



Morgan Stanley - Alpha ex-100 Conference

24 October 2019

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The Problem

Water Quality is a major GLOBAL PROBLEM

Causes – excess Phosphorus entering canals, rivers, lakes

Where does the Phosphorus come from :

- Run-off water from agriculture (fertilisers used to enhance production)
- Run-off water from livestock farms and processing
- Run off water from urban households
- Treated and untreated sewage discharges into water bodies
- Illegal water discharges from industry
- Natural phosphorus inflows including bird and wildlife

Result of excess Phosphorus entering in water bodies:

- Harmful Algal Blooms
- Green Water
- Human Health problems



The Solution - PHOSLOCK®



PHOSLOCK® - The Product



Environmental Friendly product that locks up Phosphorus safely and permanently

- Invented by CSIRO (Australian Govt Science Organisation) in 1990's;
- Modified Bentonite Lanthanum product;
- **Environmental Friendly**; safe for human and fish & aquatic plants;
- **Internationally Certified** for use in Drinking Water Reservoirs;
- Manufactured in **ISO Compliant** modern factory to strictest Quality Control;
- Supply Chain - audited by our major accreditation agencies
- => **CLEAN, GREEN, ENVIRONMENTAL FRIENDLY PRODUCT**
- **Ethical Investment – PET ticks all the boxes**



Financial Summary – PET now has 31 December Year End

- 2019 First Half Revenue **\$10.2m**
- 2019 First Half NPBT **\$1.7m**

Net Cash flow from Operations (January-September 2019): \$7.3m

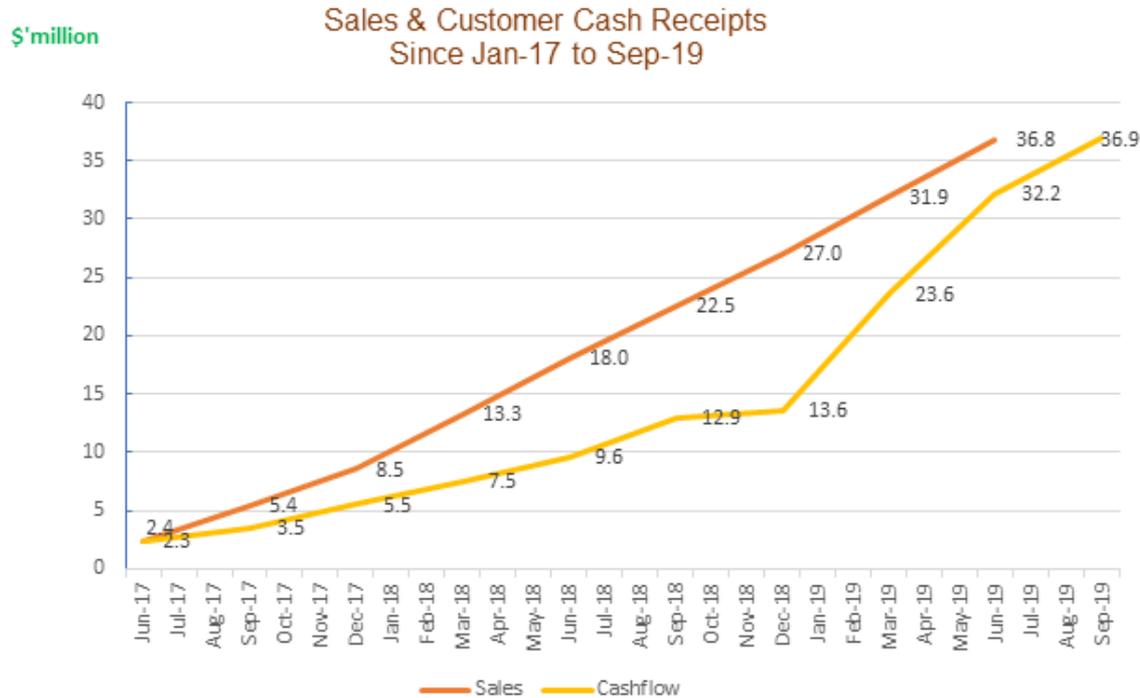
- 2019 Forecast Revenue **\$27m-\$30m**

Jul-Dec 2019 Sales made up of approx 5,000 tons of Phoslock Sales and \$4m Engineering Works
Major Sales – Yunnan Lakes; Wuhan; Beijing Canals and Wetlands; US Florida, Brazil

Strong Balance Sheet – 30 September 2019

- Cash of **A\$14.6m**;
- Receivables/Work in Progress of **\$10m**
- Inventory and Raw Materials of **\$5m (sales value - \$11m)**;
- Trade Payables of \$2m
- **Debt Free**; Net Assets \$29m

Sales versus Cash Receipts – strong Debtor payments



Customers – 90% are Government Organisations (including bodies set up to manage water bodies)
PET has never had a Bad Debt
Sales Revenue being received on a timely basis

Chinese Operations



All Chinese Subsidiaries are 100% owned by PET

Payments from Chinese Subsidiaries to PET Australia

Agreements in place for Chinese Subsidiaries to pay PET Australia in cash for:

- Group Service provided to Chinese Subsidiaries;
- Technology Services provided to Chinese Subsidiaries; and
- Royalties payable per ton of Phoslock sold in China.

