

ASX ANNOUNCEMENT

Monday 25th May 2020

Chairman's Address at AGM

This has, in every respect, been a tumultuous year so far, for the entire world and for the Company. In about mid-January, we became aware of the seriousness of the outbreak of what is now known as COVID-19, when the Chinese government instructed us to delay re-opening our production facility after the normal closure for Chinese New Year. From this time forward, all of our global operations were, to varying degrees, impacted. We have ensured, at all times, to openly and regularly communicated with you, so you are well aware that, as a result of the timely actions we undertook across the business, we are now in the best corporate position we have ever been in, both in regard to our balance sheet and our management group and, I am confident, our long-term sales outlook.

Dealing **firstly** with the balance sheet; the extremely successful recent raising of some \$30 million from Australian institutions, existing shareholders, and from us, the directors and executives, in the most difficult market conditions in living memory, has put us in the enviable situation of ,today, having over \$50 million in cash and receivables and, I must stress, **no debt**. This is a most satisfying position and, I am sure that, as investors, you are aware just how rare it is in this, or any other financial climate, for a strongly growing company to be in. It is due to the foresight and unstinting efforts of your directors, together with the commitment and teamwork of the executive and each and every employee.

Secondly, because of our unique product and the increasing global need for clean water, whether for aquatic life, agriculture or human consumption, we are in a very secure long-term sales position. Furthermore, virtually all of our customers are government bodies, whether federal, state, provincial or local. Therefore, regardless of the state of the global economy, we are most unlikely to incur bad debts as we are, essentially, not dealing with companies, which could experience financial difficulties.

So, on every measure of financial and corporate security, we have positioned the Company to not only weather the storm, but to be confident of our long-term growth trajectory. Furthermore, our customers are increasingly motivated to

ASX Code:	PET
Share Price:	A\$0.54
52 Week High:	A\$1.59
52 Week Low:	A\$0.29
Issued Shares:	619.3m
Market Cap:	A\$334m
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

rectify what has been, for many decades, an unrelenting deteriorating environment for the world's most precious resource, water, without any effective and harmless rectification options. Phoslock alone meets every environmental and practical criteria.

Thirdly, I am proud to highlight the internal corporate changes made by your directors over the past year. It has been our concerted and focused task to strengthen management, remembering that just three and a half years ago, the executive team comprised only three people - Rob Schuitema, who, together with Andrew Winks and Nigel Trail, handled not only the Company's corporate matters, but all of its technical, production, marketing and sales operations.

Our great opportunity came in China when we presented to Mr Zhang in Beijing Phoslock's unique properties, which he put through a rigorous testing process and which led to our initial transformation. When he first tested the product, the Company's market value was about \$30 million. The test results, combined with his confidence, not only in the potential of the product, but in the ability of our small team to succeed, was well founded. Not only did he enable the transformation of Phoslock the company by making a substantial personal investment, he also set about recruiting a highly qualified and motivated team in China. Our joint efforts have, since day one, been in lockstep in driving Phoslock to become a global enterprise, which is now clear for everyone to see.

In Australia, we embarked on a similar exercise, firstly by being fortunate to have Brenda Shanahan join the Board and then tasking her to recruit the very best qualified and motivated people. Which she has done.

Our market capitalisation stands at over \$300 million and, with our strength of management and our cash, we have the ability to expand and develop via new products, new services, better ways of doing business and more expansive corporate activity.

You will be aware today of our strength of management as I introduce to you the leaders of the new executive team, led by Lachie McKinnon who, after the close of this meeting, joins the Board as Managing Director and Matt Parker, who hit the ground running as CFO earlier this month. Equally importantly, at Board level I want to acknowledge Mr Ma a most energetic and valued director and, once again, Brenda Shanahan who always forensically ensures that we comply with, or exceed, every corporate governance requirement. And, of course, my close colleague and Deputy Chairman Mr Zhang, who has not only led the Company's success in China, but has also been a motivating force across all aspects of our activities around the world.

