

Company announcement

Release date: 23 May 2022

Update on reinstatement to ASX and cash flow estimate for FY2022

Phoslock Environmental Technologies (ASX:PET) today provided an update on its efforts to have the Company's shares reinstated on the ASX.

In response to questions raised by the ASX – and following a submission to the ASX earlier this year - the Company has provided a Supplementary Letter to the ASX addressing its plans to return to profitability; its projected use of funds and cash flow modelling for the current financial year; and providing further clarification on measures taken by the Company in respect of provisions and asset write downs.

In addressing the Company's plans for returning to profitability, PET has reiterated that it is in the business of manufacturing and selling its products in various global markets, leveraging real assets generating income and incurring expenses. This is consistent with the Company's previous communications on strategy, whereby PET aims to diversify its geographic markets and product offerings and capitalise on the need and demand for effective water remediation solutions.

Cash flow modelling for the current financial year (ending 31 December 2022) predicts a net cash outflow of ~\$10 million. This includes projected CAPEX investments of approximately \$1.3 million, which relate to works at the Company's manufacturing plant in China, including a recent Board approved capacity upgrade to enable the plant to produce 6,000 tonnes of product per year. The Company has estimated that sales of approximately 6,000 tonnes of product are required for the business to operate at a break-even point.

The cash flow modelling undertaken by the Company indicates that sufficient funding is available to support PET's recovery and growth strategy and to assess future possible investments such as further capacity expansion. Such investments will be subject to a solid business case, an assessment on the need for additional funding, and the availability of suitable options.

The Company is focused on conserving cash and managing costs wherever possible over the short term.

The Company advised the ASX that provisions and write downs which the Company has taken in recent financial periods are in response to the COVID 19 pandemic and the projected future operating performance in light of losses incurred in recent years on the gross value of assets.

PET will continue to engage with the ASX on matters relating to the reinstatement of the Company's shares and will keep shareholders updated on developments.

This announcement has been approved by the Managing Director and Chairman

Mr David Krasnostein AM
Chairman

Mr Lachlan McKinnon
Managing Director & CEO



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About PET

Phoslock Environmental Technologies Limited (ASX: PET) specialises in engineering solutions and water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs.

Headquartered in Melbourne, PET has offices in Beijing, Bremen (Europe) and Manchester (UK). PET also has registered entities in Canada and the USA, and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors, and agents in numerous other countries, including Hydrosience in Brazil.

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

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 strains of bacteria that address water pollution issues.

www.phoslock.com.au