



Accelerated Growth Platform

6 April 2020

Disclaimer and Important Information



This presentation does not constitute investment advice. Neither this presentation nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in Phoslock Environmental Technologies Limited – ABN 88 099 555 290 (the “Company”) - in any jurisdiction. Shareholders should not rely on this presentation. This presentation does not take into account any person’s particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations in this presentation are not intended to represent recommendations of particular investments to particular persons. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments. The information set out in this presentation does not purport to be all inclusive or to contain all the information which its recipients may require in order to make an informed assessment of the Company. You should conduct your own investigations and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation. To the fullest extent permitted by law, the Company does not make any representation or warranty, express or implied, as to the accuracy or completeness of any information, statements, opinions, estimates, forecasts or other representations contained in this presentation. No responsibility for any errors or omissions from this presentation arising out of the negligence or otherwise is accepted.

This presentation may include forward looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this presentation. Any forward looking statements in this presentation speak only at the date of issue of this presentation. Subject to any continuing obligations under applicable law and the ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward looking statements in this presentation or any changes in events, conditions or circumstances on which any such forward looking statement is based.

Building An Accelerated Growth Platform



- **Positioning company beyond COVID – 19**
- **Taking advantage of China coming back on-line faster than expected**
 - **Production at record levels**
 - **Projects strong and demand increasing – commitments required now**
- **No change to long term Chinese intent to clean up environment**
- **Tenders for meaningful new contracts now being received within China at an accelerated pace.**

FY2019 Financial Summary & 31 March Balance Sheet

- 2019 Revenue: \$25.1m (up 40% YoY)
- 2019 NPAT: \$2.7m (loss of \$1.0m: 2018)
- Strong Operating Margins: 54% Gross Profit Margin
- Net Cash from Operations for 2019: \$7.6m

31st March 2020 Balance Sheet Position

- A\$10m in cash
- Receivables/Inventory of \$23m;
- Debt Free;
- Net Assets > \$30m

PET FY2020 Cash Flow Forecast

FY2020 Cashflow Forecast - Based on FY2020 Sales of \$50m

Receipts from Customers	\$40,000,000 *
Receipts from Government Grants	\$500,000
Payments to Suppliers	-\$25,000,000
Payments to Employees/Company Costs	-\$12,000,000
Tax Paid	-\$650,000

Net Cash Used in Operating Activities	\$2,850,000
Purchase of Property/Plant/Equipment	-\$5,000,000
Net Proceeds - Placement/SPP	\$12,000,000
Cash Balance - 31 December, 2019	\$15,000,000
	=====
Cash Balance - 31 December, 2020	\$24,850,000
Receivables - 31 December, 2019	\$17,000,000
Receipts from FY2019 Receivables	-\$17,000,000 *
FY2020 Sales	\$50,000,000
Receipts from FY2020 Sales	-\$23,000,000 *

Receivables - 31 December, 2020	\$27,000,000
Payables - 31 December, 2020	\$7,000,000

Building An Accelerated Growth Platform - FY20 & FY21 – FY25



	Actual	Forecast	Pipeline*
\$ Million	FY19	FY20	FY21 - FY23
Sales	25.1	50-70	380*
Gross Profit – 50% GP	13.4	25-35	
Op. Costs	10	12-15	
EBITDA	3.7	12-20	

* Conversion and timing of Pipeline Projects into Sales subject to a number of business risk factors

Forecast 2020 - \$50-\$70m Sales

China Projects: \$40m-\$55m – Forecast Maintained

- Xingyun Lakes & Catchment – circa \$10-15m
- Shilongba Reservoir – circa \$20m
- Dianchi Catchment Area – scope being determined
- Beijing Canals – Maintenance – circa \$2m
- Beijing Wetland – Maintenance – circa \$2m
- 20 Other Projects in China:
 - Range of 3,000 to 6,000 tons - \$9m to \$18m
- (80% Chinese Government Customers , 20% subcontracting)

