

ASX Announcement

Second Strategic Co-operation Agreement signed in China with the Shenzhen listed Environmental Protection Group – ‘Sailhero’

29 October 2019

Highlights

- Co-operation agreement signed with Shijiazhuang (Hebei Province, China) based listed Environmental Protection company Hebei Sailhero Environmental Protection High-tech Co.,Ltd (‘Sailhero’)
- Envirosuite will be Sailhero’s strategic provider for environmental solutions for air quality and other utility projects.
- Extends Envirosuite’s reach to China’s eight largest Province with 75m people and GDP in excess of \$500m USD



Above: Mr Peter White, Envirosuite Chief Executive Officer and Mr Chuntian Liu, Sailhero Sales VP in the foreground with representatives of Envirosuite and Sailhero at the contract signing ceremony.

Environmental management technology company **Envirosuite Limited** (ASX:EVS) ('Envirosuite' or 'the Company') is very pleased to announce that it has signed its second Strategic Cooperation Agreement in China with Hebei Sailhero Environmental Protection High-tech Co.,Ltd ("Sailhero").

Based in the northern province of Hebei, Sailhero was established in 1996 and listed on the Shenzhen stock exchange in 2010 (code 300137:CH) with a market capitalisation of 4.3Bn CNY and annual revenues of 2Bn CNY. Sailhero specialises in air quality monitoring equipment and claims to have 30% of the overall market in China. A major focus of Sailhero is city-wide monitoring for government clients.

The agreement provides the ability for Envirosuite, that is foremost a world-leading air quality software platform, to scale with a partner that can address the equipment requirements for the larger projects. Accurate, reliable and scalable equipment networks provide the data feeds that Envirosuite requires to produce the range of operational insights to users looking to monitor and manage the air quality impacts of their operations.

Specifically under the agreement Envirosuite will be Sailhero's strategic provider of environmental solutions initially in air quality improvement and other utility projects. The application of Envirosuite will include though not limited to:

- Monitoring of Odour, air and noise
- Envirosuite 'Incident Intelligence' solution that enables source identification and complaint management
- Risk management and prediction (utilising Envirosuite's predictive capabilities)

In turn, Envirosuite will seek to utilise and promote Sailhero's air quality monitoring equipment.

Both parties agree to cooperate across each sector that is relevant to Envirosuite's capabilities in air quality including:

- Smart cities
- Heavy industry
- Ports
- Agriculture
- Mining

The two companies will seek to work together on projects in China and globally to provide comprehensive intelligent environmental management solutions.

Envirosuite CEO Peter White said:

"It is highly significant that within two months of commencing our China focus we have managed to extend our reach into a new province with a major listed company that perfectly complements our offering. Even more significant is that Sailhero, a company that has been a pioneer and the dominant market player in providing air quality monitoring equipment for over two decades, has decided to partner with Envirosuite to help extend their solutions in identification of sources of pollution."

"We are starting to see the potential for our business in the China market and now we have two top level partners that have agreed to support our expansion with their enormous market reach."

More about Sailhero

Sailhero has specialised in manufacturing advanced environmental monitoring instruments for more than 20 years and was the first listed company in the environmental monitoring industry in China. Today Sailhero has over 2000 employees and 14 domestic and foreign subsidiaries as well as three research and development centres.

Sailhero's main product lines and services include:

- Ambient air monitoring and early warning system
- Surface water monitoring system
- Drinking water monitoring and early warning system
- Acid rain on-line monitoring systems
- Pollution source on-line monitoring systems
- Emergency monitoring, decision-making systems
- Providing operation service of environmental monitoring instruments for customers

The Company confirms that there is no other material information or conditions to be satisfied in relation to the Co-operation Agreement.

In accordance with ASX Guidance Note 8 to listing rules 3.1-3.1B the Company further advises that:

The term of the Co-operation Agreement is five years from the date of signing and may then be extended by mutual agreement.

The significance of the Co-operation Agreement is as follows:

- On 6 September 2019 the Company announced that it had agreed to issue 40m performance options ("Options") and that the Options will vest on a minimum of A\$10,000,000 in cumulative revenues being received by the wholly owned Chinese subsidiaries of Envirosuite from commencement of operations until 31 December 2021.
- The issue of the Options is being put to shareholders for approval at the 2019 Annual General Meeting - refer Resolutions 6 and 7 and the details set out in the accompanying Explanatory Statement.
- The Company believes that investors should be updated on material progress toward the achievement of the \$10m minimum revenue hurdle. Establishing distribution channels through the signing of agreements with large, reputable and long standing companies that are well embedded in the Company's target industry verticals in China is a necessary and significant demonstrative step towards creating the means to achieve the \$10m revenue hurdle.
- The signing of these Co-operation Agreements is the culmination of significant efforts by the Company's executives and several members of the Australian executive team including the Company's Chief Executive Officer travelled to China specifically to formalise these important arrangements and advance the Company's China expansion plan.

The Co-operation Agreement states that,

"Sailhero will become strategic suppliers of EVS in consulting project(s) (aimed at) global air quality improvement. EVS will actively promote Sailhero grid monitoring equipment and related business to customer(s)"

The Company advises that no specific monetary arrangements have been agreed upon at this stage. In relation to this section of the Co-operation Agreement, it is envisaged that each party may act as a reseller for the other on specific projects and receive a reseller commission, which is generally a minority percentage of the revenues received from the referred client. In addition to new projects, Sailhero has an extensive portfolio of large and varied existing projects that they may introduce Envirosuite to and thereby receive a percentage of the revenues received by Envirosuite. The converse may apply in instances where Envirosuite is able to introduce Sailhero's equipment solutions to a specific project in China or elsewhere.

While not known at this time, subject to commercial sensitivities, the Company will seek to disclose the value and details of future material commercial contracts signed as a consequence of this Co-operation Agreement to the market.

The Company confirms that there is no other material information or conditions to be satisfied in relation to the Co-operation Agreement.

About Envirosuite

Envirosuite Limited is an environmental management technology company that has developed a leading Solution-as-a-Service offering which translates data into action in real-time.

Using proprietary algorithms built on more than 30 years of environmental consulting experience, the Envirosuite platform provides a range of environmental monitoring, management and investigative capabilities.

The Envirosuite platform is used worldwide by a range of clients in the mining, water and waste management, heavy industry, ports and agricultural industry sectors and as well by governments looking to regulate industry in accordance with community well-being.

To learn more, please visit: www.envirosuite.com and en.Sailhero.com