

Company announcement

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Annual General Meeting 2023 Chairman's Address

At last year's AGM, I outlined our three-phase plan for the recovery of the business and a return to profitable growth.

Some four months after that meeting, we achieved a key objective of the first phase of our plan when the Company's shares were reinstated on the ASX. This took enormous effort by our CEO and CFO to satisfy our auditors and the ASX of the integrity of our accounts. The cost to the company was very significant but it had to be done. Congratulations to all those involved in getting to that critical milestone.

While this, in itself, was an important milestone, it also reflected the progress that had been made in addressing the legacy issues that led to our suspension of trade; our restructuring of the business with vastly improved governance and risk management processes in place; and providing audited accounts that set us back on the path of reliable financial reporting.

The company continues to cooperate with regulatory bodies and respond fully to ongoing requests for information and documentation about the conduct and dealings of certain former company personnel. It is not possible to gain any useful insight into how long these investigations will take to conclude, or what actions may result, and against whom. The costs incurred by the company in providing full and transparent cooperation have significantly reduced from prior years but continue to be incurred.

Over this past 12 months, we also made significant progress in respect of executing on phase 2 of our recovery plan. After a far-reaching review, a new sales strategy and go-to-market model for the business has been implemented globally – and Lachie will speak more to that shortly.

We also supported the geographic diversification of the business by investing in additional commercial resources across our major regional markets. And we committed the funds to upgrade and expand our China manufacturing plant from a 3000 tonne annual capacity to 6000 tonnes; that upgrade will be completed in this current quarter.

The third phase of the recovery plan involves building a solid business case for further production expansion at our proposed new US based manufacturing site, and developing



and securing new product opportunities which allow PET to access additional market segments.

The Casper site in Wyoming was secured to give the company optionality in the future. Producing product in the US will avoid import duties on Chinese made products and provide greater flexibility and efficiencies in servicing Europe and South America. We have secured the site at minimal cost and will not incur additional expenses until sales justify that volume of manufacturing.

To that end, the management team – in a deal completed last August – also achieved another milestone by securing rights to an important new product, which we are marketing as Phosflow, and which allows us to offer a remediation solution that addresses needs in the flowable water segment. One limitation we confronted in selling standing water solutions was the lack of a solution for future phosphate-polluted inflows. Phosflow provides this solution. It not only moves us forward from being a one product company, but it is precisely the strategically important product that we need. Phosflow also has great potential in other markets, for example we are advanced discussions with an off mains septic management provider that need a Phosphorus reducing solution in their systems to meet UK regulations – it is a significant and notably repeatable market.

The addition of Phosflow to our portfolio now positions PET to offer a total solution to phosphorus remediation issues right across the range of freshwater settings.

The progress we have made over the past 12 months has been vital in helping to rebuild the business and position us for growth.

But, while these achievements address critically important areas of INTERNAL change and strengthening, there has been disappointing progress in relation to the post COVID recovery of the EXTERNAL environment and the markets on which our business relies.

The global challenge of addressing phosphorus pollution is widely acknowledged and represents a very significant and growing market opportunity.

But global economic pressures and post Covid uncertainty have impacted the prioritisation of government and semi government funding to address water remediation issues. Many of our potential customers fully recognize the need to address their polluted water bodies, but prioritising this cost now in their currently stretched budgets, is proving to be a challenge.

Where laws and regulations aren't demanding immediate action be taken, this expenditure is often being pushed off into future budget years. This has significantly impacted our ability to secure and complete contracts and build our revenue streams in the short term.

In our commentary over the past two years, we have regularly cautioned that there is a significant time lag between the commitment of funding to water remediation projects – which has been slow and uncertain – and the required discussions, treatment trials and contract negotiations that ultimately result in revenue generating applications of our products. The lead time for converting opportunities into sales, and then into cash receipts, has always been, and still remains, long and uncertain.



These delays have been frustrating for the company and for shareholders. To date we have funded this lead time out of our cash reserves, but there is a limit to our ability to do this indefinitely. The Company has a limited period within which it must begin to realise and achieve not only its strategic objectives, but financial progress and results.

For this reason, on 28 April we announced that we have engaged Resolute Advisory to undertake a strategic review of the business, and that the Board is open to examining all options with potential stakeholders, partners and counterparties to maximise shareholder value. We have no predetermined view as to how this objective is best achieved.

In parallel with this initiative, the company will continue to execute on its growth strategy and will remain focused on identifying and securing new contracts across our regional markets, while at the same time ensuring the efficient allocation of our cash reserves as we continue with our efforts to increase the pace of sales generation.

Phoslock has a proven track record of improving aquatic environments, with successful applications in more than 320 waterbodies around the world. Within the sensible limits that our balance sheet supports, the company continues to build our project pipeline across all regions. The potential for our company remains exciting but cash generation remains the key focus of the company now. The next few months are very important noting that PET sales projections and markets are biased towards the second half of the financial year.

Before handing over to Lachie, I would like to acknowledge his and his management team's efforts over the past 12 months. It has been – and continues to be – a challenging time and shareholders are fortunate to have such a committed team focused on the rebuilding of Phoslock. [here here!]

I now call on Lachie McKinnon, our Managing Director and CEO, to review Phoslock's 2022 results and operations and to discuss the future prospects for the business.

This announcement has been approved by the Managing Director and Chairman

Mr David Krasnostein AM
Chairman

Mr Lachlan McKinnon
Managing Director & CEO

Matthew Parker
Company Secretary

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About PET

Phoslock Environmental Technologies Limited (ASX: PET) specialises in water treatment products to remediate nutrient polluted fresh waterbodies including, lakes, rivers, canals, municipal and private ponds, recreational and drinking water reservoirs.

Headquartered in Melbourne, PET also has offices in Shanghai and the UK, sales resources in China, ANZ, Europe and the US. 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.

Phosflow is a proprietary and unique water remediation product that removes excess phosphorus in flowing water applications.

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.

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