International Projects: >\$10m – range reduced - Business likely to be impacted by CV19

- Existing Customer Projects: 10 customers – approx 2,000 tons - \$6m
- New Customer Projects: 14 projects – range of 1,500 to 3,000 tons - \$4.5m - \$9m

Building an accelerated Growth Platform – Use of Funds



China rebounding more quickly than expected

Changes in Balance Sheet , due to slower International sales

- \$10m – Project Funding - Shilongba & Dianchi projects - engineering works, accelerated funding for new and existing projects , starting April 2020.
- PET Board is wanting a higher level of working capital to fund FY20 projects and accelerated growth of projects in China – short term bridge to longer term debt facilities

Building an accelerated growth – people & structure



Key New Group Appointments:

- Matt Parker new Group CFO
- Chris Hui new Group Financial Controller
- Ms. Zhou Yumin new Deputy General Manager Finance in China
- Two Senior Engineers for Beijing and Yunnan projects

Long Term Financing

- PET currently working with several major banks who have a strong China focus, on putting in place longer term working capital facilities

COVID – 19 Update



China Business

- PET Factory closed on 20 January for Chinese New Year; re-opened 2 weeks later than scheduled on 17 February.
- From 17 February to 1 March – 1 shift per day; from 2 March – 2 extended shifts per day .
- Production of Phoslock for March totalled 1,400 tons – record monthly production.
- Supply chain for raw materials and shipments of finished product – functioning normally.
- Factory producing large volumes of Phoslock for Shilongba and Xingyun projects; International projects.
- PET business team in Yunnan working on Xingyun, Shilongba and Dianchi projects.
- China business to benefit from new economic stimulus from central and provincial governments.

International Business (excluding China)

- Year got off to a good start with unscheduled shipments to Brazil for large Rio de Janerio Drinking Water Reservoir
- CoronaVirus is currently affecting some key markets – Europe/UK, North America, Brazil.
- Some projects already deferred from first half to second half and potentially FY21

Building Accelerated Growth Platform - Summary



- Raising capital to take advantage of immediate growth opportunities
 - Funding growth projects now – China's accelerating economy.
- Bridging across short term project requirements and long-term debt financing.
- Positioning company beyond COVID – 19 pandemic
- Ensuring competitive position remains
- Well positioned to be part of Chinese initiative to clean up environment

