



Accelerated Growth Platform

6 April 2020

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Building An Accelerated Growth Platform



- **Positioning company beyond COVID – 19**
- **Taking advantage of China coming back on-line faster than expected**
 - **Production at record levels**
 - **Projects strong and demand increasing – commitments required now**
- **No change to long term Chinese intent to clean up environment**
- **Tenders for meaningful new contracts now being received within China at an accelerated pace.**

FY2019 Financial Summary & 31 March Balance Sheet



- 2019 Revenue: \$25.1m (up 40% YoY)
- 2019 NPAT: \$2.7m (loss of \$1.0m: 2018)
- Strong Operating Margins: 54% Gross Profit Margin
- Net Cash from Operations for 2019: \$7.6m

31st March 2020 Balance Sheet Position

- A\$10m in cash
 - Receivables/Inventory of \$23m;
 - Debt Free;
 - Net Assets > \$30m
- 

PET FY2020 Cash Flow Forecast

FY2020 Cashflow Forecast - Based on FY2020 Sales of \$50m

Receipts from Customers	\$40,000,000 *
Receipts from Government Grants	\$500,000
Payments to Suppliers	-\$25,000,000
Payments to Employees/Company Costs	-\$12,000,000
Tax Paid	-\$650,000

Net Cash Used in Operating Activities	\$2,850,000
Purchase of Property/Plant/Equipment	-\$5,000,000
Net Proceeds - Placement/SPP	\$12,000,000
Cash Balance - 31 December, 2019	\$15,000,000
	=====
Cash Balance - 31 December, 2020	\$24,850,000
Receivables - 31 December, 2019	\$17,000,000
Receipts from FY2019 Receivables	-\$17,000,000 *
FY2020 Sales	\$50,000,000
Receipts from FY2020 Sales	-\$23,000,000 *

Receivables - 31 December, 2020	\$27,000,000
Payables - 31 December, 2020	\$7,000,000

Building An Accelerated Growth Platform - FY20 & FY21 – FY25



	Actual	Forecast	Pipeline*
\$ Million	FY19	FY20	FY21 - FY23
Sales	25.1	50-70	380*
Gross Profit – 50% GP	13.4	25-35	
Op. Costs	10	12-15	
EBITDA	3.7	12-20	

* Conversion and timing of Pipeline Projects into Sales subject to a number of business risk factors

Forecast 2020 - \$50-\$70m Sales

China Projects: \$40m-\$55m – Forecast Maintained

- Xingyun Lakes & Catchment – circa \$10-15m
- Shilongba Reservoir – circa \$20m
- Dianchi Catchment Area – scope being determined
- Beijing Canals – Maintenance – circa \$2m
- Beijing Wetland – Maintenance – circa \$2m
- 20 Other Projects in China:
 - Range of 3,000 to 6,000 tons - \$9m to \$18m
- (80% Chinese Government Customers , 20% subcontracting)

International Projects: >\$10m – range reduced - Business likely to be impacted by CV19

- Existing Customer Projects: 10 customers – approx 2,000 tons - \$6m
- New Customer Projects: 14 projects – range of 1,500 to 3,000 tons - \$4.5m - \$9m

Building an accelerated Growth Platform – Use of Funds



China rebounding more quickly than expected

Changes in Balance Sheet , due to slower International sales

- \$10m – Project Funding - Shilongba & Dianchi projects - engineering works, accelerated funding for new and existing projects , starting April 2020.
- PET Board is wanting a higher level of working capital to fund FY20 projects and accelerated growth of projects in China – short term bridge to longer term debt facilities

Building an accelerated growth – people & structure



Key New Group Appointments:

- Matt Parker new Group CFO
- Chris Hui new Group Financial Controller
- Ms. Zhou Yumin new Deputy General Manager Finance in China
- Two Senior Engineers for Beijing and Yunnan projects

