

ASX ANNOUNCEMENT

Thursday 26th March 2020

- **Audited Accounts released**
- **2020 Business Update & Forecast**
 - **Business activity recommenced in China**
 - **Re-affirmation of previous forecasts**
- **AGM – details to be announced in due course given uncertainty with Coronavirus COVID 19**

FY December 2019 Audited Accounts

The audited accounts for FY2019 have been signed off by the company's auditors, KPMG, and have been released to the ASX today. Unaudited accounts were released on 28 February. The only adjustment is the elimination of the Deferred Tax Reserve in China totalling \$290,060. This is a non-cash item. The effect of this is to lower NPAT from \$3.0m to \$2.7m.

The highlights of FY2019 audited accounts are:

- Sales Revenue for the 12 months to 31 December 2019 was \$24.5m, up 32% YoY
- Gross Profit Margin was 54.7%, up from 49.7% YoY
- Net Profit (before Tax and Option Expense) was \$3.7m, up 10% YoY
- Net Profit after Tax was \$2.7m, loss \$1.0m YoY
- PET is debt free: \$15m cash plus \$17m debtors plus inventories of \$2.3m; Net Assets of \$30.2m (\$23.9m: 2018)

FY2020 Business Update

In China, our Changxing factory recommenced production of Phoslock on 17 February. Production was initially one shift. This moved to two extended shifts by 2 March. Production is averaging over 50 tons per day. Yesterday, the factory produced 60 tons of Phoslock, a new record for daily production.

Regular deliveries of both bentonite and lanthanum chloride from our usual suppliers recommenced in late February and has continued as normal since. Shipments of containers of Phoslock recommenced around 20 February, and the transportation system is largely back to normal.

PET's Beijing sales office re-opened on 10 February 2020. Work has resumed on several of the multi-year projects already underway. A large portion of the new business in China is in Yunnan province (south-west China), an area with very limited reported cases of Coronavirus.

PET employees are currently working at several project sites in Yunnan and other provinces. Applications are scheduled to recommence in April.

Chinese authorities have announced a range of economic stimulus measures around China. PET believes that it will be positive for our customers and projects in China.

FY2020 Revenue Forecast*

PET has reviewed its plans for FY2020 in light of the current Coronavirus COVID 19 crisis that is affecting most parts of the world. China is a key part of PET's business, both manufacturing and projects. The Company has been forecasting 85% of FY2020 revenue from its China business. All projects in the company's FY2020 business plan, except several lakes in Hubei province, are forecast to proceed as planned.

PET's International Business was forecast to make up 15% of FY2020 sales. Some 40% of the International sales (\$5m) are for existing projects and customers. A number of deliveries have already been made to customers in January and February. PET expects that most of the sales to existing projects and customers should proceed in FY2020. The balances of planned International Sales (\$7m) are new projects mainly in Europe and North America. Given that most of Europe and North America is currently in lock-down, first half projects will be moved into the second half of FY2020 and potentially some could move into FY2021.

Based on the above, PET maintains its FY2020 Revenue Forecast* in the range \$50m - \$70m, up some 100% on FY2019. In light of measures to limit the spread of Coronavirus COVID 19, PET will continue to review its forecast, and amend if business conditions change.

Laurence Freedman AM commented:

'Current financial market conditions are extremely volatile, and the Company's share price reflects this volatility. In these uncertain times, PET has put in place various measures to protect our workforce and the wider community from COVID-19 and any acceleration of its spread. We are in constant contact with our team in China and in other parts of the world. However, despite this general market uncertainty I believe we have in place the management, systems, financial resources, ongoing projects and on the ground workforce to meet our forecasts and the opportunities ahead.'

This announcement has been approved by the Chairman and Managing Director.

Mr Laurence Freedman AM
Chairman

Mr Robert Schuitema
Managing Director

Mr Lachlan McKinnon
Chief Executive Officer

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*Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this presentation.

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.

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