Appendices



FLORIDA WETLANDS, US



DRINKING WATER RESERVOIR, BELGIUM

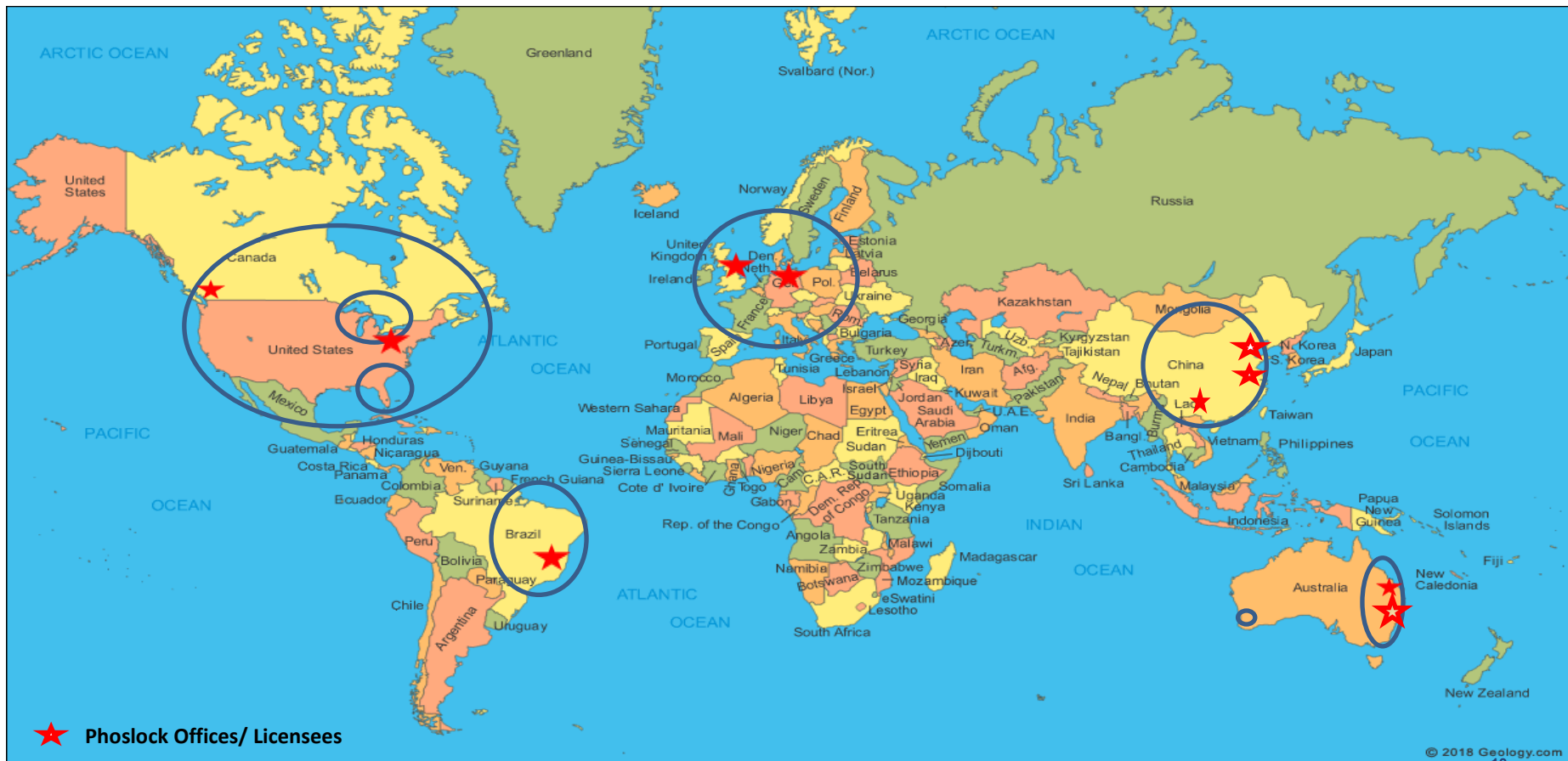


DRINKING WATER RESERVOIR, BRAZIL



PAMPULHA, BRAZIL

Total Addressable Market – THE WORLD



China Operations & Major Projects



CHINA – enormous market with large Government Funding

Team of 60 PET employees working in China

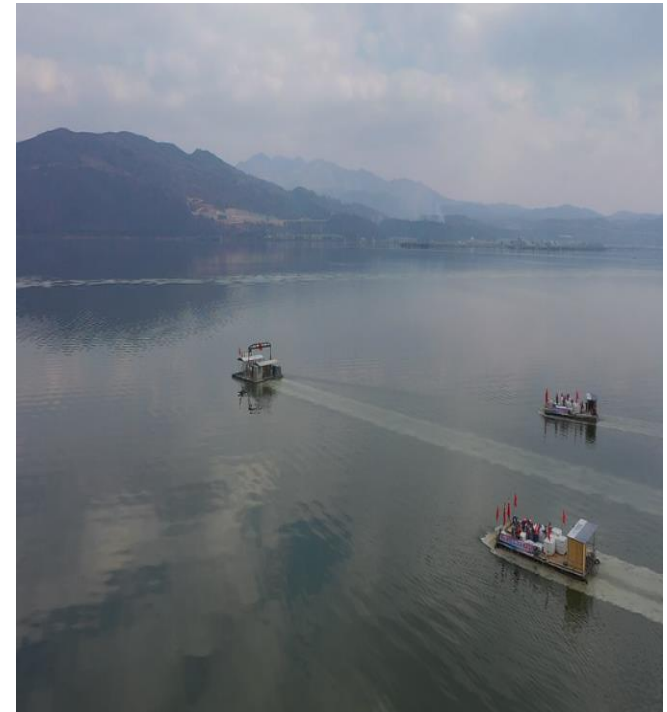
- Beijing – China HQ; sales; engineering team; project management
- Changxing (150km inland from Shanghai) – factory; R&D; sales
- Kunming – sales; project management

