

## ASX Announcement

### Transformational binding agreement signed to launch Envirosuite in China

6 September 2019

#### Key Highlights

- Envirosuite initiates entry into China, the world's largest market for its solutions
- Envirosuite partners with Mr Zhigang Zhang whom is one of China's most prominent leaders in the environmental protection sector
- Binding agreement signed for a strategic investment coupled with performance options vesting on minimum China revenues of A\$10m being achieved by 31 December 2021
- Optimal timing for Envirosuite entry as environmental concerns are amongst the highest public policy matters in China



*Above: Mr Peter White, Chief Executive Officer, Envirosuite Limited and Mr Zhigang Zhang, General Manager, Beijing BHZQ Environmental Engineering Technologies Co., Ltd (BHZQ) & Director of ZZL Pty Ltd at today's contract signing ceremony.*

Environmental technology Company **Envirosuite Limited** (ASX:EVS) ('Envirosuite' or 'the Company') is delighted to announce that it has signed a legally binding agreement to secure a strategically funded entry into the China market that the Board sees as potentially transformational to Company value.

The Company has long sought to find the appropriate Chinese partner to make an effective entry into China. The Chinese government has a high-profile public initiative, known as "Beautiful China", to clean up toxic air and polluted water and soil across the country and has cited technological innovation as a key input in this process. Envirosuite is well positioned to provide its solutions in each of its key focus sectors of waste and wastewater, mining and smart cities.

The following key terms of the transaction have been agreed today by execution of a legally binding agreement:

- i. **Placement** of 50,000,000 shares at A\$0.08 per share to Mr Zhigang Zhang's investing entity, ZZL Pty Ltd as trustee for the ZZL Family Trust, and his nominated entities across two equal tranches. The first tranche (**T1**) is to be completed by 22 September 2019 under the Company's existing ASX LR 7.1 capacity.  
The second tranche (**T2**) is to be completed by 31 October 2019, subject to shareholder approval at the Company's 2019 Annual General Meeting that is scheduled to be held on 16 October 2019.
- ii. 25,000,000 unlisted options for the placement investors (on a 2-for-1 basis) to subscribe for ordinary shares in the Company with an exercise price of A\$0.15 per share and expiring 31 March 2022. 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.
- iii. An additional 15,000,000 unlisted options on the same terms as ii) above, and such other terms as are determined by the Board from time to time, to be allocated to employees of the China subsidiaries subject to it being lawful to do so.

In relation to the above the Company notes that:

- It is intended that the new China subsidiary entities will be established in the coming weeks.
- The China team members will be progressively engaged following establishment of the entities.
- **In addition to T2, the grant of all options described in ii) & iii) above, will be subject to shareholder approval at the Company's upcoming Annual General Meeting and completion of both tranches of the placement.**
- The Placement raising of A\$4m is before transaction costs, including broker costs. The transaction costs also include the grant to the broker of an additional 1,250,000 unlisted options on the same terms as ii) above that will be issued under the Company's existing ASX LR 7.1 capacity.

Importantly, the Company notes that the A\$10m revenue described in ii) above is not a target or forecast, and should not be seen as such. It is a minimum performance hurdle that must be achieved to allow ZZL Pty Ltd, Mr Zhang's nominee investors and the future Envirosuite China team members to exercise their options.

The Board expects that this transaction will deliver an accelerated entry toward the achievement of critical mass in the China market laying the foundation to support a sustained growth rate for the longer term.

The Board also believes that with the access provided by Mr Zhang and his team, the China market will serve as an innovative launching pad to deploy and demonstrate the commercial and technical appeal of Envirosuite's expanded industry solutions that can then be implemented as mature and market proven solutions in other countries.

Envirosuite has offered a Board position to Mr Zhang subject to completion of T2.

### **About Mr Zhigang Zhang**

Mr Zhang has worked in the water remediation and the environmental protection industry in China and overseas for over 30 years and is internationally renowned.

Since 2014, Mr Zhang has held the role of General Manager of Beijing BHZQ Environmental Engineering Technologies Co., Ltd. Prior to his current role, he held Senior Management positions at a number of environmental protection companies including: Standard Water Co. Ltd where he was an Executive Director and the CEO; China Water Holdings Limited (Singapore) where he held the position of Chairman and General Manager; Beijing Herocan Environmental Engineering Technology Co., Ltd. where he was the Chairman and General Manager; and was the Chief Engineer and General Manager of Beijing Bi-Leaf Environmental Engineering Co., Ltd.

Mr Zhang was appointed a Non-Executive Director of Phoslock Environmental Technologies Limited (ASX:PET) in June 2017 following an investment in PET announced 10 April 2017, through a similar transaction structure to that described above.

