



ASX Code: **PET**

Share Price: **A\$0.425**

52 Week High: **A\$0.48**

52 Week Low: **A\$0.19**

Issued Shares: **507.2m**

Market Cap: **A\$216m**

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PET BLOG on Water Issues:

www.phoslock.com.au

ASX ANNOUNCEMENT

Monday 29th October, 2018

Business Progress

Key Points:

- Second \$7m Chinese wetland project on target for completion late November;
- Further orders and work for Beijing Canal project;
- Company remains debt free: \$6m cash plus \$14m debtors and inventories
- 50m Performance Options vested; \$5.25m revenue receivable over next 30 days
- PET admitted to S&P/ASX Emerging Companies Index

CHINA

The second \$7m wetland is nearing completion in Beijing. This project involves the movement of 60,000 tonnes of materials to the site. The project is expected to be completed by late November 2018.

Work continues on the South Beijing canals, with Phoslock, zeolites and bacterial products being applied. A new \$1.5m order was received during the quarter for additional product; the water quality results continue to be outstanding.

The China team is currently tendering on several large projects in southern China. All will require the full range of products and services. More information on their scope will be announced in due course.

FY 2018/19 FINANCIAL FORECAST

Directors re-affirm the Company's FY2018-19 Financial Forecast:

- Current year revenue forecast \$27m - \$30m up ~ 80%
- NPBT forecast \$7m - \$10m up ~170%

MOU signed to acquire Minerals Deposit to secure security of supply

MOU signed to acquire Minerals Deposit to secure security of supply. The Company, has for some time, been considering ways in which to secure both volume and prices for its raw material needs. A Memorandum of Understanding has been signed to acquire a key material deposit in order to secure supply for future wetland construction. Due diligence is currently being conducted.

50M Options vested with \$5.25m due over the next month

As previously announced, the vesting conditions for 30 million options issued to CEC Environmental Group shareholders and 20 million options issued to Phoslock Beijing employees ("PBEE") have been met some nine months early. Holders have advised that they intend to exercise their options within the next 30 days. The first 10 million options were exercised on 26 October. The early inflow of \$5.25m into working capital will assist the company accelerate its growth plans.

CHANGXING FACTORY

The factory in Changxing, Zhejiang Province, continues to operate efficiently, matching production to demand. In addition to Phoslock, zeolites and bacterial products are also produced for use across our various projects.

The R&D team at Changxing continues to evaluate and trial a number of new products and devices. Several are already being used, where appropriate.

INTERNATIONAL BUSINESS

Europe

Above-average temperatures triggered a significant increase in blue-green algae in many countries over the European summer. These conditions resulted in a substantial rise in enquiries from government agencies and lake owners. European staff are responding to enquiries and proactively marketing Phoslock to affected water bodies. A large number of new proposals have been submitted, resulting in several major projects currently under consideration. Most involve the treatment of large recreational water bodies, although three proposals to treat potable water supply reservoirs are also being assessed. In total, these projects could involve the application of some 2,000 tonnes of Phoslock. In order to service this increasing demand, the Company is in the process of recruiting three new sales executives and technical specialists.

North America

The application of Phoslock to Lac Bromont in Quebec and the positive results recorded have generated considerable coverage in Canadian media. New proposals totalling in excess of 2,000 tons have recently been prepared. Decisions on several of these are expected in coming months, with the first applications planned for spring 2019, once the lakes thaw.

SePRO and PET are currently undertaking a joint marketing program in Florida in mid-October to capitalise on the well-publicised efforts being made in that state to combat the growing threat of blue-green algae in the State's waterways. A number of pilot projects are also expected to be completed in Florida before the end of the year. Two special sessions on

Phoslock will be held at this year's North American Lake Management Society's Annual Conference in Cincinnati.

OTHER

PET's Brazilian licensee, HidroScience, has successfully negotiated an extension of the contract to restore Lake Pampulha. The program will run for 12 months and is valued at approximately \$1.5m.

In addition, HidroScience has been awarded a new contract valued at more than \$0.5m to restore a drinking water reservoir in North East Brazil. Decisions on several contracts of a similar scale are pending.

During September, the Company exhibited at the International Water Association's Bi-Annual Conference and Exhibition in Tokyo. This is one of the world's leading events for the water industry, having attracted over 5,000 international specialists. Interest in Phoslock was high and we are currently in the process of following up on over 50 leads.

FINANCIAL COMMENTARY

Cash receipts for the September quarter were \$3.2m (\$1.1m pcp). Product and raw material purchases for the quarter were \$3.7m (\$1.2m pcp). These were mainly for the second Beijing wetland project, where work is now well advanced. Operating cash costs (excluding inventory purchases and tax payments) increased for the September 2018 quarter to \$1.9m (\$1.6m pcp), mainly due to higher corporate and marketing costs.

Receivables as at 30 September were \$8.5m; some \$3m cash was received from customers, mainly in China.

As at 30 September, PET was debt free, with cash on hand of \$6.1m and receivables, debtors and inventories of \$14m.

PET completed the buyout of Phoslock Europe GmbH, taking its ownership to 100%. All group companies are now owned 100%.

PET has recently been admitted to the S&P/ASX Emerging Companies Index.

The Company recently presented at an investor conference in Melbourne. The presentation was released to the ASX on 17 October, 2018. Post-conference, management undertook an institutional road show in Melbourne and Sydney, presenting to some 20 institutional fund managers.

ANNUAL GENERAL MEETING

Date – Thursday 22nd November, 2018

Starting Time – 10am EST

Venue – Westin Hotel, Macquarie Place, Sydney

The Notice of Meeting and Proxy Form has recently been posted to all shareholders.

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 impaired 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.

With the massive water remediation market in China, in 2017 Phoslock (Beijing) was formed. Our 100% owned subsidiary undertakes design, engineering, and implementation using remediation materials for rivers, canals, reservoirs and lakes along with construction of wetland areas. This is a significant broadening of the historical PET business and enables it to undertake a greater array of projects in China and elsewhere, supplying both services and materials.

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.

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 another important food source for the growth of harmful algae; and
- 2) Bacteria. - Certain 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 biological solutions (such as nutrient consuming bacteria).

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