Long Term Financing

- PET currently working with several major banks who have a strong China focus, on putting in place longer term working capital facilities

COVID – 19 Update



China Business

- PET Factory closed on 20 January for Chinese New Year; re-opened 2 weeks later than scheduled on 17 February.
- From 17 February to 1 March – 1 shift per day; from 2 March – 2 extended shifts per day .
- Production of Phoslock for March totalled 1,400 tons – record monthly production.
- Supply chain for raw materials and shipments of finished product – functioning normally.
- Factory producing large volumes of Phoslock for Shilongba and Xingyun projects; International projects.
- PET business team in Yunnan working on Xingyun, Shilongba and Dianchi projects.
- China business to benefit from new economic stimulus from central and provincial governments.

International Business (excluding China)

- Year got off to a good start with unscheduled shipments to Brazil for large Rio de Janerio Drinking Water Reservoir
- CoronaVirus is currently affecting some key markets – Europe/UK, North America, Brazil.
- Some projects already deferred from first half to second half and potentially FY21

Building Accelerated Growth Platform - Summary



- Raising capital to take advantage of immediate growth opportunities
 - Funding growth projects now – China’s accelerating economy.
- Bridging across short term project requirements and long-term debt financing.
- Positioning company beyond COVID – 19 pandemic
- Ensuring competitive position remains
- Well positioned to be part of Chinese initiative to clean up environment

