

Company announcement

Release date 30 April 2024

March 2024 Quarterly Activities Report and Appendix 4C

Corporate

An EGM of shareholders was held on 18 January to determine the direction of the company. Two starkly different proposals were put to the vote.

1. A proposal supported by the then board, to sell all inventory and intellectual property to US-based competitor SePRO, to cease operations, wind up the company, and return remaining cash to shareholders via a capital return.
2. An alternative supported by various shareholders, to reject that proposal, to vote down the existing directors and to vote for new directors to continue operations.

The proxy votes were overwhelmingly against the board's proposal. The four existing directors David Krasnostein, Brenda Shanahan, Robert Prosser and Lachlan McKinnon all resigned at the EGM rather than be voted off, and three new directors Fred Bart (Chairman), Shawn van Boheemen and Graeme Newing were appointed to the board as non-executive directors.

During the last few months of the previous board's tenure, operations had been wound down in anticipation of the board's proposal being accepted. By the time of the EGM most employees in China had been retained but most others around the globe had resigned or been terminated, Those still employed outside of China were Bush Heathman, General Manager US Operations, and Chong (Cherry) Wang, Group Financial Controller, the latter based in Melbourne.

In the absence of an employee for the role, Graeme Newing has been co-ordinating operating activities.

On 25 January the Company announced the appointment of Shawn van Boheemen as Company Secretary, following the resignation of Matthew Parker.

On 5 February the company announced a change of registered address to Suite3, Level 12, 75 Elizabeth Street, Sydney NSW 2000.

Investigations are continuing by the Australian Federal Police over the accounting irregularities and possible fraud and corruption in China discovered in 2020. In addition to potential action



being brought against certain individuals, the Company itself could be fined a significant sum if the finding is adverse.

Release of the 2023 accounts has been delayed pending resolution of certain matters.

Phoslock shares remain suspended from trading on the ASX platform.

Operations

Production in China ceased in 2020 and the plant remains on care and maintenance. Four employees at the plant were terminated in March 2024.

Phoslock sales in the period totalled 58 tonnes mostly via distributors including 50 tonnes in the USA. Small sales were made in China, Europe and Australia. Inventory on 31 March 2024 was 2,551 tonnes, most of it in China.

Water Warriors terminated in October 2023 its agreement with the Company on the exclusive distribution and sale of Phosflow. This was not disclosed at the time.

There are several medium sized projects in the pipeline including one of 200 tonnes and another of 100 tonnes which could result in much improved sales revenue being recorded during the June Quarter, but there is no guarantee that the projects will proceed.

The task of generating sales is made more difficult by there being insufficient sales and supporting staff including none in Europe. It has not helped that despite not having shareholder support the previous management informed customers that the business was being closed. Added to that is increasing competition from other lanthanum modified bentonite products, which the previous board had not disclosed to shareholders. Water industry consultants Limnological Solutions International Ltd have been engaged to assist in our sales efforts.

Prices have been reduced to facilitate sales in this more competitive environment.

Financial

During the three months ended 31 March 2024 sales receipts were \$0.2m, down substantially from the previous quarter's \$5.7m and the previous corresponding period's \$0.6m. The previous quarter was boosted by receipt of a \$4.7 receivable dating from completion of the Lake Xingyun project in 2020.

Cash operating costs were \$2.1m compared with \$3.3m in the previous quarter and \$3.9m in the previous corresponding quarter. Outlays in the quarter included payment of annual rent on the factory premises in China and termination payments for staff across the globe.

The cash deficit from operating activities was \$1.9m compared with a surplus of \$2.4m in the previous quarter and a deficit of \$3.2m in the previous corresponding period.

The cash position at 31 March 2024 was \$8.9m, down \$1.7m on the position of \$10.6m recorded as at 31 December 2023. Most of the cash is in China and steps are being taken to repatriate the funds to Australia.



Outlook

Cash receipts are expected to be boosted in the current quarter as unpaid invoices dating from 2023 are paid by Hidroscience in Brazil. At the same time cash costs are expected to be lower moving forward.

The focus is on sale of existing inventory and some progress is being made. Beyond that, the new board is still determining the best way forward for the Company.

This announcement has been approved by the Chairman.

Mr Fred Bart

Chairman

– end –

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 Sydney, PET has offices in 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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED

ABN

88 099 555 290

Quarter ended ("current quarter")

March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
331 Cash flows from operating activities		
-		
1.1 Receipts from customers	189	189
1.2 Payments for		
(a) research and development	(77)	(77)
(b) product manufacturing and operating costs	(96)	(96)
(c) advertising and marketing	(5)	(5)
(d) leased assets	(293)	(293)
(e) staff costs	(755)	(755)
(f) administration and corporate costs	(880)	(880)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	35
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,882)	(1,882)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(32)	(32)
(d) investments	-	-
(e) intellectual property	(7)	(7)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(39)	(39)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,623	10,623
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,882)	(1,882)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(39)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	165	165
4.6	Cash and cash equivalents at end of period	8,867	8,867

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,559	6,239
5.2	Call deposits	2,308	4,384
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,867	10,623

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,882)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,867
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,867
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 April 2024

Date:

Authorised by:The Board.....
(Chairman)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.