### **Mr Zhigang Zhang said:**

*“Together with my team I have been assessing Envirosuite for several months and we thank the Board and management for making themselves available including for several trips to Beijing to meet with key stakeholders in our network and to visit a selection of potential initial project sites. We understand that EVS is an environmental quality management technology company that focuses on air quality management and has been applied in the public sector, smart city, mining and other fields.*

*We are very pleased and excited with the results of our assessment and we are delighted to join the Group as investors and commercial partners for what I believe will be a highly rewarding journey for all stakeholders.*

*China is going through a highly proactive national ten-year environmental improvement plan, and air and water quality are central to this, and we believe that Envirosuite is well positioned to play an important role. My network will work closely with the Envirosuite team to establish and grow their technology solutions in China.”*

### **Envirosuite CEO Peter White said:**

*“We could not have hoped for a better entry point into China. Mr Zhang and his team represent the top of their field in our strongest industry sector of waste and wastewater. China is embracing new technologies as they progress their ‘Beautiful China’ policy, and with 1.4Bn people China is a massive market. We are delighted to have secured the commercial and investment support of such a partner to achieve the best possible starting point and growth outlook for our China story.*

*In the coming weeks we will be establishing our wholly owned subsidiaries and team in China in preparation to secure initial contracts. Mr Zhang will oversee the initial development of our China business and accelerate the first phase of our growth while we build up the team.*

*In addition to my sincere thanks to Mr Zhang and his team, I also thank the Envirosuite Board and management team for their efforts over recent months in getting us to this tremendous starting point, that I believe will underwrite the continuation of our current growth trajectory for years to come.”*

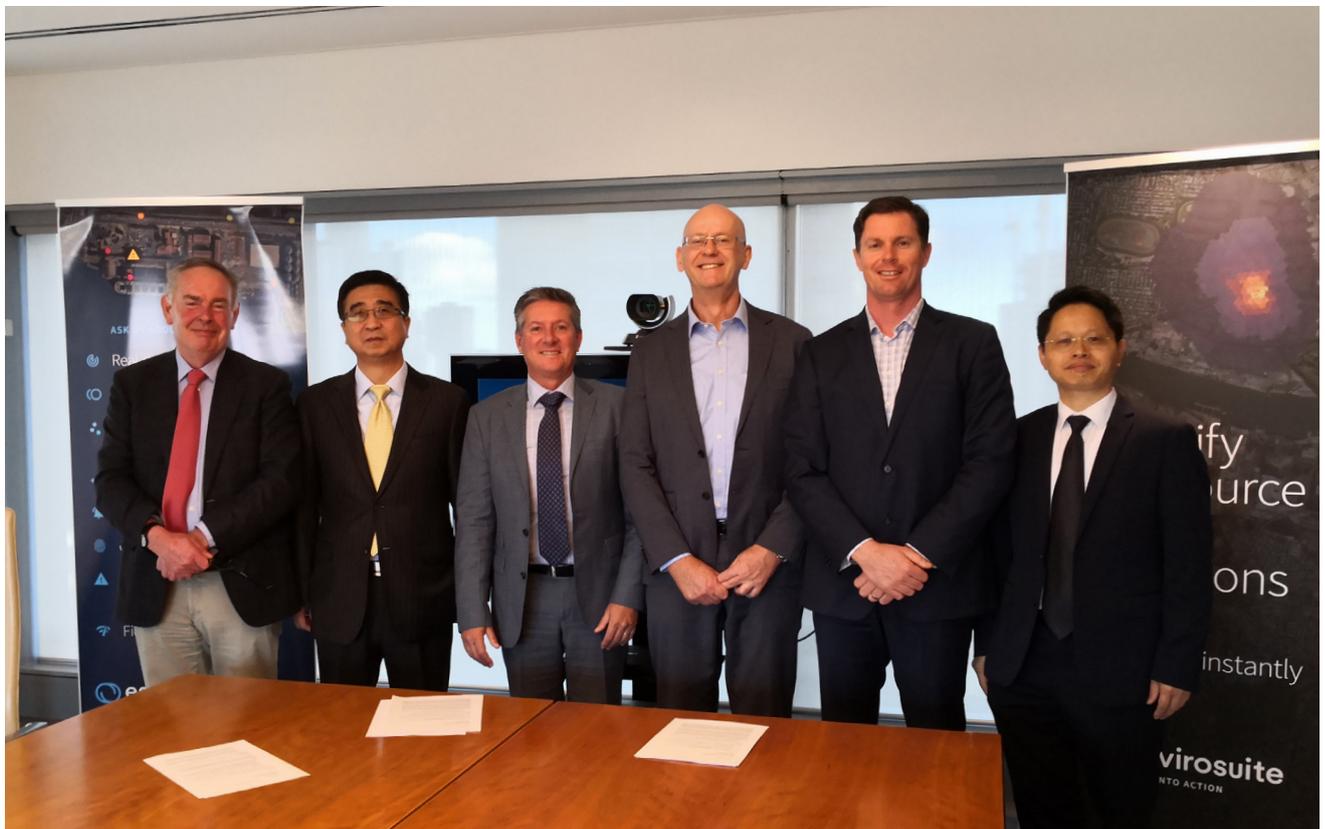
## About Envirosuite

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](http://www.envirosuite.com)



*Above (Left to Right):*

*Mr Hugh Robertson, Envirosuite Director*

*Mr Zhigang Zhang, General Manager BHZQ & Director ZZL*

*Mr David Johnstone, Envirosuite Chairman*

*Mr Peter White, Envirosuite Chief Executive Officer*

*Mr Adam Gallagher, Envirosuite Director*

*Mr Dennis Hong, Director, Hongmen Capital*