Appendices



FLORIDA WETLANDS, US



DRINKING WATER RESERVOIR, BELGIUM

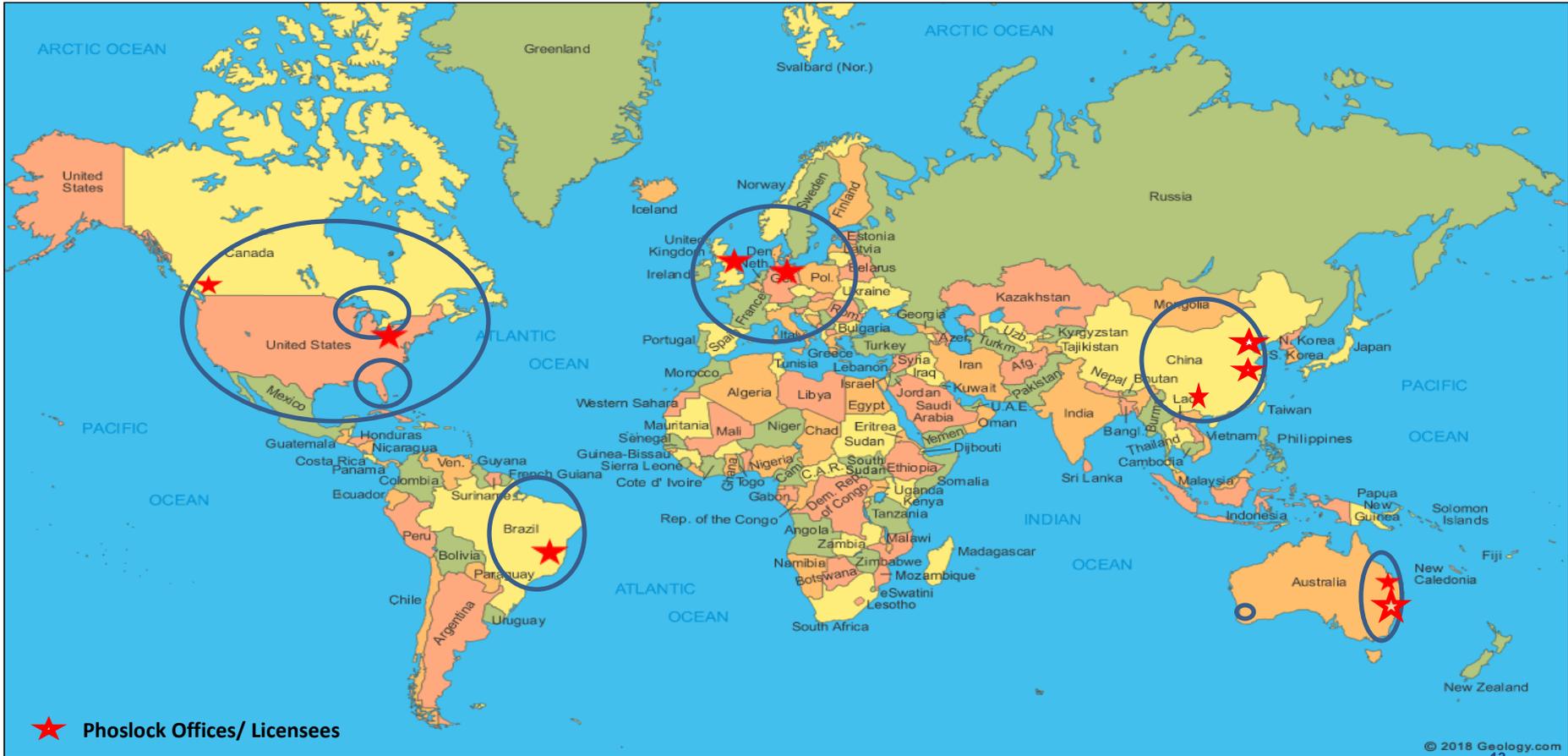


DRINKING WATER RESERVOIR, BRAZIL



PAMPULHA, BRAZIL

Total Addressable Market – THE WORLD



China Operations & Major Projects



CHINA – enormous market with large Government Funding



Team of 60 PET employees working in China

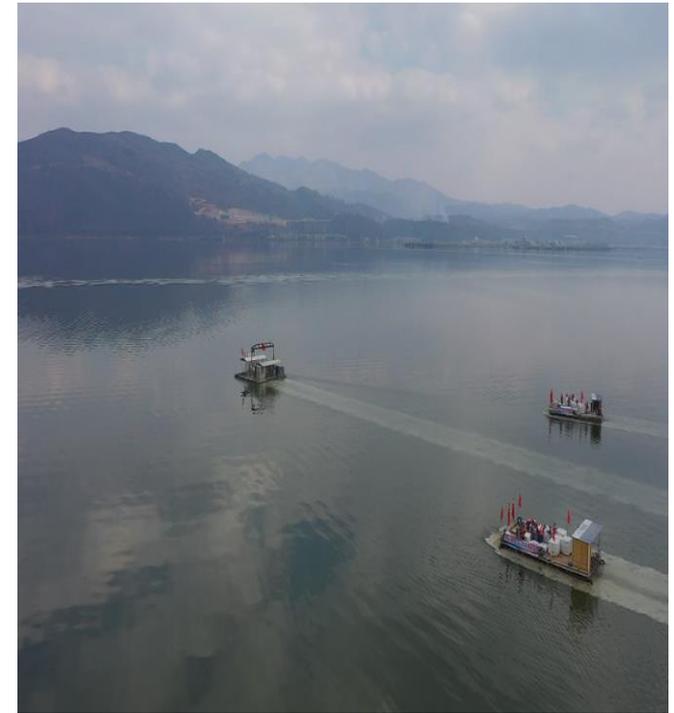
- Beijing – China HQ; sales; engineering team; project management
- Changxing (150km inland from Shanghai) – factory; R&D; sales
- Kunming – sales; project management

Strategic Agreement with BHZQ has significantly accelerated business

- PHOSLOCK® officially recognised by the Ministry of Water Resources as an approved product for phosphorus removal.
- The Ministry of Water Resources administers 2,865 lakes with an area greater than 1km² and 98,000 reservoirs.
- Chinese Government has allocated over US\$1 trillion in latest 5 Year Plan to address water, air and soil pollution.