The amounts are calculated six monthly; approved by Chinese Tax Authorities then paid to PET Australia. Circa \$2m received by PET Australia from Chinese Subsidiaries – all payments up to date.

Chinese High Technology Status

PET's Beijing Subsidiaries have applied for High Technology Status and recently listed as being successful.

PET is currently awaiting formal notification and start date of the new tax rate.

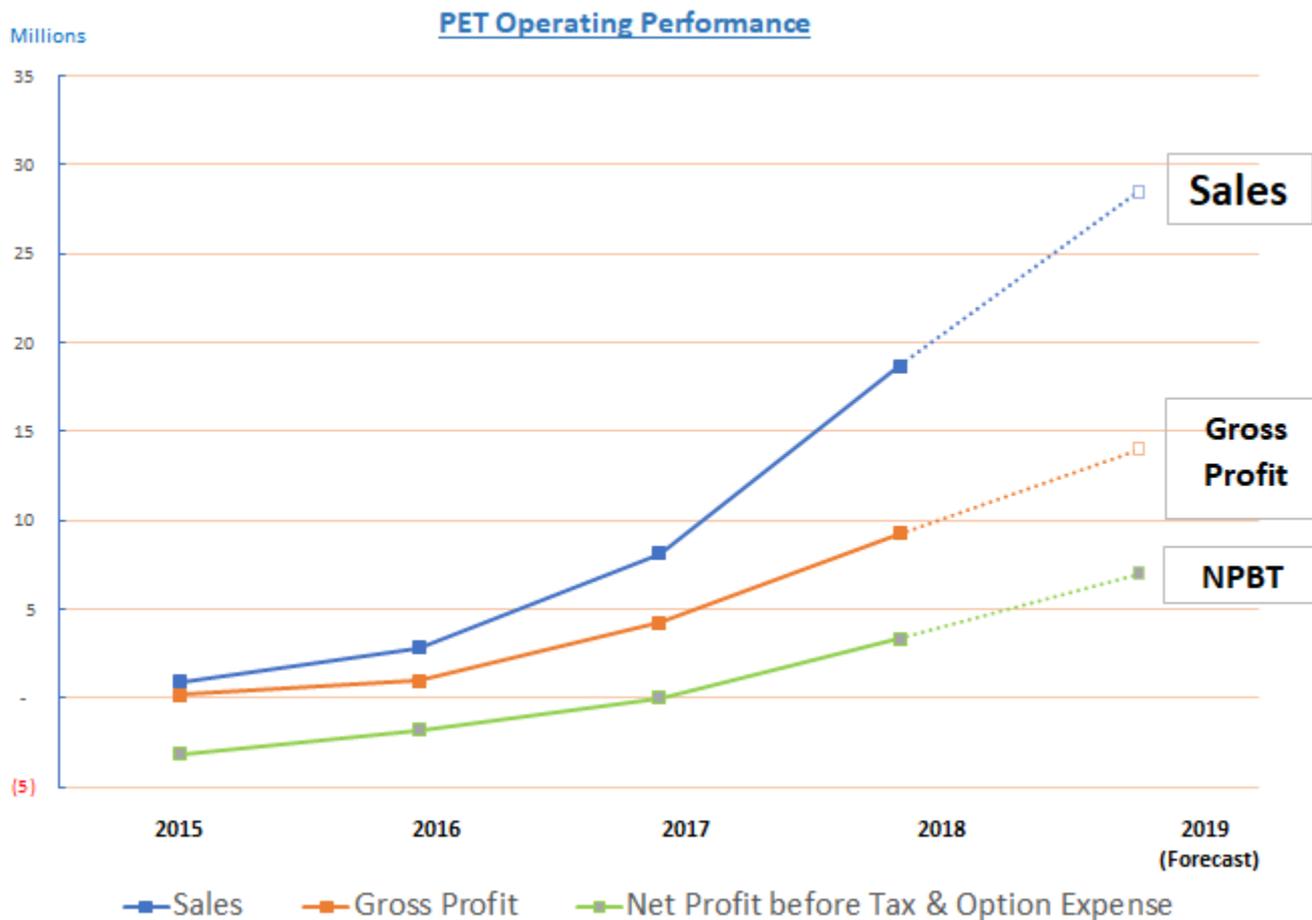
Company Tax Rate for Beijing Subsidiaries will decrease from 25% to 15%; major benefit to PET

Dividends from Chinese Subsidiaries to PET Australia

All PET Chinese Subsidiaries are paying tax on their profits and can pay dividends back to PET Australia.

