



ASX Code: **PET**

Share Price: **A\$1.395**

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

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

Issued Shares: **552.7m**

Market Cap: **A\$771m**

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PHK BLOG on Water Issues:
www.phoslock.com.au

ASX ANNOUNCEMENT

Friday 23rd August 2019

HALF YEAR ACCOUNTS TO 30.06.19 [Financial Year End 31 December]

- **Maiden Cash Distribution of 0.5c per share to shareholders**
- Revenue up 9% to \$10.2m
- Net Profit after Tax \$1.0m
(loss \$600k last half year)
- Net Operating Cash Flow \$10.8m
- Net Liquid Assets \$22.7m
- Company is debt free.

RESULTS AND OUTLOOK

Revenue forecast for FY2019 remains in the range \$27-\$30m, up ~ 55% on FY2018.

Net Profit (before Tax) forecast is in the range \$6-\$8m, up ~100% on FY2018.

The Company has commenced work on its largest ever project in southern China. The scope of works includes the application of Phoslock[®] to rivers, canals and wetlands in the catchment area of one of eight very large lakes in the province. This will be followed by extensive applications to the lake itself. This, alone, is a large multi-year project.

Interest in PET's China catchment and lake work, along with the recent Chinese Ministry of Water Resources certification of Phoslock[®], has already led to two major trial invitations on lakes and catchments projects elsewhere in China. These projects are potentially much larger than the southern China project. Planning for these trials is underway, with applications expected to commence in the next three months.

The pipeline for International Projects looking ahead to 2022 has increased significantly with key project milestones achieved during current year. The international pipeline is currently \$130 million, involving some 30 projects in 18 countries. All require a range of PET products as well as our engineering services.

In order to meet current and expected demand for Phoslock[®], the Changxing factory's production rate is now at 15,000 tpa. Further changes at Changxing are currently in train, designed to increase capacity to 20,000 tpa.

We are in the planning stage of bringing a second Phoslock[®] factory into production within 12 months.

Given the rapid growth in the size and scope of projects, predominantly in China, but also internationally, we are not yet ready to forecast sales levels for 2020 and beyond. It is likely we will do so in coming months.

NEW PRODUCT

PET has secured the exclusive global licence to manufacture, sell and distribute a unique new product which, after removing phosphorus from polluted water using nano-chemistry can be reused. We have established a development team to advance the product to full commercialisation, which should be available for sale around mid-2020.

Major benefits are that the product is recyclable up to ten times and the removed phosphorus is resalable as a slow-release fertiliser.

Being applicable in moving water, this should become a very significant product for us globally.

CAPITAL DISTRIBUTION

The financial profile and operating performance of PET has changed significantly over the last few years. Accordingly, we believe that the Company, with over \$20m in cash and receivables and no debt, is in a position to reward shareholders with an initial cash distribution.

Most of our longstanding shareholders have been very loyal and supported the company whilst we built a global business.

Subject to shareholder approval, we propose to pay a Capital Distribution of 0.5 cents per share to all shareholders registered at close of business on 10 October 2019 (**all dates subject to final determination**)

The Company has commenced the process of requesting a tax ruling from the Australian Tax Office to confirm the tax treatment of the Capital Distribution for the Company and shareholders.

A General Meeting is scheduled for ~ 8 October 2019. Documents relating to the General Meeting will be dispatched to shareholders in early September. Subject to shareholder approval, the proposed Payment Date is ~17 October 2019.

Important Information:

In order to pay the Capital Distribution into shareholders' bank accounts, Computershare requires bank account and Tax File Number details.

Shareholders need to update their Computershare records via www.computershare.com.au/easyupdate/pet

Shareholders will also be requested to supply an email address to be linked to their shareholding data, so that future communications, such as Notice of Meetings and Annual Reports can be emailed direct.

Chairman Laurence Freedman AM commented:

“These half year results reflect the dramatic changes taking place in the Company as global demand expands for both Phoslock the product and Phoslock the Company.

“Over the past 12 months the number of shareholders has tripled, now standing at over 5,500 individual investors. On any basis, this is an extraordinary show of confidence in us as a management team and in our transformation from a tiny company which only 2 ½ years ago had a market capitalisation of less than \$30 million, to today’s level of close to \$800 million.

“I am most pleased that we can reward our longstanding and loyal shareholders with an initial cash distribution of 0.5c per share. While it may come as a surprise to many that we are able to do so at this early stage of our development, we have always been extremely cautious in husbanding resources while we built the business globally. We acknowledge the faith that our investors have shown in us and the product.

“We have over \$20 million in cash and receivables and no debt.

“In addition, the new product we have global exclusive rights to will become another core earner for the Company; not only is it designed to be used in running water, but because we can extract the phosphorus it captures, we can resell it as a slow release fertiliser, adding to our cash flow. We are also developing new products which will add further to the suite of products and services we are able to offer the growing global environment remediation market.

“I hope to report further substantial growth of opportunities in the near future”.

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 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