

Company announcement

31 January 2022

December 2021 (Q4) Quarterly Update

Phoslock Environmental Technologies (ASX:PET) today provided a trading update for the quarter ending 31 December 2021. A more detailed business update will be provided when PET releases full year 2021 results towards the end of February.

Financials

PET's quarterly cash flow report shows a modest net cash inflow of \$220,000 in the December quarter, albeit this is a significant improvement from the previous quarter's net cash outflow of approximately \$3.5 million.

Receipts from customers of \$4.35m came primarily from the previously announced contract to remediate Kralingse Plus Lake, in the city of Rotterdam, The Netherlands. The business also secured payments from the Gold Coast council, Brazil and smaller contracts in China within the period.

Administration and corporate costs were down on the previous quarter but continue to include ongoing consulting, audit and legal expenses relating to issues previously reported. Costs associated with due diligence on the previously announced manufacturing footprint analysis and R&D activities were also incurred in the period.

The company remains well funded with cash and cash equivalents of \$23m at the end of the quarter.

Business Update

In December PET successfully completed a project to remediate a recreational lake in the City of Rotterdam. This \$4m project was the largest undertaken by PET in Europe to date. Its successful completion should significantly enhance the profile of the Phoslock treatment process throughout Western Europe.

Subsequent to the end of the quarter, PET announced that it has secured a substantial settlement in relation to all outstanding receivables involving a former customer and related party in China, Beijing Environmental Engineering Technology Co. Ltd ("BHZQ").

Since June 2020, PET has been pursuing the payment of outstanding receivables owed by BHZQ under various contracts for the supply of products and services, including by instituting legal proceedings against BHZQ in arbitration tribunals and courts.

The settlement concluded all arbitration and court cases for claims and counterclaims initiated by PET or BHZQ against one another. These proceedings are in the process of being withdrawn, as required under the Deed of Settlement. Under the settlement, BHZQ is required to pay PET approximately A\$1.8 million, in two instalments in mid-January and mid-February, respectively. The January payment was received in full and on time. As previously reported, the settlement included a substantial component of receivables not yet due.

On 18 October 2021 PET announced Viktor Li as its new General Manager for its China operations. Viktor is an experienced senior leader with expertise in engineering, international trade, investment and mining. Viktor's 30-year career has included China state-owned enterprises and joint ventures,



as well as leadership roles in multinational corporations. He brings excellent cross-cultural knowledge and understanding to PET's operations in China.

Subsequent to the end of the quarter Simon Greaves has been appointed as Group Executive, Operations, for PET. Simon has been acting in an interim capacity in this role, pending the retirement at the end of February 2022 of Andrew Winks. The Group Executive, Operations role is a critical role for the business. Primarily, this role is responsible for all sourcing, manufacturing, logistics, distribution, supply chain and HSE across the global businesses of PET.

Additionally, PET confirmed the appointment of Dr Kate Waters-Hart to the role of Group Manager, Aquatic Science. Kate commenced in her role in early January and is based in Dunfermline, Scotland. Prior to this new appointment, Kate worked for PET as a Freshwater Aquatic Ecologist since 2019.

The Group Manager for Aquatic Science is a critical role for the business globally. This role oversees and coordinates all the science behind PET's products, applications, and data management. Along with customer engagement and application services, the seamless delivery of the scientific requirements for each project is essential in reinforcing PET as the trusted partner of choice to remediate and manage fresh water in our target markets.

Effective 1 December 2021, the principal place of business and registered office of PET changed to the Como Centre, on Chapel Street in South Yarra. The full address can be found on the header of this company announcement.

Relisting on the ASX

During the quarter, PET management met with representatives of the ASX to seek additional clarity on the steps necessary to achieve relisting. Following those conversations, PET understands the pathway to relisting involves satisfying the ASX in relation to two key requirements.

The first involves submitting statutory accounts without audit qualifications on opening balances. In anticipation of this requirement, the Board took the decision to have the first half financials fully audited, which provides PET with a base from which to submit a set of audited accounts for the second half of 2021. PET's full year results will be released later next month (February 2022).

The second ASX requirement to relist involves the ASX being satisfied that the company has taken all reasonable measures to ensure shareholders are fully informed in relation to all relevant matters concerning the Company. The shareholder webinar held on 16 November 2021 provided significantly more detail on the matters relating to mismanagement and alleged fraud in respect of the China operations. A transcript of that webinar is available at the following link: <https://www.phoslock.com.au/investor-centre/presentations/>.

PET management is committed to keeping shareholders fully informed on developments.

Outlook

As additional resources are secured to support the company's expansion plans and the COVID situation globally stabilises, 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 being undertaken is a positive indicator of future sales growth.

Further commentary on the outlook for the company will be provided when PET releases full year results in February 2022.

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

Matthew Parker
Company Secretary



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About 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, USA and Belgium, and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors and agents in numerous other countries including 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 for use in drinking water in North America, Europe, Brazil, Australia, and China. Along with Phoslock, PET also supplies zeolites and specialised solutions that address water pollution issues.

www.phoslock.com.au