



Phoslock
Environmental
Technologies

31 AUGUST 2021

PET 2021 Half Year Unaudited Results and Business Update

World leaders in water remediation



Driving sustainable growth




Full-time team of
environmental scientists
and engineers

Disclaimer

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.





Key developments for first half period



Execution of strategic growth plan – additional resources/investment in geographic and product expansion

Continued implementation of improved governance, accounting and management standards – in China and across the business

Reviews progressed in following key areas:

- People, performance & culture
- Manufacturing / supply chain
- Research & development program

Ongoing project and trial work across all key regions – several trials progressing to contracted projects

Continuing to address issues that will facilitate re-listing of shares on ASX

- New auditors appointed
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Legal proceedings commenced in respect of fraud and mismanagement issues

Board renewal – three new non executive directors appointed; new Chairman



2021 Half Year Results

– Unaudited

Key financial results	6 months to 30 June 2021	6 months to 30 June 2020
Revenues	\$1.3 million	\$2.1 million
Gross Profit	\$0.74 million	\$1.1 million
Underlying EBIT ¹	(\$3.9 million)	(\$4.3 million)
NPAT ²	(\$0.8 million)	(\$21.6 million)
Net Operating Cash Flow	(\$3.8 million)	(\$8.4 million)

Key balance sheet metrics

Cash at bank	\$26.3 million	\$30.4 million
Receivables	\$1.8 million	\$2.7 million
Inventory	\$4.0 million	\$4.0 million

1. Underlying EBIT (Earnings before interest and tax) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for the add back of income tax, finance costs and certain non-cash income and expense items that are deemed to not have an ongoing affect to the underlying performance of the business. The Company believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

2. Net Profit/(Loss) after Tax



Key impacts on Half Year financials

Legal, accounting, consulting and restructuring costs associated with addressing the fraud and mismanagement issues relating to the China business

One-off non cash adjustment due to factory lease modification

COVID-related disruptions and delays impacting remediation projects and new business development activity

Part payment of Xingyun receivable



China issues & reset



What Happened



Irregularities identified during audit of FY2020 first half accounts – investigations initiated

Investigation findings include incidents of fraud (including falsification of contracts and invoices); undisclosed related party transactions; unsubstantiated forecasts; incorrect bonus payments and share options distribution.

PET shares go into voluntary suspension – September 2020

China based non-executive directors resign in September 2020

Major contract compliance review

Significant tax and cost impacts

Our Response



Thorough independent investigation of all matters

Additional legal, forensic accounting and business advisory / support resources retained

Continued restructure of China operations, with new appointees in key leadership roles

Independent market review

Comprehensive review of financial reporting procedures, delegated authority policies and general risk management framework

Board renewal process

Legal proceedings underway in China to recover outstanding debts; legal recourse continues to be reviewed in respect of pursuing certain individuals and recovering misappropriated funds

1H FY21 Project update



Australia / New Zealand

Contract secured for City of Auckland remediation works

New projects in the Gold Coast (Lake Hugh Muntz) and Perth regions

Trial work continued at Lake Wyangan in the Griffith area

Business development agent to be appointed in New Zealand

China

15 projects expected to complete in the current financial year

5 projects completed in the first half

Lake Dianchi trial work was completed, ready for review with local authorities

Europe

Permits issued for projects in Denmark (expected completion this year) and Finland (2022 schedule)

Contract negotiations progressed positively for large \$4m Netherlands project at Kraslingse Plas

Projects progressed in Belgium, Netherlands and Germany, with completion expected in current FY

South America

Brazil remediation projects continued

Distributor appointed in Uruguay, now working to establish a pilot demonstration trial by December 2021

North America

Remediation work continued at Kitsap Lake, Washington State and Morrison Lake, Michigan

Work commenced at Ladybird Lake, Texas and Prima Vista Waterway near Port St Lucie, Florida

Prospects in Minnesota, California and Indiana being developed

Continued to address regulatory issues in Canada



Growth Strategy

PET is building a platform of sustainable and profitable growth by **expanding market access across multiple geographies and products**. In support of that strategy, the company has undertaken reviews across key areas of the business.