PET major Projects in China

- Beijing Canals – initial works completed; 17-year maintenance work
- Beijing Wetlands – project completed; maintenance work
- Nine Yunnan Alpine Lakes:
 - Over 3,000 tons applied to Xingyun lake (see photo) in 2019
 - Work starting on Dianchi region projects (Shilongba; Dianchi)
 - Strong pipeline of large projects



Chinese Operation Structure

All Chinese Subsidiaries are 100% owned by PET

- Phoslock Beijing – Sales & Marketing Company – run by Tingshan Liu (joined PET in June 2017)
- Phoslock Changxing – Factory – run by Jason Hai (joined PET in June 2017)
- Ms. Zhou recently appointed Dep GM Finance
- Mr. Zhang (Deputy Chairman) & Mr. Ma (Non-Executive Director) are based in Beijing.
- Both Directors assist with strategy and marketing in the China market

Payments from Chinese Subsidiaries to PET Australia

- Agreements in place for Chinese Subsidiaries to pay PET Australia in cash for:
 - Group Service provided to Chinese Subsidiaries;
 - Technology Services provided to Chinese Subsidiaries; and
 - Royalties payable per ton of Phoslock sold in China.
- The amounts are calculated six monthly; approved by Chinese Tax Authorities then paid to PET Australia.
- Circa \$2m received by PET Australia from Chinese Subsidiaries – all payments up to date.

Dividends from Chinese Subsidiaries to PET Australia

- All PET Chinese Subsidiaries are paying tax on their profits and can pay dividends back to PET Australia.
- PET Australia has currently elected to retain profits in China to fund its significant growth.

Chinese High Technology Status

- PET's Beijing Subsidiaries have received High Technology Status.
- Company Tax Rate for Beijing Subsidiaries now 15%; major benefit to PET (was 25%)