PET Australia has currently elected to retain profits in China to fund its significant growth.

PET Operating Performance



FY 2020 Outlook



Forecast Phoslock Sales in the range of 10,000-15,000 tons on known projects

Significant Engineering project work

Forecast Phoslock Production of 25,000-30,000 tons

Over 10,000 tons of Phoslock available for sale in FY2020 to meet new projects and pipeline projects bought forward. Most large projects are multi-stage projects; success in current stage will lead to significant work in the next stage.

PET Major Projects in China

- **Yunnan Lakes – catchment & lake work started July 2019 on first project; expecting over 3,000 tons applied by Dec 2019
- trial on second large lake commencing Nov/Dec 2019**
- **Wuhan – work on a number of lakes underway**
- **Beijing Canals – initial works completed; on going maintenance work**
- **Beijing Wetlands – first project completed; on going maintenance work**
- **The above projects are expected to provide significant work in 2020 and beyond**

⇒ **China Pipeline over \$200 million**

PET Major International Projects

United States/Canada – Florida wetlands and lakes; other US & Canada projects - > 1,500 tons

- **Europe/UK – 12 projects > 1,500 tons**
- **Brazil / South America – six projects forecast 1,000 tons**

⇒ **International Pipeline over \$130 million**

Total Addressable Market – THE WORLD



Shareholder Information



Capital Structure (23rd October, 2019)

Company Name: Phoslock Environmental Technologies Limited

ASX Code: PET

Trading Range: (last 12 months) \$0.32 - \$1.60

Total Issued Shares: 562.7m Shares

Total Unlisted Employee Options: 12.45m Options

Total Number of Shareholders: 6,200

Directors & Executive Shareholding: Approx 141m Shares (25%)

Institutional Shareholding: Approx 80m Shares (14%)

Laurence Freedman AM (Chairman)	Founded EquitiLink; Large private investment portfolio; Largest PET Shareholder
Zhigang Zhang (Deputy Chairman)	Senior Executive with BEWG/BHZQ; 30 years water industry; Major Shareholder
Robert Schuitema (Managing Director)	MD since 2007; ex Chase/JPMorgan inv banking; Major PET Shareholder
Brenda Shanahan (Non Exec Director)	40 years involvement in investment management; NED on number of boards
Ningping Ma (Non Exec Director)	Senior Executive with BEWG/BHZQ; 30 years water industry; large PET Shareholder

Changxing Factory and R&D Centre



Multi purpose factory – 150km west of Shanghai manufacturing Phoslock ®

Current factory Production Capacity increased to 20,000tpa

- Record production of 58.5 tons per day; routinely 50-58 tons per day

Second production line capacity at Changxing of 20,000tpa

– in production by May 2020

Capex budget of \$4-6m can be funded from internal cash flow

For FY2020 PET forecasting production of 25,000 – 30,000 tons

New large Changxing warehouse storing Raw Materials & Finished Goods

Manufacturing is Capital Light and Easily Scalable

New Products:

- Adding new products - ZEEP

ISO Accreditation

WQA Accreditation Annually



China – enormous market with large Government Funding

Team of 60 PET employees working in China

- Beijing – China HQ; sales; engineering team; project management
- Changxing (150km inland from Shanghai) – factory; R&D; sales
- Kunming – sales; project management
- Wuhan – sales; project management

Strategic Agreement with BHZQ has significantly accelerated business

PHOSLOCK® officially recognised by the **Ministry of Water Resources** as an approved product for phosphorus removal.

The **Ministry of Water Resources** administers **2,865 lakes** with an area greater than **1 km²** and **98,000 reservoirs**.

Chinese Government has allocated over US\$1 trillion in latest 5 Year Plan to address water, air and soil pollution.