In addition, I must point out the strengthened production, technical, corporate and marketing staff led by Andrew Winks, General Manager of International Sales and R & D, Nigel Traill in charge of global sales and, in China, the three leaders of their respective areas, Mr Liu, General Manager of Phoslock Beijing, Mrs Zhou, Finance Controller and Jason Hai, General Manager of the

Changxing factory, as well as all of the engineering, scientific and management staff. We currently have a total of **63** employees worldwide, and five dedicated members of the Board. This combination gives us the ability to match our ambitions with results.

It is now time, reluctantly to farewell our Managing Director of twelve years, Rob Schuitema. Rob has been an extraordinary manager, director and Managing Director. When I first invested in the Company in 2003, the share price was around 15cents and the market capitalisation was a tiny \$15 million. I invested for two reasons; clearly, the product had merit, but equally importantly, Rob gave me confidence that he was capable of turning the problem of the global incursion of algae into a successful corporate entity.

Over the years, Rob has never been off watch. He has been a 24/7 executive with intimate knowledge of every aspect of the Company and has led what was a micro team to where we are today. Rob has chosen to take a well-earned break from daily routine, but he will remain a substantial shareholder in the Company. The directors, staff and shareholders thank you for your dedication and wish you all the very best.

I now want to formally welcome and introduce to you our about-to-be Managing Director, Lachie McKinnon. Lachie has an extensive background in commercialisation of international markets, having built and led corporate teams and directed general business management. Before joining Phoslock, Lachie was in senior executive roles at Nufarm Ltd, Australia's largest agricultural chemical supplier. His experience ranged across a number of international locations – predominantly in Europe and North America. I am confident that Lachie's experience and energy is an ideal fit for Phoslock's growth path. Lachie joined Phoslock in January of this year as CEO and already has many initiatives underway, some of which he will discuss today. And, as I have said, at the conclusion of this meeting, Rob steps down and Lachie becomes Managing Director of the Phoslock Environmental Technologies Group.

Finally, I must add a few words about China. There is, currently, much commentary about China in the world media. And from shareholders and analysts, we are experiencing much interest as to our relationships there and our future. Mr Zhang will cover the situation fully, but I want to explain our corporate structure and what it means for us, the shareholders.

While not uniquely structured as a Company, Phoslock is, nevertheless, unusual. We are an Australian Company, domiciled in Australia and we function within the framework of domestic laws. However, in China, our subsidiaries, which are all wholly owned, are Chinese companies and therefore function with the benefits of being in that framework; our staff there are predominantly Chinese and, I am very pleased to say, almost all are shareholders in the Australian company. Our raw materials come from within China and our manufacturing is in China. We are therefore, within China, a Chinese domestic sale and exporting company. Our directors are, as you know, a mix of both. We

see this structure as giving us the benefits of domicile in each country. We are therefore confident that, with our cross-cultural commitments, our relationships in China will continue to grow, as they will everywhere else. And, I need to remind you, that we are a truly global company, with many successful applications – in fact more than 300 – around the world.

To conclude, it is worth stressing that the common global theme is that governments on every level are increasingly committed to alleviate pollution and, most particularly in water, the life blood of our world. This remains the case despite the massive upheavals currently in the global economy. Simply put, people want -and demand- untainted water for drinking, agriculture, and recreation.

Phoslock Environmental Technologies is an important part of the global environmental and ethical investment community. We have the expertise, depth of management and resources to be confident of a great future.

Rob and Lachie will tell you about the status, the opportunities and our plans in more detail.

But first I want to introduce you to my colleague and your Deputy Chairman, **Mr Zhang**, who will present a comprehensive exposition and analysis of our situation and potential in China from the government level to the practicalities and results of applying our products. Mr Zhang will deliver his address in Chinese, but you will be relieved to know that the slides are in English!

Mr Laurence Freedman AM

Chairman

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 in later 2020.

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