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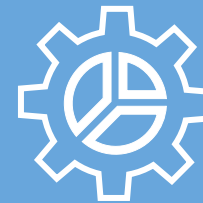
People,
Performance &
Culture



Research &
Development



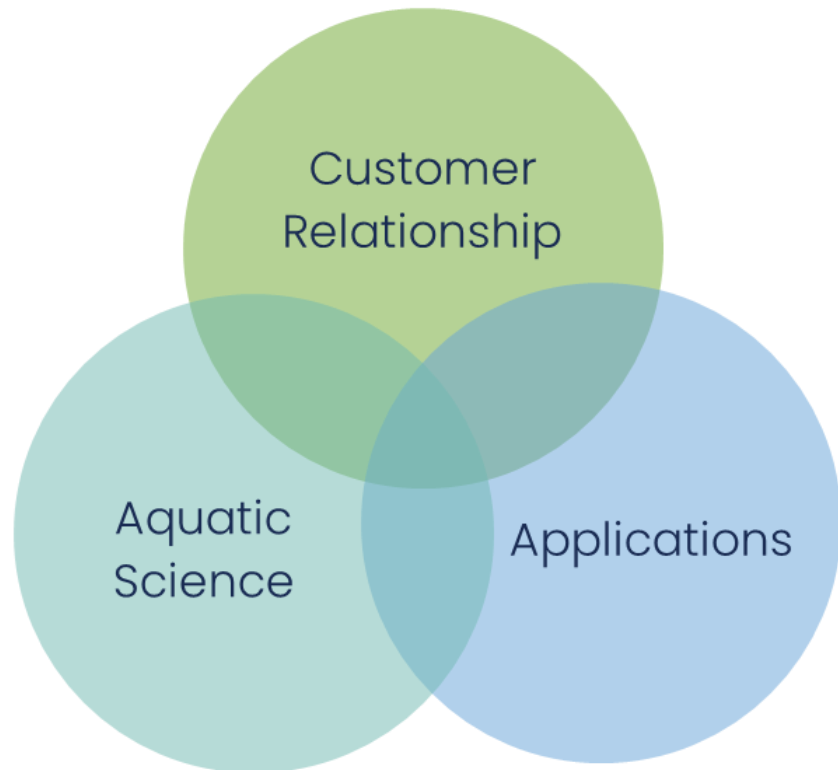
Manufacturing
& Supply Chain





People, Performance & Culture review

Capability Culture Networks Structure



We earn our customer's confidence by combining our expertise to solve their problems

Customers can expect tailored water management solutions based on science with excellence in application and project management

While we will adapt according to the market conditions, **our customer promise will be common in every region.**

PET's Operating Model

- Trusted partner of choice
- Working together
- Help customers learn about PET's points of difference
- Confidence and operational excellence

Focused R&D program

Priority new growth opportunities

R&D Rapid Review

- Scored and ranked more than 30 R&D projects
- Prioritised 5 within the portfolio to address key customer drivers
- Hiring for new Group Executive Product Solutions role
- Initiated new research collaboration with a leading university

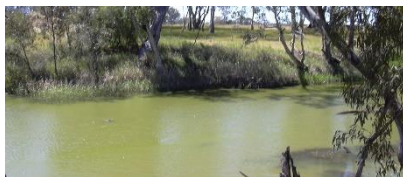
Core

2 projects to enhance Phoslock effectiveness, affordability and ease of use and expand to new / underserved markets

Phoslock Enhancement



Phoslock Market Expansion



Adjacent

1 project to cross-sell products and services that address a key customer pain-point — harmful algal blooms.

Mechanical Restoration Remedies



Transformative

2 projects that, if successful, would enable phosphorous and other nutrients to be removed from flowing water.