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 1km² 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; 17-year maintenance work
- Beijing Wetlands – project completed; maintenance work
- Nine Yunnan Alpine Lakes:
 - Over 3,000 tons applied to Xingyun lake (see photo) in 2019
 - Work starting on Dianchi region projects (Shilongba; Dianchi)
- Strong pipeline of large projects



Chinese Operation Structure

All Chinese Subsidiaries are 100% owned by PET

- Phoslock Beijing – Sales & Marketing Company – run by Tingshan Liu (joined PET in June 2017)
- Phoslock Changxing – Factory – run by Jason Hai (joined PET in June 2017)
- Ms. Zhou recently appointed Dep GM Finance
- Mr. Zhang (Deputy Chairman) & Mr. Ma (Non-Executive Director) are based in Beijing.
- Both Directors assist with strategy and marketing in the China market

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.

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.

Chinese High Technology Status

- PET's Beijing Subsidiaries have received High Technology Status.
- Company Tax Rate for Beijing Subsidiaries now 15%; major benefit to PET (was 25%)

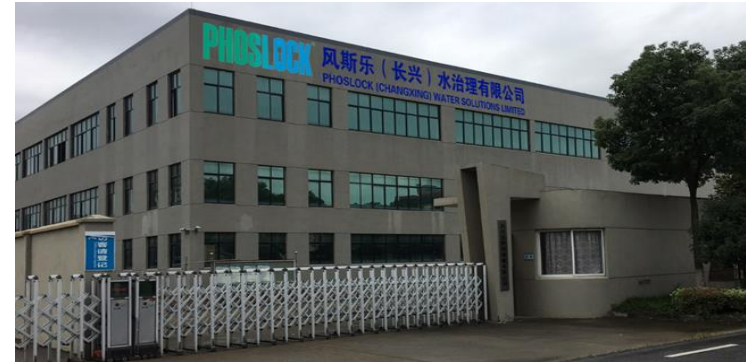
Changxing Factory and R&D Centre

Changxing – 150km west of Shanghai manufacturing Phoslock®