PET major Projects in China

- Beijing Canals – initial works completed; on going maintenance work
- Beijing Wetlands – first project completed; on going maintenance work
- Yunnan Alpine Lakes – catchment & lake work started on first lake; large trial on second
- Wuhan – work on a number of lakes
- Strong pipeline of other large projects



US Wetland/ Everglades

Huge Potential; Phoslock to absorb Phosphorus before entering Wetlands/ Everglades
400 tons (16,000 25kg bags) being applied in December-February 2020

United States – nearly 3,000 tons since 2012 – large expanding market



Brazil – 2,500 tons since 2015



HidroScience – licensee since 2012

Sales 2015 to 2019 – nearly 2,500 tons over 4 projects; Major project - Pampulha

Forecasting nearly 1,000 tons (\$3.0m) for FY2020 over 6 projects; Major project - Pampulha



DRINKING WATER RESERVOIR, BRAZIL



PAMPULHA, BRAZIL

Drinking Water Projects

Large Drinking Water Projects funded by various International Agencies



Central America



Middle East



South America

New Product (ZEEP) - Reusable Recyclable Filter Medium

PET ACQUIRED EXCLUSIVE GLOBAL RIGHTS TO REUSABLE WATER REMEDIATION PRODUCT – announced 19 August 2019

Key points:

PET secured the exclusive global license for a phosphorus removal product in moving water;

Six years development by leading United States University;

The Product is **UNIQUE** as it can be reused up to ten times;

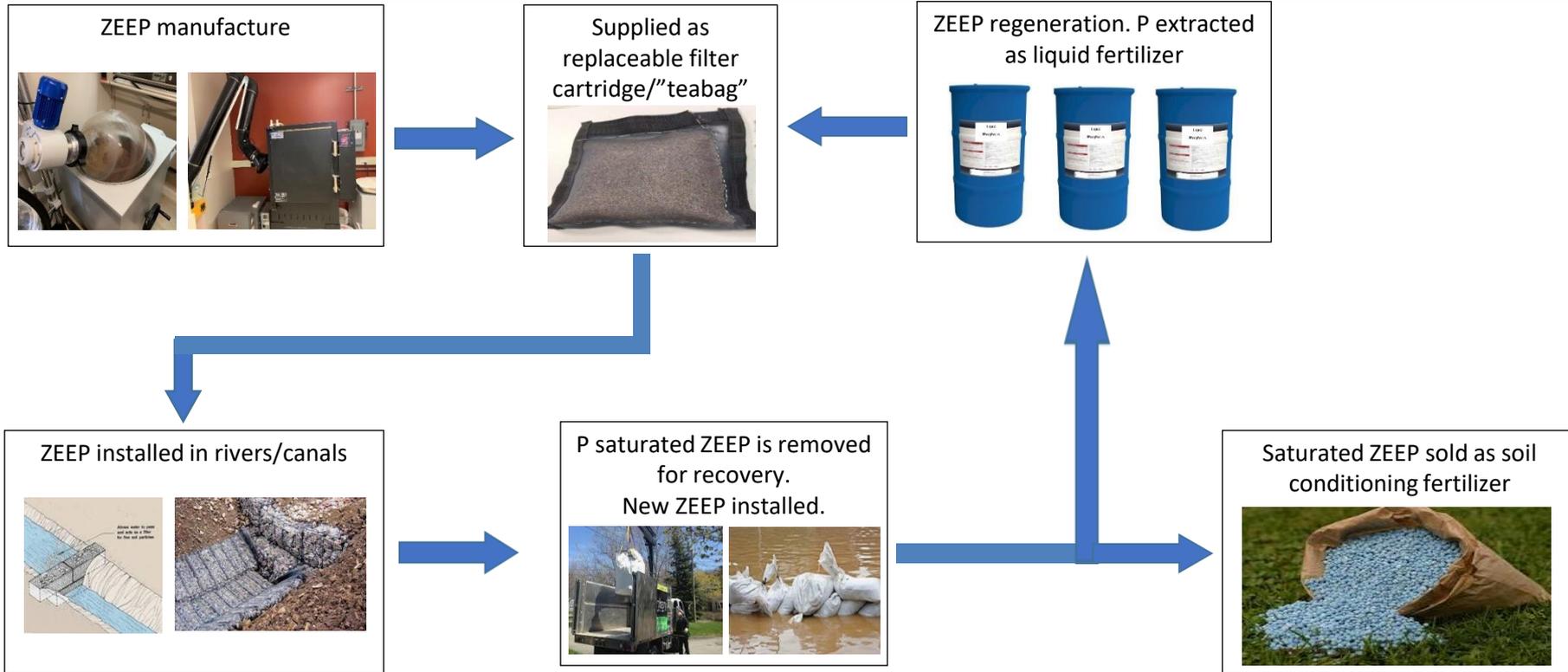
Removed phosphorus is recovered, to then be reused in fertiliser.

Development team working at China Factory to get this to market by late 2020

PET now has two phosphorus absorption products in different segments of the global water remediation market.



ZEEP – Reusable and Recyclable





ASX Code – PET

PET is included in the ASX 300 Index

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