

## Company announcement

29 October 2021

# September 2021 (Q3) Quarterly Update

Phoslock Environmental Technologies (ASX:PET) today provided a trading update for the quarter ending 30 September 2021.

### Financials

PET's quarterly cash flow report shows a net cash outflow of \$3.5 million in relation to operating activities. This compares to a net outflow in the prior period of \$446,000. This higher cash outflow is primarily due to higher freight and logistics costs to support projects in Europe and North America, increased R&D investments and continued spending in administration and corporate costs and lower receipts from customers than the prior quarter.

Administration and corporate costs were up on the prior period due to ongoing consulting, audit and legal expenses as the Company continues to deal with significant legacy issues relating to mismanagement and fraud and litigation action previously disclosed and detailed below. Higher costs were also incurred in the preparation of audited accounts for the half year ended 30 June 2021, which were lodged with the ASX on 1 October 2021 as the Board of Directors took the decision that, given the various legacy matters which have recently impacted the Company's accounts, it would be in the interests of shareholders for the half year accounts to be subject to a full audit, rather than an audit review which is typically undertaken at the half year period.

The majority of the Company's annual insurance renewals also occurred within the quarter.

Receipts from customers of \$1.5 million compares to \$2.7 million in the prior quarter. Receipts in the current quarter included payments for remediation works undertaken in Queensland's Gold Coast Region, along with payments relating to projects in the USA, Brazil, Europe and China.

Significant efforts are continuing to recover the outstanding receivables from previous sales made in China. Shareholders will be updated as and when further developments occur.

The Company closed the quarter with cash and cash equivalents of \$22.8 million and notes that while this quarter represents a significant outflow of cash, it is not representative of expected run rate which should return to more normal levels in coming quarters.

### Business Update

COVID related restrictions on travel continued to negatively impact business development activity and prevent access to some project sites, resulting in ongoing delays to those projects.



Specifically, a contracted project in NZ has been delayed until 2022. Although this is relatively small in volume, it is illustrative of the direct effects of COVID on the business.

These issues are, however, expected to alleviate soon in many jurisdictions which should lead to increased activity in a number of markets around the world, both in terms of contracted remediation projects and preliminary evaluation trials.

On 31 August, PET announced it had secured a new contract to remediate a recreational lake in the City of Rotterdam, The Netherlands. The contract, with an approximate value of \$4 million, will be the largest project undertaken by PET in Europe. The successful completion of this project is expected to significantly enhance the profile of the Phoslock treatment process throughout Western Europe. Works begin early next month and the project is expected to be completed by the end of this year.

In addition, PET received a purchase order for the Lake Lyngso project in Denmark, where remediation works will start on 29 November. While this project is relatively small it represents a significant step forward in the Nordic regions and is expected to lead to more projects in this region in the future.

A new Commercial Lead has been appointed in Europe to support our growth and expansion plans, as PET seeks to diversify its pipeline of projects throughout the Western Hemisphere. The appointment of Mr Damien Whelan into this important role represents a significant step towards strengthening PET's presence in Europe given his extensive experience in water remediation and other commercial activity.

In the US, initial applications continue at Kitsap Lake (Washington State), Morrison Lake (Michigan), and Ladybird Lake (Texas). Several other leads are being discussed with our US distribution partner SePRO as we look towards increasing activity in 2022.

In South America, PET's licensee in Brazil, HydroScience, continues to perform well with applications proceeding as expected. Further projects have been identified in other South American countries which are at an early stage of development.

In China, a new General Manager, Viktor Li, commenced with the Company on 18 October. Victor has extensive management and commercial experience, including country management roles for overseas based companies. His leadership will contribute to the rebuilding of our China business and will ensure it meets high standards of governance. Work continues in China with 22 projects either completed, or to be completed, in this calendar year. Although the volumes for these projects are relatively small, it demonstrates PET's ability to be a valuable partner for China in helping to address its water pollution issues and to generate and deliver new projects in this very important market. Approximately 50% of these projects (by volume) are at contract stage.

## **R&D**

Candidates for the previously advised role of Group Executive for Product Solutions have been shortlisted. An announcement will be made when this appointment is finalised in coming weeks. This role will focus on new product development leveraging off PET's strong intellectual property position.

## **Supply Chain**

The Board has been presented a short list of alternatives for a second manufacturing plant. Due diligence and evaluation will be carried out on these alternatives over the next two months with a final decision expected in December 2021.

The aim of establishing a new manufacturing plant in the Western Hemisphere is to complement the existing manufacturing facility in Changxing, China and help manage our freight and logistics requirements in a more efficient manner. The new plant will also facilitate the production of new products and is expected to be modular in nature, allowing additional manufacturing capacity to be added as required in a cost-effective manner. Manufacturing in PET's Changxing plant continues as required.



As previously noted, the Company has incurred some significant logistical costs associated with future projects in both the US and Europe. Current freight challenges are not expected to ease anytime soon, but the Company is devoting considerable resources to managing these unforeseen increased costs.

## **Relisting on the ASX**

The Board and management continue to assign a high priority to the relisting of PET's shares on the ASX. To that end, the Company has provided information to the ASX on measures taken to address various matters and has sought direction from the ASX on what additional steps need to be taken to complete an application for reinstatement. A meeting has been scheduled with ASX to discuss these matters and the Company looks forward to updating shareholders on the outcome of those discussions via a webinar on Tuesday 16 November 2021 (see details below).

## **Outlook**

As additional resources are secured to support the Company's expansion plans, management expects to see increased interest and opportunity for Phoslock treatments in markets around the world. While the COVID pandemic continues to present challenges, the number of new trial applications is a positive indicator of future sales growth.

## **Webinar**

PET's Chairman and Managing Director will host a shareholder webinar at 11am on Tuesday 16 November 2021. The focus of this webinar will be to address the Company's progress in addressing legacy issues relating to previous mismanagement and fraud and to provide any further update which is available on the relisting status. To attend the webinar, please register using the following link:

November [2021 Quarterly Update Registration](#)

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

**Matthew Parker**  
Company Secretary

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## **For further information please contact:**

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## **ABOUT PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED (PET)**

Phoslock Environmental Technologies Limited (ASX: PET) specialises in engineering solutions and water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs.

Headquartered in Melbourne, PET has offices in Brisbane, Beijing, Bremen (Europe) and Manchester (UK). PET also has registered entities in Canada and the USA and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors, and agents in ten other countries including SePRO Corporation in the United States and HydroScience in Brazil.

Phoslock® is a proprietary and unique water treatment product that permanently binds excess phosphorus in the water column and sediments.

Phoslock® is certified to be used in drinking water in North America, Europe, Brazil, Australia, and China. Along with Phoslock®, PET also supplies zeolites and specialised strains of bacteria that address water pollution issues.

For more information visit [www.phoslock.com.au](http://www.phoslock.com.au)