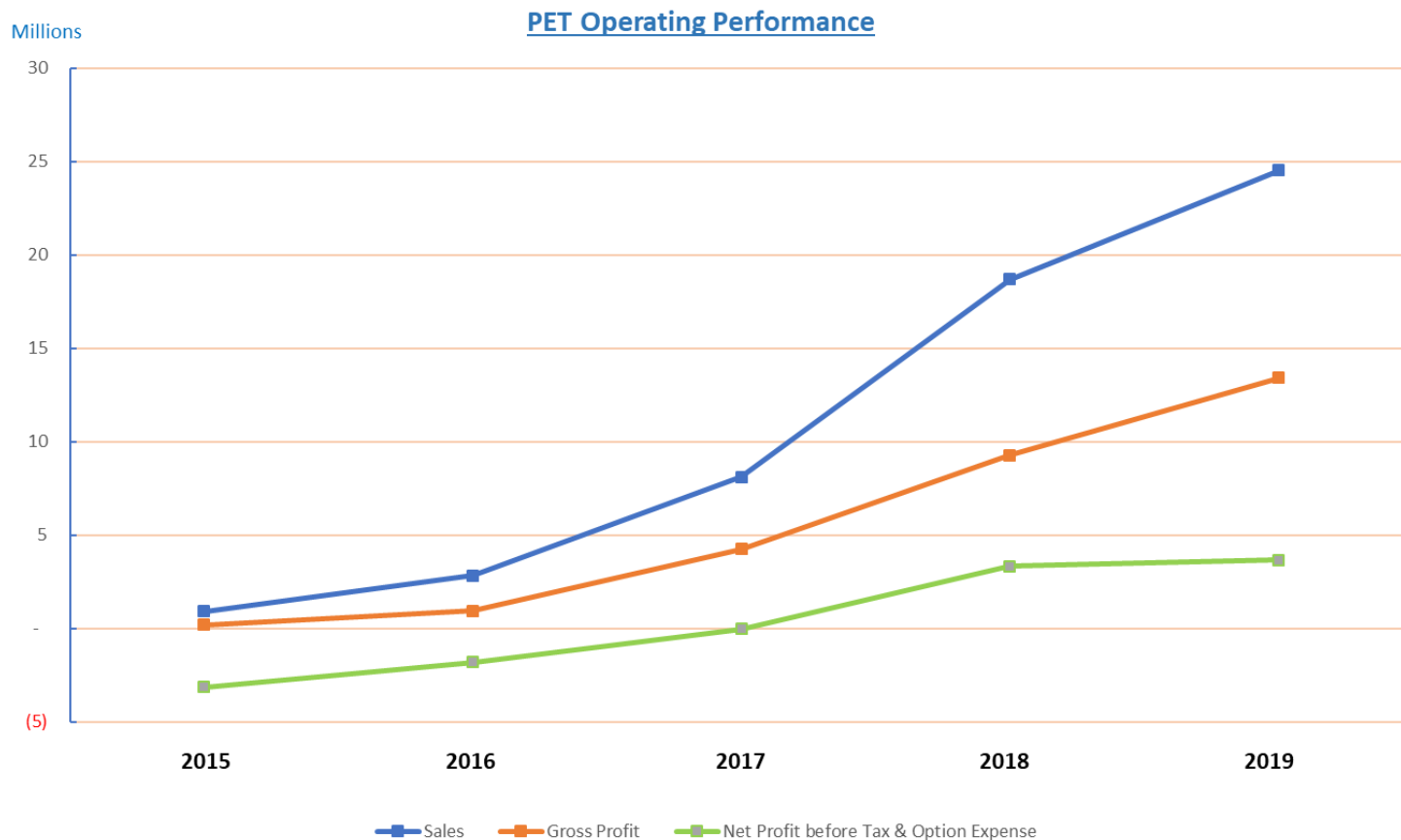
- Current factory Production Capacity increased to 20,000tpa
- Now running at 50t per day
- PET plans to run this factory until late 2021
- ISO Accreditation
- WQA Accreditation Annually

Second Factory secured in Changxing , 1 km from current Factory

- Long term lease – 3 plus 3 plus 3 years
- Area size – 12,600m² on one level – 3x larger than current Factory
- First 20,000tpa production line fitted out under way
- Capable of producing 80,000tpa (4 x 20,000t) from this Factory



PET Operating Performance



Capital Structure



Capital Structure (6th April, 2020)

Company Name:	Phoslock Environmental Technologies Limited
ASX Code:	PET
Current Price:	\$0.57
Trading Range: (last 12 months)	\$0.30 – \$1.60
Total Issued Shares:	565.0m
Total Issued Options:	28.0m*
Market Capitalisation:	A\$344 m
Options:	25m @ \$1.00 Exp 31/12/21 – A\$25m 1.5m @ \$1.25 Exp 31/12/22 - \$1.8m 1.5m @ \$1.35 Exp 31/12/23 - \$2.0m



ASX Code – PET
PET is included in the ASX 300 Index

Suite 403,
25 Lime Street
Sydney NSW 2000
AUSTRALIA

Tel: +61 2 8014 7611
Web: www.phoslock.com.au

Robert Schuitema – Managing Director
email: rs@phoslock.com.au

Lachlan McKinnon – CEO
email: l.mckinnon@phoslock.com.au

Michael Kotowicz – Investor Relations
email: ir@phoslock.com.au