



Welcome

Phoslock Environmental Technologies – 2020 Annual General Meeting

2:00pm Monday 25th May 2020 , Virtual

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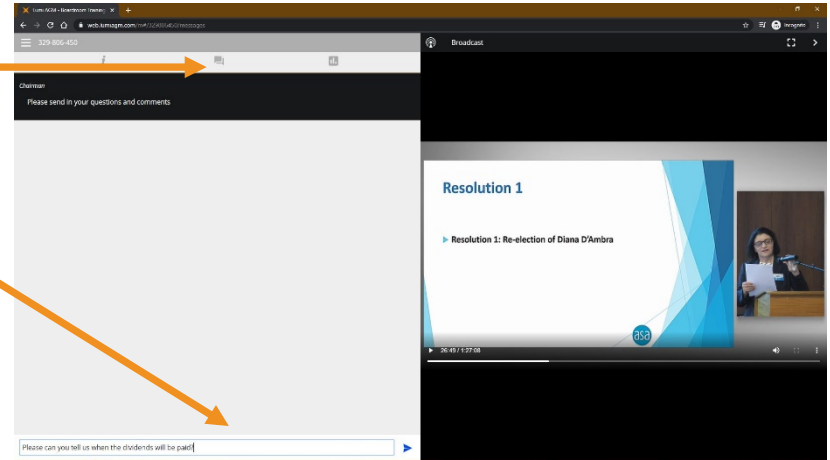
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ONLINE ATTENDEES – QUESTION PROCESS

- When the Question function is available, the Q&A icon will appear at the top of the app.

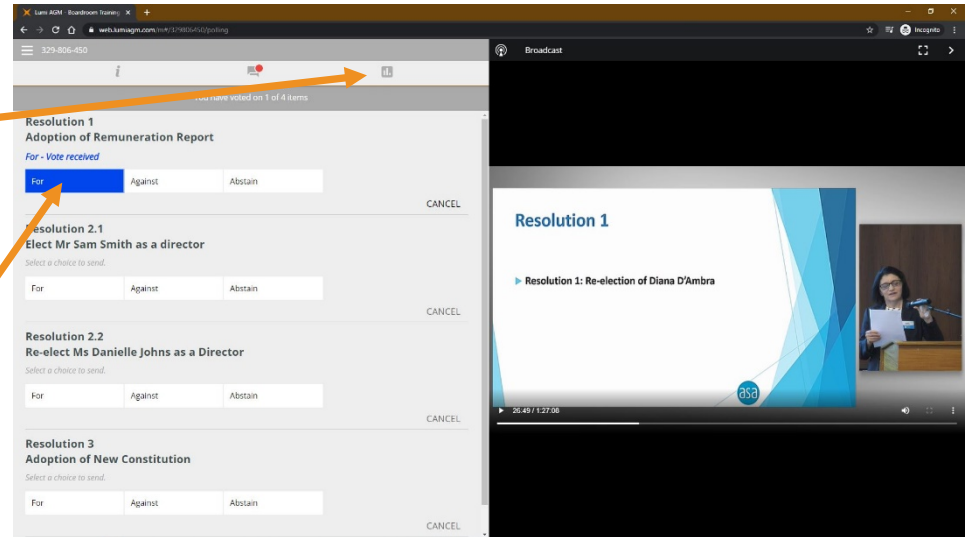
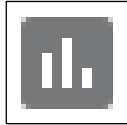


- To send in a question, simply click in the 'Ask a question' box, type your question and then press the send arrow
- Your question will be sent immediately for review



ONLINE ATTENDEES – VOTING PROCESS

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.

Proxies Before Meeting



| | |
|-----------------------------------|--------------------|
| Securities on Issue | 619,300,509 |
| Valid Securities Voted | 209,542,118 |
| Valid Securities Voted (%) | 33.8% |
| Total Securityholders Cast | 321 |

