

Company announcement

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Annual General Meeting 2023 Managing Director & CEO's Address

Good morning. I would like to also add my welcome to shareholders, proxies and guests who have joined us here in Melbourne and to others who are joining us online via the webcast.

Today, I would like to recap on the performance of the business during the 2022 financial year; define our growth strategy; and make some comments on the outlook for the Company.

In his address, David talked about progress we are making towards returning the company to sustainable and profitable growth, including various elements of our business recovery plan.

Unfortunately, in 2022 sales did not meet our expectations, and the costs of running the business, including the ongoing management of the legacy issues, meant we made a substantial loss for 2022.

There were a number of reasons for the sales being below expectations which David has already mentioned, but again these are largely due to delays in conversion of our extensive project pipeline into actual contracts and treatments. These delays can be budgetary, regulatory, or just apathy. It's important to note that we do not lose projects to competitors, nor do they get cancelled.

We have a clear focus on converting our significant pipeline into cash and also reducing the operating costs of the business as much as we sensibly can.

We also remain committed on execution of the strategy of diversification – in both product portfolio and market segmentation.

In the wake of the issues encountered in China under past management, we developed a growth strategy that was centred around diversification. This involved broadening our focus to pursue opportunities in other regions around the world so we could achieve a better sales



and revenue balance and diversifying our product and service offerings so we could pursue opportunities in additional market segments.

Important progress has been made over the past 12 months on the execution of that diversification strategy.

Phoslock is now represented across all regions, including North and South America, Europe, Asia and here in Australia and New Zealand.

As the Chairman alluded to, we have implemented a new 'distribution-led' go to market model to support our efforts to expand and grow the business. This involves the appointment of distributors to complement the direct sales effort of our own commercial teams who are located in those regions.

Our distributors are specifically focused on expanding PET's addressable market across smaller and more repeatable projects in each region. These projects include smaller drinking catchments/reservoirs, private waterways, water treatment plants and mining operations requiring waste-water treatment. This allows our direct sales team to focus on large and more substantial lake projects.

In keeping with our new go-to-market model, we have appointed a number of new distributors over the past year. One such example is our new strategic partnership with SSI Services (UK) Limited. SSI Services is the specialist contracting division of South Staffordshire Plc, one of the UK's largest water utilities. This partnership ensures a national approach across the UK that will deliver improved customer engagement, seamless application support and strong technical reach.

New distribution agreements have also been put in place in Germany and soon to be Spain and we are well progressed on the appointment of additional distributors in China, North America and other markets in Europe.

Our existing distribution arrangements in Brazil, with HydroScience, and more recently Frescos Frutales in Uruguay, have resulted in a steady flow of projects over the past year and I'm confident this will continue to build as we extend our reach into that important market. We received confirmation of our first project in Uruguay last week, which has been a long time coming. We are excited for the opportunities this initial project should initiate, despite the devastating drought being experienced by many parts of Uruguay at the moment.

Internally, we have invested in the strengthening of our sales and commercial resources, and we have an excellent team in place which has the industry experience and contacts to promote Phoslock's capabilities in that larger project segment.

I would briefly like to highlight some of our regional successes in the 2022 financial year:

Multiple projects (20+) were completed in all our key regions:

- US via distribution partners on smaller applications



- In Europe 9 projects were completed in 2022, Heemtuin and Wolvenvallei in the Netherlands as part of the ongoing treatment of the Kralingse Plas project, Heritage Lock in Scotland, 1 treatment in Belgium 1 in Poland and 4 in Germany.
- A number of smaller treatments were also completed in China.
- In ANZ, Chelsea Ponds (NZ), The Narrows (WA) were two of the highlights of this region, as well as our first ever treatment into the mining sector for their waste water management.

A number of the projects completed in 2022 highlight how PET is broadening its market segments with the use of Phosflow alongside Phoslock.

