



ASX Code: **PET**

Share Price: **A\$0.38**

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

52 Week Low: **A\$0.22**

Issued Shares: **540.9m**

Market Cap: **A\$205m**

Address:

Suite 403
25 Lime Street
Sydney NSW 2000

Phone: +61 2 8014 7611

Email: enquiries@phoslock.com.au

www.phoslock.com.au

www.phoslock.eu

www.phoslock.com.br

www.phoslock.cn

PET BLOG on Water Issues:

www.phoslock.com.au

ASX ANNOUNCEMENT

Thursday 31st January, 2019

Business Progress

SIX MONTHS TO DECEMBER 2018

Key Points:

- Revenue \$9.3m, Up 50% Y.O.Y.
- Margins remain strong: Gross Profit >50%
- Growing forecast sales and pipeline
- Debt free - \$12m cash at date of report
- Seeking diversification within water treatment industry

CHINA

The second substantial \$7m Beijing wetland project was completed during the period, involving the movement of 55,000 tonnes of materials to the site. Work continues on the South Beijing canal project, with Phoslock and bacterial products being applied. The use of high speed aerators enhances the effectiveness of the remediation process.

PET China has recently signed four agreements with large construction companies to undertake sub-contracting work on projects requiring lake and river remediation and wetland construction.

The pipeline for 2019 has eight confirmed or soon to be confirmed projects on an expanding geographic area, underwriting strong sales for the year. All new projects require the full range of PET products and services.

We are examining a number of potential acquisitions which complement and/or add to our existing business. Several MOU's have been signed, but no formal offers have yet been made.

Changxing Factory

The factory continues to operate efficiently, matching production to demand. Zeolites and bacterial products are now produced in addition to Phoslock with our expanded factory capacity.

The Company has recently obtained three important certifications, from a major European testing agency:

- ISO 900: Quality Control and Documentation of all procedures meets International Standards;
- ISO 14000: Environmental Management Standards Certification;
- OSHA 18000: Health and Safety Management Systems

The R&D team in Changxing continues to evaluate and trial a number of new products and devices, with several already in use.

INTERNATIONAL BUSINESS

International revenue totalled \$1.5m for the six months. The upcoming February - May period is traditionally the busiest time of the year for European and North American business with a number of applications scheduled.

We are significantly increasing our international marketing resources. A key focus is on lakes in Europe and North America. Marketing focus is also being extended to new countries.

Europe

Proposals to treat seven lakes and reservoirs in the UK, the Netherlands and Belgium during the current year have been finalised. The value of these projects is expected to be between \$2m and \$3m, depending on the chosen application method.

Phoslock will be reapplied to the Serpentine Lake in London's Hyde Park during February. The treatment follows the original application prior to the 2012 London Olympics.

North America

Agreement has been reached to enter into a new contract with US licensee SePRO Corporation. SePRO have committed to a substantial increase in Phoslock purchases.

SePRO was recently awarded an important pilot project in Florida where blue green algal blooms are chronic. The application will commence in March and, if successful, should lead to large applications. Details of the project are currently commercial in confidence.

South America

Further Brazilian sales were made during the quarter to Hidroscience, which continues to apply Phoslock to Lake Pampulha and to drinking water reservoirs in the north of the country.

Australia

A number of smaller applications were made during the quarter to various lakes around Australia.

FINANCIAL COMMENTARY

Cash receipts for the period were impacted by the Chinese payment cycle. However, \$7.5m was received from Chinese debtors in January, 2019. Current receivables total \$10m, of which a large portion relates to projects invoiced in the December quarter.

Product and raw material purchases for the period were \$3.9m (\$3.7m previous quarter). These were mainly for the second Beijing wetland project and for International sales. Operating cash costs (excluding inventory purchases and tax payments) decreased for the December quarter to \$1.7m (\$1.9m previous quarter), mainly due to lower corporate costs.

31.5m CEC and Employee Incentive Options were exercised during the quarter, raising \$3.3m. In January a further 12.2m Employee Incentive Options were exercised, raising a further \$1.3m. A total of 21.3m Employee Incentive Options are currently outstanding; 6.3m have vested and 15m are close to vesting.

New Financial Year

In December, shareholders agreed to change the financial year end to 31 December, to align with its key business units. Fully audited annual accounts will be prepared for the six month period 1 July 2018 to 31 December 2018 which will be released to the ASX at the end of February, 2019. An Annual General Meeting will be held in May, 2019.

As at 31 January, 2019 PET has no debt, cash on hand of \$12m and receivables of \$10m and inventories of \$2m.

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

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