ZEEP



New Technology Contaminant Binder



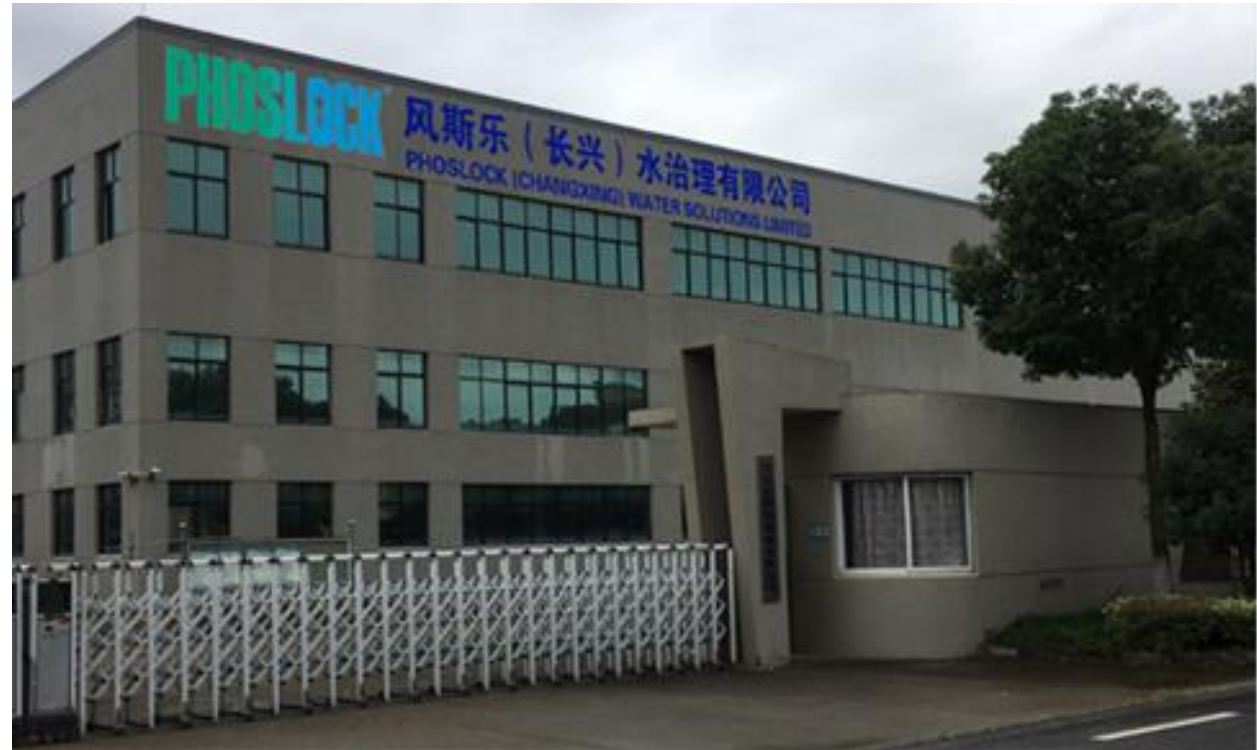
Manufacturing review

A review is underway to determine preferred options for locating a second manufacturing plant.

The review is considering:

- Site and plant establishment costs
- Raw material access – key cost driver
- Customer transportation considerations
- Potential government incentives and tariff implications
- Other supply chain risks
- Short list of options has been completed

Review recommendations will be considered by PET Board In third quarter of CY2021.



Phoslock is currently manufactured in an ISO compliant factory in Changxing, China



Canada

Working through complex regulatory process

Projects ready to commence in Quebec, Ontario and Alberta – exploring R&D permit as interim step

Ongoing discussions with several other provinces

USA

Work continues in Kitsap (Washington) and Morrison (Michigan)

Began Lady Bird Lake (Texas) and Prima Vista (Florida)

Other projects at early development in Minnesota, California and Indiana

Discussions ongoing with SePRO

Europe

City of Rotterdam contract – most significant project to be undertaken in Europe

Several projects complete in Netherlands, Belgium and Germany

Permits issued for Denmark, Finland

Ongoing projects in Germany, Netherlands

China

5 projects completed (end August 21)

10 projects underway in various provinces, varying size

South America

Several contracted projects underway in Brazil (Pampulha, RDJ, Salvador)

Distribution partner, Frecoes Frutlaes app Uruguay – first project locked in for 2021

Australia & NZ

Projects secured in Australia, treated Lake Hugh Muntz and contracted two further projects in WA