| Resolution | Total Shares Voted | Excluded Shares | Total Shares able to Vote | FOR | FOR % |
|--|-------------------------------|----------------------------|--------------------------------------|--------------------|--------------|
| 1 Remuneration Report | 209,542,118 | 121,475,071 | 88,067,047 | 80,160,982 | 91.0% |
| 2 Re-Elect Laurence Freedman AM | 209,542,118 | - | 209,542,118 | 209,107,724 | 99.8% |
| 3 Re-Elect Zhigang Zhang | 209,542,118 | - | 209,542,118 | 207,704,724 | 99.1% |
| 4 Increase Annual Director Fees | 209,542,118 | 106,031,405 | 103,510,713 | 93,925,049 | 90.7% |
| 5 Approve participation in placement to Laurence Freedman AM | 209,542,118 | 69,183,912 | 140,358,206 | 137,237,612 | 97.8% |
| 6 Approve participation in placement to Zhigang Zhang | 209,542,118 | 25,054,000 | 184,488,118 | 179,816,595 | 97.5% |
| 7 Approve participation in placement to Robert Schuitema | 209,542,118 | 9,547,503 | 199,994,615 | 187,271,354 | 93.6% |
| 8 Approve participation in placement to Brenda Shanahan | 209,542,118 | - | 209,542,118 | 204,655,741 | 97.7% |
| 9 Approve participation in placement to Ningping Ma | 209,542,118 | 2,245,990 | 207,296,128 | 202,676,358 | 97.8% |
| 10 Approve participation in placement to PET Executives | 209,542,118 | 15,443,666 | 194,098,452 | 188,935,790 | 97.3% |

Memo:

Full voting schedule will be lodged with the ASX after the AGM.

Phoslock Environmental Technologies 2020 AGM



- **Start – 2:00PM**

- **Chairman's Welcome and Address**

Mr Laurence Freedman AM

- **Deputy Chairman's Address**

Mr Zhigang Zhang

- **Managing Director's Address**

Mr Robert Schuitema

- **CEO's Address**

Mr Lachlan McKinnon

- **Questions and Answers**

Chairman

- **Voting on Resolutions**

Chairman/Company Secretary

- **Close**



2020 Chairman's Address – Mr Laurence Freedman AM



Deputy Chairman's Address – Mr. Zhigang Zhang



**2020 China water environment market
PET (Greater China Region) Developing plan**





Preface

In 2019, PET (China) fulfilled its commitment to the board with its impressive performance

In 2020, the COVID-19 has a significant impact on the world's economy. The economic downturn was inevitable, and PET business in China was also affected.

PET (China) was well prepared and resumed business very fast

◇ 17th Feb, Changxing factory and Beijing office returned to work

◇ 23rd March, Yunnan, Jiangsu region resumed.

◇ 30th April, All areas resumed except Hubei

With in depth strategy and intense planning , we will turn the crisis into an opportunity and strive to minimize the lost time caused by COVID-19

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**Water environment industry in China,
Application of Phoslock Technology**



PET (China) business model



PET (Greater China) Developing plan



According to the Circular of the Ministry of Ecological environment of China: From January to December 2019, in 1940 national surface water assessment sections, the proportion of sections with excellent water quality (class I-III) was 74.9%, up 3.9% year on year; The proportion of class V section is 3.4%, down 3.3% year on year. The improvement of water quality is mainly reflected in the improvement of biochemical indicators.

Closing year

2020 is the closing year of the 13th five-year plan of the Chinese governments "blue water defense war"

Changes in key tasks

In 2020, China's water environment management began to change from the stage of comprehensive river basin regulation to the stage of facility operation and maintenance and biodiversity protection



Comprehensive solutions of Xinfenghe River in Beijing

Main solutions

Ecological restoration materials: phosphorus locking agent, microbial agent, wetland filler and other comprehensive measures

Project construction: wetland construction

Results

- ◆The comprehensive solution for ecological restoration and wetland project have been successful, and have been praised by all parties
- ◆The physical and chemical indexes and the ecological health evaluation indexes of water, grass and fish have been greatly improved

Market prospect

Phoslock technology has excellent performance in water ecological restoration and biodiversity construction.

Full confidence in the prospect of operation and maintenance market



— PHOSLOCK Application (Xinfenghe River)

PHOSLOCK®





According to the statistics of the Ministry of Ecological Environment, From January to December 2019, According to the status of key Lakes (reservoirs) monitored, the number of lakes (reservoirs) with inferior class V water quality accounted for 7.3%, only 0.8% lower than the same period last year.

Monitoring eutrophication

Among the key Lakes (reservoirs), 28% of them are eutrophic. Among them, Taihu Lake, Chaohu Lake, Dianchi Lake, Erhai Lake, Baiyangdian Lake and other famous water bodies have no obvious improvement in water quality and eutrophication.

