

Company announcement

10 January 2022

PET secures out of court settlement in relation to BHZQ (China) receivables

Phoslock Environmental Technologies Limited (ASX:PET) today announces that it has secured a substantial settlement in relation to all outstanding receivables involving a former customer and related party in China, Beijing BHZQ 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 in arbitration tribunals and courts against BHZQ.

The settlement reached today settles all arbitration and court cases for claims and counterclaims initiated by PET or BHZQ against one another. These proceedings will be withdrawn in the coming days following today's settlement.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 payment includes a substantial component of receivables not yet due.

As at 30 June 2021, the full amount of account receivables from BHZQ continued to be impaired in PET's Financial Statements. It was management's judgment at the time that recoverability of outstanding account receivables from BHZQ was uncertain and so warranted an impairment provision of A\$2.1 million, being the full balance owing. The settled amount of A\$1.8 million will be accounted for in December 2021 consistent with accounting standards.

Lachlan McKinnon, Managing Director and CEO of PET said: "We are pleased with the outcome of the settlement. The settlement represents a further clean-up of legacy issues arising out of our China operations."

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

David Krasnostein
Chairman

Mr Lachlan McKinnon
Managing Director and CEO

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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