

Company announcement

Release date 31 October 2023

Directors resolve to proceed with potential asset sale and wind-up of the Company

Phoslock Environmental Technologies (ASX: PET) (the 'Company') today announced that Directors have resolved to proceed with a proposed asset sale and to seek a de-listing from the ASX and a winding-up of the Company. The resolution follows a comprehensive but ultimately unsuccessful process to identify options to secure the necessary capital to continue the operations of the Company. Consistent with these decisions, the Company will take steps to reduce costs and wind down operations.

Given the lack of consistent sales by the business from its inception and the ongoing investment necessary to support product development and market expansion, a significant capital injection was required to support the ongoing long term operations of the business, at a level that could achieve sustainable business profitability.

As announced on 28 April 2023 ('Strategic Review'), Resolute Advisory Pty Ltd (Resolute), a leading independent corporate advisory firm, was engaged to undertake a strategic review of the business. Resolute sought potential investors and industry players that may be interested in contributing capital support or partnering with PET.

Interest from those third parties has been negatively impacted by ongoing regulatory and potential legal actions relating to PET's legacy issues and past management. PET has, however, remained focused at all times on exploring all potential strategic pathways to maximise shareholder value.

PET is currently negotiating with a third party regarding a potential divestment of PET's key assets in exchange for cash. While these negotiations are incomplete and there can be no guarantee that a transaction will be consummated, should the parties agree on terms, completion will be contingent on shareholder approval and other conditions precedent. In that event, further information will be provided to all PET shareholders, including a notice of meeting with resolutions to consider the proposed transaction.

PET will continue to monitor and satisfy the Company's liabilities including costs associated with the necessary administration steps leading to a wind-up of the Company. Depending on the quantum of proceeds and the extent of liabilities/costs, there may be a return of capital to PET shareholders.



The winding-up process will include consultation with the relevant regulatory authorities and other stakeholders. The proposed de-listing, and business wind down will help to reduce administration costs pending the winding-up of the Company.

The Company has come to these decisions now, as foreshadowed in announcements made over recent months: having invested an appropriate amount of time and effort in exploring and pursuing the potential opportunities afforded by the Company's products; having investigated the legacy issues and activities as appropriate; having appointed Resolute to advise, examine and negotiate options on its behalf; and while the Company still has cash reserves, this decision now takes due account of creditor obligations, and the interests of PET shareholders in that context.

The Company will provide an update on the status of the proposed asset sale and next steps in due course.

XingYun Lake Receivable Update

On 31 August 2023, the Company updated shareholders on the XingYun Lake Project debt recovery matter in China after the customer made a partial payment of RMB 3,000,000 (equating to approximately \$A 642,000) to PET's Beijing based subsidiary, Beijing Ecosystem Environmental Science and Technology Co., Ltd ("BEST").

PET is pleased to report that following negotiation with the customer, a settlement agreement was entered into between the parties ("Settlement Agreement"). Under the Settlement Agreement the customer paid BEST the amount of RMB 21,686,737.50 (equating to approximately \$A 4,650,000) on 27 October 2023.

This amount represented a 25% reduction of the remaining principal amount owed which, under the Settlement Agreement, was accepted by the Company as satisfaction of the full amount owed, being RMB 28,915,650.

It should be noted that the payment was made to PET's Chinese subsidiary BEST. Steps will need to be taken to try to repatriate the funds to Australia.

While this one-off payment has contributed to the capital base of the Company while winding-up liabilities and potential shareholder capital returns are considered, it does not alter the view of Directors as to the current and longer-term viability of the business in terms of its ongoing operations.

This announcement has been approved by the Managing Director and Chairman

Mr David Krasnostein AM
Chairman

Mr Lachlan McKinnon
Managing Director & CEO

Matthew Parker
Company Secretary



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Further information:

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Investor Relations

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About PET

Phoslock Environmental Technologies Limited (ASX: PET) specialises in water treatment products to remediate nutrient polluted fresh waterbodies including, lakes, rivers, canals, municipal and private ponds, recreational and drinking water reservoirs.

Headquartered in Melbourne, PET also has offices in Shanghai and the UK, sales resources in China, ANZ, Europe and the US. PET also has registered entities in Canada, USA and Belgium, and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors and agents in numerous other countries including HydroScience in Brazil.

Phoslock® is a proprietary and unique water treatment product that permanently binds excess phosphorus in the water column and sediments.

Phosflow is a proprietary and unique water remediation product that removes excess phosphorus in flowing water applications.

Phoslock is certified for use in drinking water in North America, Europe, Brazil, Australia, and China. Along with Phoslock, PET also supplies zeolites and specialised solutions that address water pollution issues.

www.petwatersolutions.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED

ABN

88 099 555 290

Quarter ended ("current quarter")

September 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 1,136 | 2,830 |
| 1.2 Payments for | | |
| (a) research and development | (22) | (117) |
| (b) product manufacturing and operating costs | (151) | (779) |
| (c) advertising and marketing | (118) | (243) |
| (d) leased assets | (199) | (530) |
| (e) staff costs | (912) | (2,851) |
| (f) administration and corporate costs | (1,659) | (4,119) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 59 | 113 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 140 | 140 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,726) | (5,556) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (120) | (437) |
| (d) investments | - | - |
| (e) intellectual property | (19) | (76) |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (139) | (513) |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 10,305 | 14,456 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,726) | (5,556) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (139) | (513) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 12 | 65 |
| 4.6 | Cash and cash equivalents at end of period | 8,452 | 8,452 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances | 1,988 | 2,892 |
| 5.2 | Call deposits | 6,464 | 7,413 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 8,452 | 10,305 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments in item 6.1 are included investor relations service provided by associates of directors, and rent payment to a related parties' entity.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|---|
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (1,726) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 8,452 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 8,452 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 5 |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Oct 31 2023

Date:

Authorised by:
(Managing Director)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.