

ASX ANNOUNCEMENT

Wednesday 10th July 2019

Record Cash Flow from Operations

Key Points for FY19 first half:

- Record \$10.7m Operating Net Cash Flow.
- Record \$18.6m Customer Receipts.
- Cash at Bank of \$18.0m.
- Debt Free.

Phoslock Environmental Technologies Limited (ASX: PET) is pleased to advise that Net Cash Flow from Operations has been very strong for both the first and second quarters of 2019.

Receipts from Customers were \$10.0m in the first quarter and \$8.6m for the second quarter. Operating costs (excluding raw material purchases) were \$2.2m for the first quarter and \$2.0m for the second quarter. Product manufacturing costs including raw material procurement were \$3.2m for the first six months. Variations from quarter to quarter result from climatic factors and project timing.

As at 30 June, 2019, PET held some 2,500 tons of finished Phoslock ® at various storage locations, plus raw materials to manufacture another 3,500 tons of Phoslock ®.

Net Cash Flow from Operations for the first quarter was \$6.0m and \$4.7m for the second quarter, making a record \$10.7m inflow for the first six months of 2019.

Capital Expenditure for the first six months was low, but will increase as factory production expands.

PET received \$2.4m proceeds from the exercise of 2017 Employee Incentive Options during the period, with a further \$1.0m receivable in the second half of 2019.

Cash at Bank as at 30 June, 2019 was \$18.0m.

PET remains debt free.

ASX Code: **PET**

Share Price: **A\$1.40**

52 Week High: **A\$1.42**
52 Week Low: **A\$0.32**

Issued Shares: **552.0m**

Market Cap: **A\$772m**

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PET BLOG on Water Issues:
www.phoslock.com.au

Chairman Laurence Freedman AM stated:

"The business is producing growing cash flows from operations globally. Net liquid assets, comprising cash, finished inventories and receivables less payables are currently at record levels of more than \$30m. With no debt, we have significant financial flexibility to grow the business, both internally and externally. Our recent business wins and increasing testing on new projects will enhance both sales and profits in the second half of the year and beyond".

THE ABOVE COMMENTARY ACCOMPANIES THE APPENDIX 4C WHICH WAS LODGED WITH THE ASX THIS MORNING.

Mr. Laurence Freedman AM
Chairman

Mr. Robert Schuitema
Managing Director

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PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED (PET)

Phoslock Environmental Technologies Limited is listed on the Australian Stock Exchange (ASX Code: PET). PET is included in the ASX All Ordinaries Index.

Phoslock Environmental Technologies Limited (ASX: PET) is an international environmental company specialising in engineering solutions and water treatment products to remediate impaired lakes, rivers, canals and drinking water reservoirs.

PET has its headquarters in Sydney, Australia with offices in Brisbane, Beijing, Changxing, and Yuxi China; and Manchester, UK. PET is represented by licensees, distributors and agents in ten other countries including SePRO Corporation in the United States and HidroScience in Brazil. PET has a number of marketing and co-operation agreements in China with various environmental companies and government agencies.

With the massive water remediation market in China, in 2017 PET (Beijing) was formed. Our 100% owned subsidiary undertakes design, engineering, and implementation using remediation materials for rivers, canals, reservoirs and lakes along with construction of wetland areas. This is a significant broadening of the historical PET business and enables us to undertake a greater array of projects in China and elsewhere, supplying both services and materials.

PET owns the patent for *Phoslock*®, a unique water treatment product which permanently binds excess phosphorus in the water column and sediments. This in turn inhibits the growth of Harmful Algal Blooms (HAB) that lead to detrimental effects for both aquatic and human life.

Along with *Phoslock*®, PET also supplies:

- 1) Zeolites - a porous, natural material that can be applied to heavily polluted water to absorb nutrients such as nitrogen. As with phosphorus, nitrogen is another important food source for the growth of harmful algae; and
- 2) Bacteria. - Certain types of bacteria can break down contaminants and organic matter which pollute water and cause water borne diseases.

PET has a large multi-purpose factory in Changxing, Zhejiang province, China, 150km inland from Shanghai, which manufactures its patented technology, *Phoslock*®, along with nutrient binding materials (zeolites) and biological solutions (such as nutrient consuming bacteria).

The Changxing Factory has recently obtained three important certifications, from TUV Rhineland, a major European testing agency:

- ISO 900: Quality Control and Documentation of all procedures meets International Standards;
- ISO 14000: Environmental Management Standards Certification;
- OSHA 18000: Health and Safety Management Systems

For more information on the company, recent news, videos and blogs please visit our website: **www.PHOSLOCK.com.au**