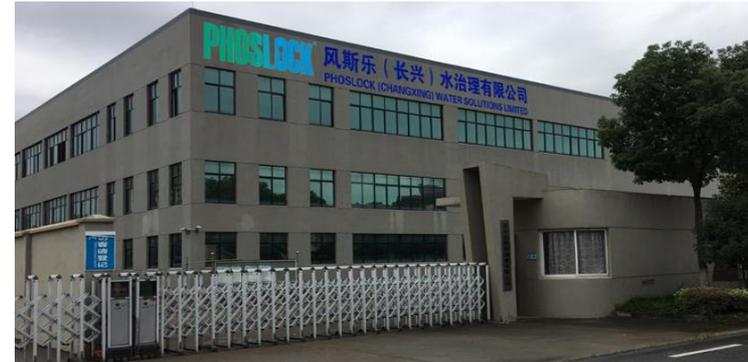
Changxing Factory and R&D Centre

Changxing – 150km west of Shanghai manufacturing Phoslock®

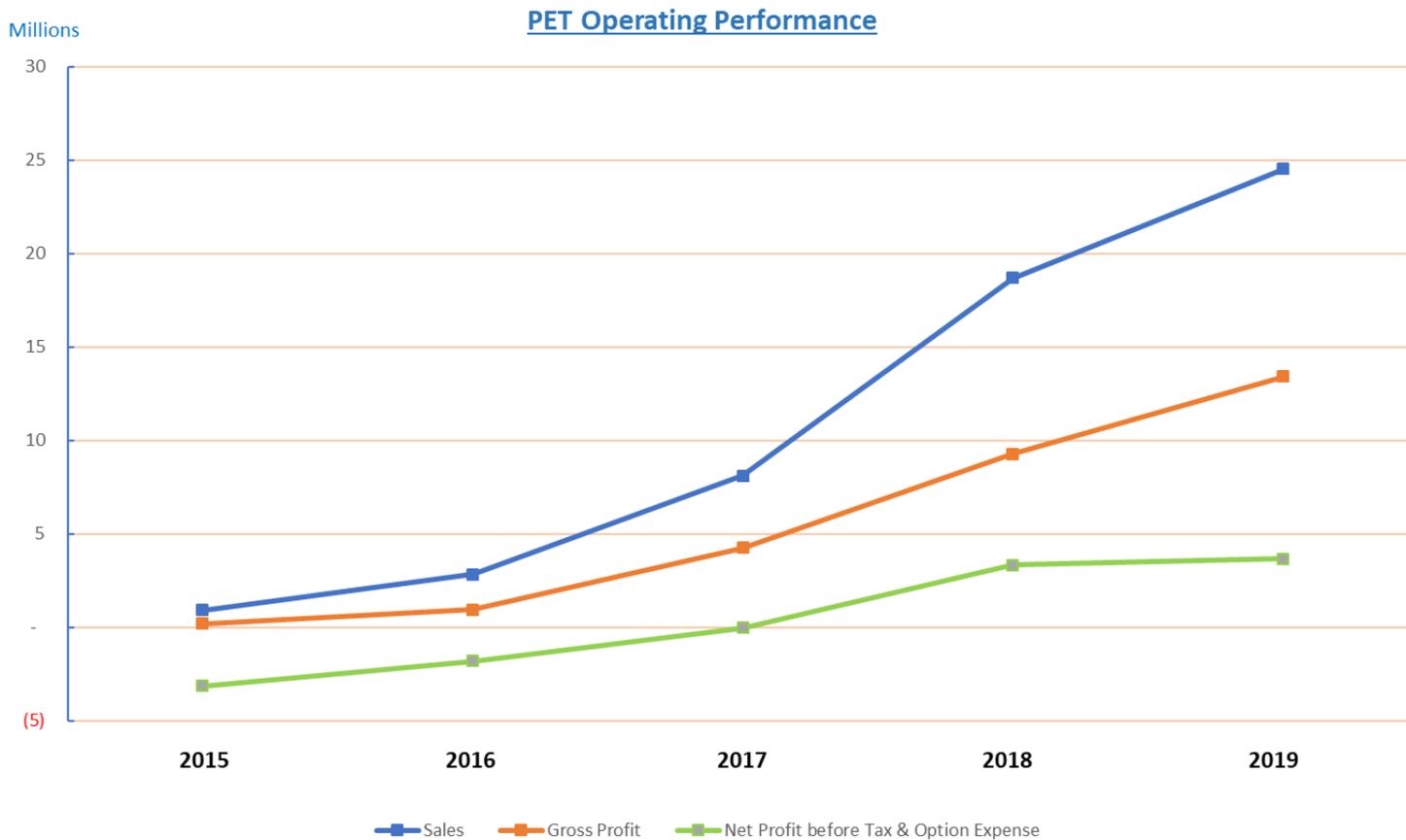
- Current factory Production Capacity increased to 20,000tpa
- Now running at 50t per day
- PET plans to run this factory until late 2021
- ISO Accreditation
- WQA Accreditation Annually

Second Factory secured in Changxing , 1 km from current Factory

- Long term lease – 3 plus 3 plus 3 years
- Area size – 12,600m² on one level – 3x larger than current Factory
- First 20,000tpa production line fitted out under way
- Capable of producing 80,000tpa (4 x 20,000t) from this Factory



PET Operating Performance



Capital Structure



Capital Structure (6th April, 2020)

Company Name:	Phoslock Environmental Technologies Limited
ASX Code:	PET
Current Price:	\$0.57
Trading Range: (last 12 months)	\$0.30 – \$1.60
Total Issued Shares:	565.0m
Total Issued Options:	28.0m*
Market Capitalisation:	A\$344 m
Options:	25m @ \$1.00 Exp 31/12/21 – A\$25m 1.5m @ \$1.25 Exp 31/12/22 - \$1.8m 1.5m @ \$1.35 Exp 31/12/23 - \$2.0m



ASX Code – PET
PET is included in the ASX 300 Index

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