



ASX Code: **PET**

Share Price: **A\$0.375**

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

52 Week Low: **A\$0.26**

Issued Shares: **542.0m**

Market Cap: **A\$203m**

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PET BLOG on Water Issues:

www.phoslock.com.au

ASX ANNOUNCEMENT

Monday 29th April, 2019

Business Progress

THREE MONTHS TO MARCH 2019

Key Points:

- Record \$10m Cash Receipts from Customers
- Record \$6m Net Cash from Operations
- Strong Balance sheet, debt free, \$12m cash on hand
- Three major trials underway on very large projects
- PET admitted to the ASX All Ordinaries Index

CHINA

The scope of works for the **Beijing Wetlands Projects** has significantly increased. A very large 120 hectare geo-textile cover is being laid as a barrier between the soils and remediation materials. A third wetland has been incorporated into the current plan, which PET will complete in the second half of 2019. This involves a significant quantity of zeolites and volcanic materials to the site, along with an additional geo-textile cover.

Work continues on the **South Beijing Canal Project**, with both Phoslock and bacterial products being applied. High speed aerators are being installed to enhance the effectiveness of the remediation process.

Work has commenced on the remediation of several **Large Lakes in south west China**. Works are staged and subject to performance targets being met. A number of international experts are validating the treatment strategies.

Work has also commenced on remediation of a **Canal in south China**. This is the first of 30 lake and river projects in this area. Success in the first project will lead to significant additional work.



Part of the Beijing Wetlands Project site prior to the laying of a large geo-textile cover

International Symposium in Kunming, China

In April, an international symposium comprising some 100 lake experts from around the world gathered to discuss technical research results and commercial solutions for lake eutrophication and phosphorus pollution control in south west China lakes. The symposium profiled Phoslock as an important treatment solution.



Opening address by Madam Wei Li, Director General of Yunnan Environment

Changxing Factory

The factory continues to operate efficiently, matching production to demand.

The Company has recently obtained three important certifications, from TUV Rheinland, 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

The Americas

A number of Phoslock treatments were undertaken in the US during the first quarter, including a major trial involving the treatment of **Wetlands in Florida**. Algal blooms caused by elevated levels of phosphorus are a major issue, attracting extensive media as well as increased levels of Federal and State funding. In many cases these wetlands are now saturated with phosphorus.

Authorities are increasingly turning to technologies like Phoslock in an effort to protect sensitive downstream environments such as the Everglades from the effects of eutrophication. Success in these trials is expected to lead to large-scale use of Phoslock in similar environments across Florida and other states.



Application to Florida Wetlands

PET is currently in advanced stages on several large-scale projects in Eastern Canada. The first of these is expected to proceed in the second half of 2019 and involves the treatment of a drinking water reservoir. A number of similar large applications are expected to follow.

In Brazil, PET's licensee, HidroScience, continues to re-treat Lake Pampulha. The project is now in its fourth year and the total volume of Phoslock applied to the lake is in excess of 1,300 tonnes. HidroScience is also treating a number of potable water supply reservoirs in the country's north and is in the final stage of discussions to undertake several more projects in southern Brazil.

Europe

A number of milestone applications have taken place in Europe since the start of the year, including a re-application of Phoslock on the Serpentine in London's Hyde Park. In 2012, prior to the London Olympics, Phoslock was successfully applied and resulted in first-rate water quality. The reapplication in February is designed to maintain the high standard.



Re-application to The Serpentine, London, UK

In March, a large application of Phoslock was undertaken on a drinking water supply reservoir in Western Europe. The reservoir, treats more than 40 mega litres of water per day and is more than 60 hectares in area. This is a milestone project for PET as the reservoir is in densely populated area and it needed to remain online during treatment.

The use of Phoslock in potable water supply reservoirs in other countries such as Brazil, UK and Australia has resulted in significant reductions in blue green algal concentrations and has led to reduced operational costs in treatment plants.



Application to Drinking Water Supply Reservoir

The total value of these and other European projects during the quarter was in excess of A\$500,000.

PET's European team is currently working on a number of major projects planned for the second half of 2019 or early 2020 in the Netherlands, Belgium, the UK and Finland.

FINANCIAL COMMENTARY

Cash receipts from customers for the March quarter were a record \$10 million.

Product and raw material purchases for the March quarter were \$1.2 million (\$3.9 million previous quarter). These payments were mainly lower due to drawing down on existing raw material stocks.

Operating cash costs (excluding inventory purchases and tax payments) increased for the March quarter to \$2.1 million (\$1.7 million previous quarter), mainly due to additional employee numbers and Research & Development expenses.

During the quarter, 13.5 million Employee Incentive Options were exercised, raising \$1.4 million. A total of 20.2 million vested Employee Incentive Options are currently outstanding, which could raise an additional \$2.1 million before expiry in December, 2019.

The Company is forecasting strong receipts from customers for the June 2019 quarter.

In another milestone achievement, PET has been admitted to the ASX All Ordinaries Index.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on **Friday 3 May, 2019** at The Westin Hotel in Sydney, starting at 10am. In addition to the normal business of the meeting, PET's Deputy Chairman, Mr Zhigang Zhang will make a presentation on PET's China business.

As at 29 April, 2019 PET has no debt, cash on hand of \$12m, receivables of \$10m and inventories of \$3m.

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). PET is included in the ASX All Ordinaries Index.

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 us 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 which 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 for 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. As with phosphorus, 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 which pollute water and cause 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).

The Changxing Factory has recently obtained three important certifications, from TUV Rhineland, 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

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