Eutrophication treatment of lakes, reservoirs and wetlands

- ◆ Relative to river course, the improvement is not obvious
- ◆ The required technology is more complex, and the comprehensive treatment is more difficult
- ◆ The main pollution indicators are total phosphorus, COD and permanganate,
- ◆ The government is under great pressure, and the overall situation requires much attention



Xingyun Lake (Water Area 34km²)

Main Solutions:

Key technologies: “Lake Modeling + PHOSLOCK + Tech Service”

Key data: Phoslock usage 3,000 tonnes, Max in PET history.

Result

TP result: TP down from 0.28mg/l to 0.06mg/l, down by 80%

Assessment: Achieved goal 0.08mg/l

Sociology: Reach lake standard IV, best water quality in last 10 years

Technical: “Lake Modeling + PHOSLOCK ” has been verified

Marketing: The demonstration effect is obvious, which provides a typical solution for the treatment of other polluted lakes in China



- PHOSLOCK Application (Xingyun Lake)

PHOSLOCK[®]



星云湖
Xingyun Lake





Yunnan Dianchi demonstration project

Background

Dianchi Lake (water area of 300km²), 10 times the area of Xingyun Lake, Top of nine plateau lakes in Yunnan . Government has agreed to use Phoslock technology to carry out verification demonstration in Dianchi Lake

Difficulty: Technical difficulty and construction difficulty are greater than that of Xingyun Lake

Complexity: The surroundings are complex, affected by the rainy season and rivers

Representativeness: The experimental area is a miniature of Dianchi Lake, with similar pollution and water indicators

Expected Result

Relying on the success of Xingyun Lake, a comprehensive solution of Dianchi Lake is being created



Market forecast

With the success of the demonstration project of Dianchi Lake, it will be promoted on a large scale in Dianchi Lake with the approval of the government

The management of Xingyun Lake has approved the operation and maintenance plan for the second half of this year, which not only includes phosphorus reduction through Phoslock, but also puts forward new requirements for the construction of clear water steady-state system.

PET has more than 300 successful achievements in the field of eutrophication treatment of lakes, reservoirs and wetlands in the world.

PET China team, utilizing the core of Phoslock technology ,achieves phosphorus reduction, ammonia nitrogen removal and COD reduction.

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**Water environment industry in China,
Application of Phoslock Technology**



PET (China) business model



PET (Greater China) Developing plan



Current business model and Layout

1. Comprehensive management of river basin based on the provision of core materials, like Xinfenghe River
2. PET (Beijing) centered key regional marketing network
 - ◇ PET (Beijing) Beijing, Tianjin, Hebei
 - ◇ Southwest Branch: Yunnan, Guizhou, Sichuan
 - ◇ Nanjing Branch Zhejiang, Jiangsu, Shanghai
 - ◇ Wuhan Branch Hubei, Hunan, Jiangxi
 - ◇ Mobile group Other Areas

Many key projects have been implemented in key areas



二 PET (China) Business model

PHOSLOCK®

Innovative business model

A comprehensive engineering model and multiple product sales channels

◇ Sales mode

Supplement current go to market strategy with the establishment of strategic distributors.

◇ Online sales mode

Increased marketing penetration + Online shift (Baidu, Taobao, WeChat, Tik Tok, etc.)

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**Water environment industry in China,
Application of Phoslock Technology**



PET (China) business model



PET (Greater China) Development plan



1. **Established PET Greater China region**

Comprehensively restructure the people, technical engineering and factory team , optimize the allocation of capital resources

2. **Optimize the proportion of revenue**

Optimize the proportion of revenue, adjust the proportion of Engineering project revenue and Phoslock sales to 40% and 60%.

3. **Optimize the allocation of human resources**

Technical team responsible for the R & D of series products, and providing technical support for projects, products. BEST appropriately increased its marketing program.



4. Technical : expand our products

- Phoslock series: Develop Phoslock with different La content, and with different additives
- Phoslock algae removal series: sodium peroxycarbonate, copper sulfate, magnesium hydroxide
- Modified clay series: removal of COD with compressed air
- Bacteria series : bacteria and bricks
- Patented equipment: aerator

5. New factory

Start construction now , with completion of 20,000tpa capacity the end of 2020.



Conclusion



The China water ecological environment protection has changed from the construction stage (13th five year plan) to the water operation and maintenance stage (14th five year plan). The latest five year plan is designed to protect the water ecological environment and promote the realization of the goal of "clear water, green shore, fish flying " in the Beautiful China stage. The new planning and development stage are very suitable for the exertion of the advantages of Phoslock technology, which will bring more market opportunities for PET

I believe that under the leadership of the board of directors and management, with the strong support of all shareholders, and with the efforts of all employees, PET (China) will bring you substantial returns.