More recently – and subsequent to the end of last year – we have secured treatments in a number of our major regions – in the US through the extended distribution network in numerous states, also we have completed ongoing treatments in Brazil, a new treatment Poland, two in Belgium and recently quoted a large project in the Netherlands, mid-sized project in Germany and a smaller project in Finland. Treatments using Phosflow were made in Australia (WA, NSW) alongside significant development underway in many new segments.

In terms of our objective to access additional market segments, a key milestone in FY22 was our success in securing the rights to a product we are now marketing as Phosflow. Phosflow opens important new opportunities for the business and is a patented product that has been proven to be effective in the removal of phosphorus from freshwater sources including stormwater, agricultural runoff and municipal wastewater. As a solution to addressing flowable water remediation issues, Phosflow is highly complementary to PET's own patented technology and positions us to be able to offer a complete solution to customers needing to address fresh water remediation challenges.

We have now achieved initial sales of Phosflow in the US, Australia and NZ and interest in the product is steadily building. Significantly, Phosflow opens up many new market segments for PET.

A number of other new product opportunities are being pursued via our internal research and development program and in collaborative programs with our partners.

Recent work shows Phoslock could help with reducing greenhouse gas emissions from freshwater bodies. Methane gas occurs naturally in the environment and is also the product of human activities. It is an important greenhouse gas and its atmospheric concentrations are rising due to it being produced faster than it can be removed from the atmosphere. This is due to human population growth, associated activities and climate change.

Phoslock works by controlling the release of phosphorus coming from waterbody sediments. A recent study shows evidence that the use of Phoslock can reduce methane by up to 74% and also has the potential to reduce other GHG emissions as well. By reducing the phosphorus concentrations in a waterbody Phoslock reduces the amount of organic material in the sediment, which thereby provides less methane emissions through organic material breakdown.



These results indicate that Phoslock potentially offers another solution to help reduce methane emissions coming from nutrient-rich lakes which will help towards meeting global and local methane targets and provides another incentive for government authorities and commercial and industrial customers to engage with us.

I have previously spoken about our focus on strengthening our four pillars:

- Customer and Commercial
- Manufacturing and Supply Chain
- Research and Development
- People, Performance and Culture

I have outlined important progress in relation to our commercial and R&D pillars and the Chairman referred to the work we have done to upgrade and expand capacity at our China production plant.

This is an important interim step in our longer-term manufacturing strategy, which includes a future proposed second facility located in the US. Shareholders may be aware that recently (April 2023) the Wyoming Business Council approved a grant to Advance Casper to help facilitate the purchasing of an appropriate site for this facility. This will be of great benefit to PET if this development progresses.

As the business rebuilds and volume requirements increase, we will continue to assess the viability of proceeding with this second manufacturing plant, which can deliver positive supply chain and production efficiencies.

On the people front, The PET team has been considerably strengthened over the past year, with key appointments made to support our commercial operations and other areas of the business. I believe we now have the people, resources, and programs in place to effectively promote the benefits and value of Phoslock and Phosflow remediation technologies and services.

Before looking at the outlook for the business, I wanted to briefly outline the current projects listed for the business and give some more clarity on this information.

I reiterate that these are projects we are working on that may or may not come to fruition. We highlight them to give stakeholders a look into the current opportunities of the business, but they should not be used to formulate forecasts or financial projections.

Our markets have been slow to recover following the COVID-related impacts and this has significantly impacted how quickly we have been able to rebuild our sales and revenues. Despite these delays, we are seeing greater regulatory and community attention on the need to address increasing water pollution issues. Given the proven performance of our technology and our global footprint, we are well placed to capitalise on what we believe will be an inevitable upturn in remediation activity in coming years, noting as David has previously mentioned, that in the short term the conversion of these opportunities into cash is critical.



This year we will remain focused on executing our sales strategy in an effort to secure multiple projects across different regions and in different market segments. While there is an inevitable time lag in converting leads to pilot applications and contracted sales, we expect to see revenues grow over the coming months and we look forward to keeping our Shareholders informed of the progress we are making.

Thank you. I'll now hand back to David.

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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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.

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