

ASX Code: **PET**

Share Price: **A\$0.415**

ASX ANNOUNCEMENT

Chairman's Address at AGM

Friday 3rd May, 2019

Dear Shareholders,

It is six months since my last Chairman's Report. During the last six months, Phoslock Environmental Technologies Limited (PET) has continued to grow strongly. Revenue for 2018 was \$18.7 million, up 130% over 2017. Net Profit before Tax & Options Expenses was \$3.4 million, a massive increase over the break-even 2017.

Our balance sheet has been recapitalised and today we have over \$26 million of current assets, comprising \$12m cash, \$12m receivables & work in progress and \$3m inventory. We have, today, less than \$1 million in creditors and payables.

In the latest quarter, to 31st March, we had record customer receipts in excess of \$10 million, and a record Net Operating Cashflow in excess of \$6 million. We expect a continuation of strong customer receipts for the current quarter.

Our three business divisions - China Contracting, China Materials and International Materials – are all performing well and have a solid and growing pipeline of projects, some of which are very large.

Our China business is now just under two years old. In the first 18 months, China sales were \$20 million, with a Gross Profit Margin in excess of 50%. Two major projects undertaken in the past year were the Beijing Canals and Beijing Wetlands. Both projects have gone extremely well and have given water management authorities confidence that we can successfully execute very large projects. As I said, Mr Zhang, our Deputy Chairman, will provide an overview of the current Chinese water environment market and PET's business development in the Chinese market after my address.

Outside of China, the International business is progressing well and, while revenue for the previous financial year was slightly lower due to delays in several projects, the International pipeline continues to grow steadily. In an important new development, we are now working with the World Bank and other international environmental agencies on a growing number of water remediation projects in less advanced countries. This is another major advance in recognition of both Phoslock the product and Phoslock the Company's expertise.

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

52 Week Low: **A\$0.28**

Issued Shares: **542.0m**

Market Cap: **A\$225m**

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PET BLOG on Water Issues:

www.phoslock.com.au

The approval process required to treat Human Drinking Water Reservoirs is extremely tough and is the highest approval level in water remediation. It is a huge vote of confidence by very conservative water authorities that we have been successful in achieving approvals and have, in fact, recently successfully completed a number of Drinking Water Reservoir projects and have a number in the pipeline.

Recurring revenues are very important for the growth of the Company. We have two types of recurring revenues; maintenance contracts on projects and re-treating lakes periodically after an initial application.

Outside testing agencies have determined that Phoslock is safe for humans, fish, and biota and aquatic plants. In addition, it binds phosphates permanently and safely.

Some 60% of lakes previously treated have now had subsequent Phoslock top-up treatments, due to additional new phosphorus inflows. Lake managers are naturally keen to maintain good water quality once achieved. This is an important factor for us for future annuity-type cash flows.

Environmental, Social and Corporate Governance (ESG) is at the core of our company. A growing number of institutional investors are undertaking ESG and ethical filter reviews of both the product and the Company. To the best of our knowledge we have met all ESG and Ethical Investment requirements, thus making Phoslock officially a 'Green Company'.

Our market capitalisation is today over \$200 million, a far cry from \$20 million just two years ago and was recently admitted into the ASX All Ordinaries Index. I am proud to say that we have no debt and have some \$24 million in cash and receivables.

Needless to say, I am even more confident about our future. We are now firmly established in China, with its massive opportunities. We are growing globally in both applications and new products, and we are actively seeking to add businesses if the acquisition fits within our strategy and the price is realistic. We also have maximum financial flexibility with a clean balance sheet.

During this financial year, several changes were made to strengthen the Board of Directors. Mr Zhigang Zhang, who is making an outstanding contribution, was appointed Deputy Chairman. Mr Ningping Ma, Deputy General Manager of BHZQ, our strategic partner in China, joined the Board in December 2018 and is already making a significant contribution. Mrs Brenda Shanahan who joined the Board in September 2017 is playing a very important role as Chair of the Audit & Compliance committee, particularly as we are increasingly dealing with a growing number of countries and their diverse financial and corporate laws.

I must equally thank our Managing Director, Robert Schuitema for his tireless efforts in bringing about the transformation of Phoslock into this dynamic, diversified and profitable Environmental Remediation Company. Between us, the Directors and senior management own some 156 million shares, or just under 30% of our issued capital. And every share we hold has been paid for by each of us.

Finally, I would like to thank our executive officers (many of whom are in attendance today) and all employees around the world for their significant contribution to the Company.

I look forward to continuing our regular updates and expect to provide you with more positive news as the year progresses.

Robert will now give you his in-depth Managing Director's report on the progress of the business and then Mr Zhang will provide you with the details of the Chinese situation.

When he is finished, we will be happy to take your questions.

Yours sincerely,

Laurence Freedman AM