Finally, thank you again for your presence. After the COVID-19 outbreak, you are welcome to visit China at your convenience!

PET Board Director Zhang Zhigang

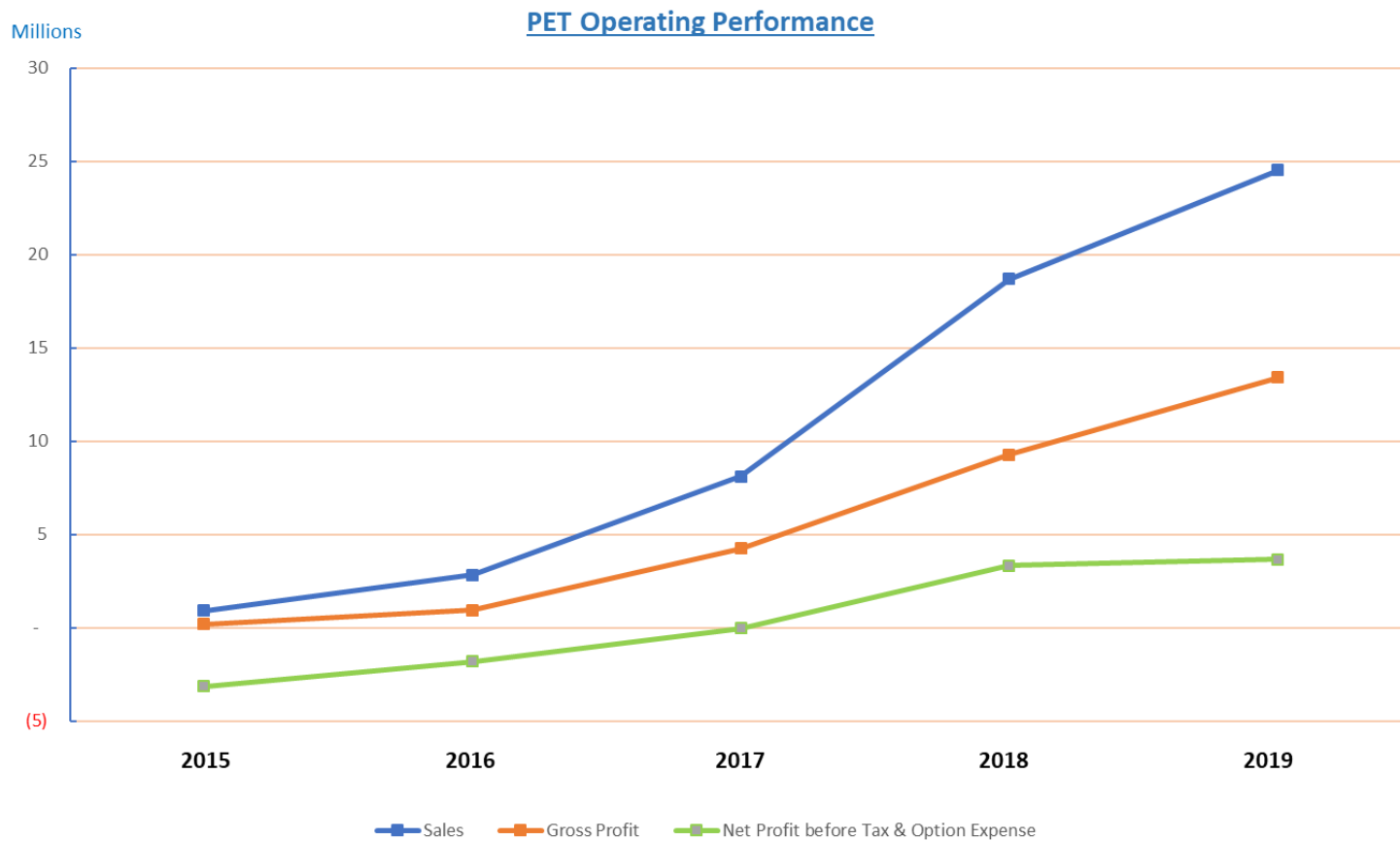
Managing Director – Mr Robert Schuitema



- Financial KPI's 2019 v 2018
- Capital Raising : ~ \$30m from Institutional Offer, Directors and Executives, SPP
- Coronavirus update and impacts in China on staff and business
 - Factory , shipments , raw materials
- Manufacturing Plant Update
- China operating structure
- My retirement today after 15 years
- Welcome incoming Managing Director – Lachlan McKinnon