Secured City of Auckland Project, appointing NZ distributor

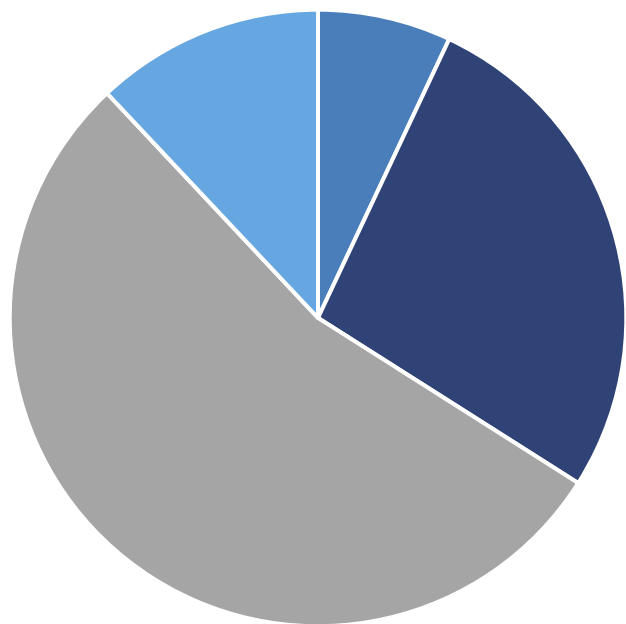
Current and prospective activity



2021 project status summary

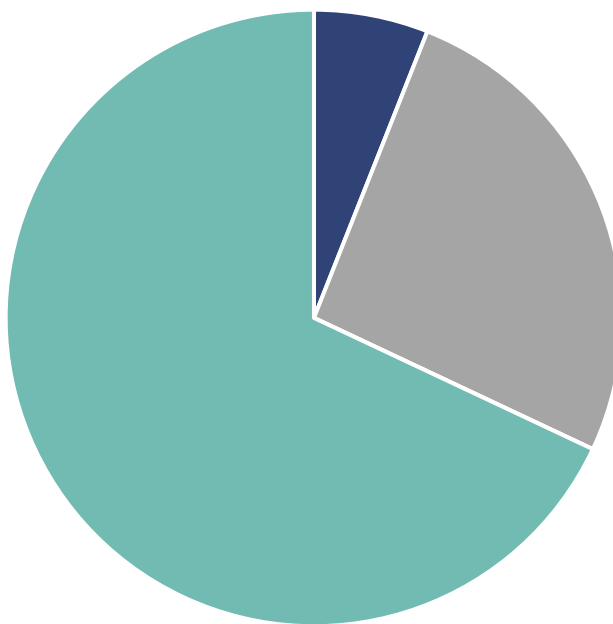


Contracted sales¹



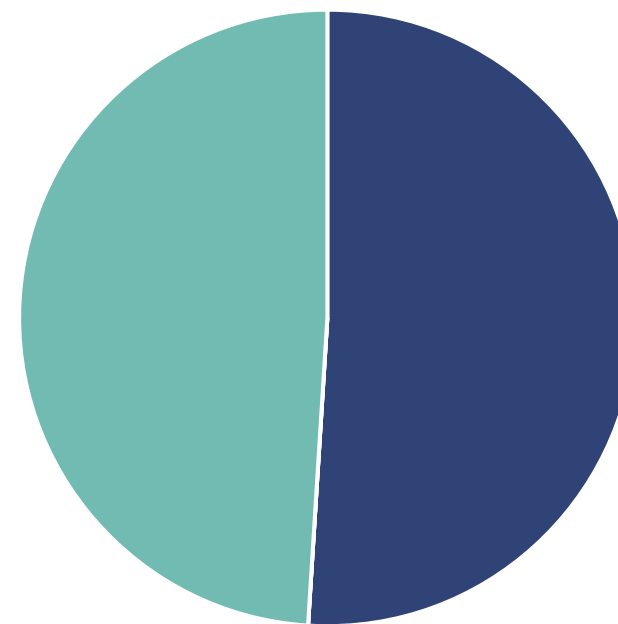
60% of forecast tonnes

Heads of agreement¹



11% of forecast tonnes

High probability¹



29% of forecast tonnes

■ ANZ

■ China

■ Europe

■ South America

■ United States

¹As at August 2021



Outlook FY21 –

Key priorities for second half

The full year operating result will be dependant on currently forecast projects being contracted and/or completed during the period, along with the ongoing impact of COVID-related interruptions, delays and cost implications. Those cost implications include significantly higher international freight charges and shipping availability.



Continue to secure additional sales opportunities across target geographies



Conclude and implement review recommendations re People & Culture; R&D; Manufacturing/supply chain



Execute on currently contracted projects



Continue to address regulatory issues in Canada



Continue to address issues pertaining to resumption of trading on ASX



Build the strength and capability of China team

Strong Funding Position



Cash / cash equivalents
(as at 31 June 2021):
\$26 million

Lower working capital
and increased margins
due to inventory
write-down

Debt free

Abnormal costs
associated with China
investigations and audit
reducing in FY21 but
ongoing as matters
continue to be
addressed and pursued

Lower fixed cost base
following review of
overheads



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