 tonnes;
- Engineering & maintenance work in \$10-20 million range;
- Phoslock[®] production capacity expanded to 40,000 tonnes annually by mid-2020.

By doubling factory capacity, PET will have significant additional tonnes of Phoslock[®] available for sale to meet additional anticipated demand from existing and new projects not included in the Sales Forecast range.

PET is currently on track to meet its FY2019 sales forecast of \$27-30 million. However, the final numbers will depend on the status of major projects at year-end. For example, extreme weather could affect applications. Any product not applied in 2019 will be applied in early 2020.

2020 Forecast Sales Breakdown:

China has five major projects currently in progress:

- *Xingyun Lake (34 km²), Yunnan Province.*
Work started in May 2019. Some 3,500 tonnes will be applied to the lake by the end of December. Two application vessels are currently in action and a third due for delivery shortly. Significant additional tonnes are expected to be applied in FY2020 and beyond.
- *South Lake (8 km²), Wuhan city, Hubei Province.*
Work will commence shortly on a new large lake in Wuhan. Work on several other lakes in this area was completed in October.
- *Beijing Canals.*
On-going maintenance work to over 20km of canals.
- *Beijing Wetlands.*
On-going maintenance work.



ASX Code: **PET**

Share Price: **A\$0.86**

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

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

Issued Shares: **564.4m**

Market Cap: **A\$485m**

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PHK BLOG on Water Issues:

www.phoslock.com.au

- *PET China* has secured several environmental projects, where engineering & maintenance services will be provided.

The above projects are expected to provide significant work in 2020 and beyond. Projects in China typically comprise several highly defined stages. Success in one stage leads to work on subsequent stages.

China Pipeline is currently \$200m and growing.

In addition to the current projects included in the pipeline, PET China is focusing on a number of large national projects:

- The environmental protection of the Yangtze River;
- The coordinated development of the Beijing-Tianjin-Hebei Urban Agglomeration region;
- The comprehensive management of the Hubei nine plateaus; and
- The development of the Guangdong-Hong Kong-Macao Greater Bay Area.



China: Key areas of activity

Rest of the World.

The project list for FY2020 currently involves some 20 projects in 12 countries.

The major project areas are:

- United States/Canada : Florida wetlands and lakes
- Europe/UK : ten projects
- Brazil / South America : six projects

International Pipeline is currently over \$130 million, comprising over 40 projects.

Performance Options to overachieve FY 2020 Sales Forecast

The Board has approved the issue of a maximum of 25 million Performance Options to reward executives and consultants for outperformance of the FY2020 sales targets.

PET China Team (30 people) may earn up to 20 million Performance Options if China sales exceed \$80 million (before VAT).

PET International Team may earn up to 5 million Performance Options if International sales exceed \$25 million.

The terms of Performance Options are contained in Appendix 3B, which has been lodged with the ASX this morning.

The Exercise Price of the Performance Options is \$1.00. Vesting Date is 31 December 2020, Expiry Date is 30 June 2021. None of the Directors nor the Chief Executive Officer participate in these options.

Chairman Laurence Freedman AM stated:

"The range of these preliminary figures is broader than normal due to the rapid growth in all aspects of the business. While we forecast a 100% sales increase for 2020, several large potential projects have not yet met our pipeline criteria.

"It is important to be aware that the Engineering and Ground-Remediation areas are both growing strongly and will contribute substantially more revenue next year and beyond.

"The doubling of annual factory capacity to 40,000 tonnes next year is a sign of our long-term confidence.

"Issuing Performance Options to the sales teams provides the strongest incentive to achieve maximum sales for 2020. These options are issued on a sliding scale; if sales in China are below \$40m and below \$25m Internationally, no options will be earned. However, if PET China achieves sales (before VAT) greater than \$80m and PET International achieves sales greater than \$25m, the maximum 25m options will be earned. Sales for 2020 would be then greater than \$100m.

"We look forward to providing further updates as new developments come to hand."

Mr Laurence Freedman AM
Chairman

Mr Robert Schuitema
Managing Director

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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 several 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