

Company announcement

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Phoslock Environmental Technologies 2025 AGM CEO's Address

Phoslock Environmental Technologies (ASX:PET) provides Phoslock CEO Mr Graeme Newing's address to the 2025 Annual General Meeting.

This announcement has been approved by the Chairman.

Mr Fred Bart
Chairman

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About PET:

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

PET is headquartered in Sydney and has an office, factory and warehouse in Changxing, China. The Company is represented by licensees, distributors and agents in numerous other countries including HydroScience in Brazil.

PET's main manufactured product is Phoslock®, a lanthanum modified bentonite (LMB) that permanently binds excess phosphorus in the water column and sediments, and thus improves water quality and biodiversity. Phoslock does not harm living organisms and is certified for use in drinking water in North America, Europe, Brazil, Australia, and China.

www.phoslock.com.au



Phoslock Environmental Technologies 2025 AGM CEO's Address

Good morning and thank you for your attendance.

Last year was clearly disappointing. Sales volumes were 227t compared with 1,237t in the previous year. The USA accounted for 110t and Australia and Europe the balance. China was tiny and there were no sales to our Brazilian distributor Hydro Science. The latter had accounted for most of sales in 2023 because they purchased their entire 2024 requirement in late 2023.

It is already obvious that this year will see a substantial improvement. Sales in the March quarter were 383t, exceeding the total achieved in the whole of 2024. This was due largely to the return of Hydro Science, whose purchases accounted for two thirds of the total. In addition, Orion started off well in the US. We also expect sales in the current quarter to be relatively high with some good projects in Europe coming to fruition. And we are currently discussing another big shipment to Hydro Science, for which a sale could be recorded either this quarter or the next. For the full year, sales could be between 1,000 and 2,000t, with the wide range of possibilities reflecting the uncertainties inherent in our business.

It is possible that inventory in China, currently around 1,200t, will be run down to relatively low levels during the course of this year. Accordingly, we are well advanced on refurbishing the factory in order to place it in a state of production readiness. The plant had closed in 2021 with a production capacity of 3,000t on one shift and double that on two shifts.

Turning to the financials, in 2024 Phoslock made a loss of \$2.2 million on sales revenue of \$0.8 million, compared with the 2023 loss of \$2.1 million on sales revenue of \$3.4 million. The comparison is distorted by the fact that in 2023 the Company booked a profit of \$6.1 million on reversing an impairment for the Xingyun receivable. So the underlying profit improved dramatically in 2024. This was largely due to lower costs; expenses other than the cost of sales and non-cash items were \$3.5 million in 2024, compared with \$10.3 million in 2023.

The cashflow deficit from operating and investing activities during 2024 approximated \$2.9 million. Importantly the auditor gave the accounts a clean bill of health and confirmed our going concern status.

During the March Quarter 2025, the cashflow deficit from operating and investing activities approximated \$1.0 million, an improvement on the deficit of \$1.9 million experienced in the previous corresponding period. The current June quarter could see a further improvement, partly because in the March quarter some significant payments were made for the full year, such as rent on the Chinese factory.



Turning to corporate matters, following release of the audited accounts for 2024 the Directors have requested that ASX lift the suspension on the shares. Whether that request is granted remains to be seen; the ASX may seek further information.

The Company continues to address legal matters relating to events that occurred some years ago, including a class action filed in November last year by the Banton Group on behalf of a shareholder. To state the obvious, that is a very significant issue for us. While we are committed to defending the Company's interests and we believe there is no case to answer, the outcome is unpredictable and is likely to involve considerable expense.

The class action is but one of several significant issues facing our business. Two others of immediate interest include emerging competitive products, and higher US import tariffs.

On the first issue, competitive pressures are mounting. To counter them we must develop new products – better products than Phoslock, and better products than the competition. We are bitterly disappointed that the first attempt by our research team in China, which showed such promise in initial testing, did not work out. However, they are continuing work on other ideas. We are also considering alternative research options.

As for US import tariffs, they increased from 25% to an impossibly high 145% in April, then earlier this week they fell to 30%. Such volatility is difficult to navigate. At 145% imports to the US would have been unprofitable and so we were seeking an agreement with a US toll manufacturer and looking to source raw materials. At 30% we can import to the US but who knows what the tariff will be after the 90-day pause – if there is a 90-day pause. We are in the process of obtaining quotes for a large shipment in the next week or two to add to the existing US inventory, in order to reduce our risk.

Turning back to the financials, our cash position was \$6.8 million on 31 March, which could be sufficient to see us through the next year or so. Much depends on sales volumes and legal outlays. Breakeven volumes might exceed 3,000t, depending on the assumptions used, and ignoring the likelihood of heavy legal expenses. And perhaps we will sell 3,000t in 2026 at a stretch. But the class action could cost us some millions.

In conclusion, we can take encouragement from the profile of increasing sales volumes, but significant challenges lie ahead and some of them are out of our control.

Thank you.

Graeme Newing.