PET Operating Performance



FY2019 Financial Summary & 25 May Balance Sheet



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

25th May 2020 Balance Sheet Position

- A\$35m in cash
- Receivables/Inventory of \$21m;
- Debt Free;
- Net Assets > \$55m

PET FY2020 Cash Flow Forecast

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

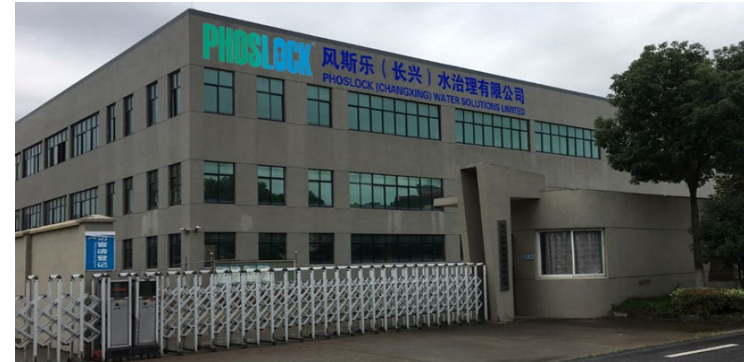
| | |
|---|---------------------|
| Receipts from Customers | \$ 40,000,000 * |
| Receipts from Government Grants | \$500,000 |
| Payments to Suppliers | \$(25,000,000) |
| Payments to Employees/Company Costs | \$(12,000,000) |
| Tax Paid | \$(700,000) |
| | ----- |
| Net Cash Used in Operating Activities | \$2,800,000 |
| Purchase of Property/Plant/Equipment | \$(5,000,000) |
| Net Proceeds - Placement/SPP | \$29,200,000 |
| Cash Balance - 31 December, 2019 | \$15,000,000 |
| | ===== |
| Cash Balance - 31 December, 2020 | \$42,000,000 |
| | |
| 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 |

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



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%)

Chief Executive Officer – Mr Lachlan McKinnon



- Thank you and Introduction
- Forecast 2020 & Pipeline 2023 - “Delivery and Execution “
- Strategic Direction – “Accelerated Growth”
- People and Structure



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 – Government approved trail , May 2020
- 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

Major Project Areas – 2023 Pipeline



Accelerated Growth - Strategic Direction next 3 years



- **Continued Growth in China**
 - Team strengthening and Development
 - Expansion of sales channels
 - Strong focus on financial metrics
- **Accelerated Commercialization in targeted international markets**
 - Structure
 - Geographies
- **Financial Disciplines**
 - Receivable collections
 - Banking facilities
- **R&D – accelerate & Target three main areas :**
 - Flowing water P capture
 - Nitrogen management
 - Photosynthesis reduction of algae – safe reduction of visible algae
- **Product Line extension and expansion**
- **Improved Branding of PET , locally and internationally**
 - Leverage environmental opportunity , lobbying etc
 - Social media and advertising platforms to be developed



New Products/ R&D Projects



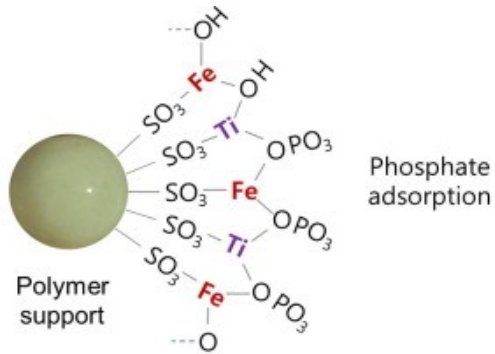
ZEEP – Modified Zeolite
P Filtration



Bacteria Brick



Phoslock Brick



Mixed Metal Oxides
Nanocomposites



High Efficiency Aerators



Nitrate Removal Media

Accelerated growth – people & structure



Key New Group Appointments:

- Matt Parker new Group CFO, Melbourne based
- Ms Cherry Wang, started as Group Accountant, Melbourne.
- Ms. Zhou Yumin new Deputy General Manager Finance in China, Beijing
- Two Senior Engineers for Beijing and Yunnan projects
- Relocating Head Office to Melbourne .

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

Questions & Discussion





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

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