

Air Purifier to kill TB and other airborne diseases

First trial about to start; results soon after

Recommendation

Speculative, Strong BUY

Price

\$4.00

Valuation

\$20

Industry

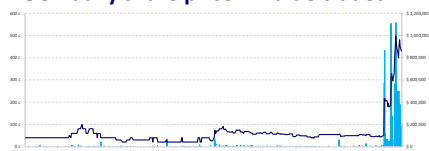
New technology for water treatment, air purification, surface sterilisation and other applications

- PO3's FRG technology is a proven, chemical free, low cost solution for destruction of bacteria, viruses, moulds and spores.
- PO3's Air Purifier is to be tested in an operating hospital in Hyderabad, India for its destruction of pathogenic mycobacterium bio-aerosols, emitted by coughing and sneezing.
- OEMs are currently testing prototype FRG units for inclusion in their product ranges.
- The first, 1 month trial of the air purifier will be followed by a 3 to 4 month trial in a dedicated in-patient Tuberculosis ward in Hyderabad.
- Success in these trials will open up a much bigger market, and more quickly, than included in Beer & Co.'s current valuation of \$20/share.

Snapshot

Market Cap	\$135m
Cash held	\$9.6m
Following November placement to Upjohn	
Shares on Issue	31.4m
52 Week High	\$4.99
52 Week Low	23.0c
1 month / 6 month VWAP	\$3.14 / \$2.80

PO3 : daily share price v. value traded



PO3 has exclusive global rights to the commercialisation of the Free Radical Generator (FRG) technology developed by Somnio Global over the last 4 years.

The FRG produces oxidative radicals, ozone and the hydroxyl radical, which destroy bacteria, viruses, moulds and spore by lysing (breaking open) the protective cell wall. The process is chemical free.

These radicals have a very short life and must be produced where the pathogens are, while their very short life means there is no residue or after effect, making it safe for humans in a very short space of time.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

One month test of air purifier about to begin in Hyderabad

On 29 November PO3 announced it was about to start a one-month trial of the air purifier at the Government General and Chest Hospital in Hyderabad. At its AGM on 30 November, PO3 confirmed that the trial is to start in early to mid December, and results are expected towards about a month later.

The trial aims to demonstrate that the FRG system destroys pathogenic bio-aerosols in a live, operating environment, with no disruption to operations.

Three month test to follow, in a dedicated TB ward in Hyderabad

Tuberculosis infects about 10m people a year, of which about 12% die. It is caught mostly by bio-aerosols, emitted by coughing and sneezing, which means that many are contaminated in a health facility where infected people have come for treatment.

The results of this trial are expected in about April.

FRG prototypes with OEMs, pursuant to NDAs

At the AGM, PO3 advised that trials are underway with Original Equipment Manufacturers (OEMs), with the aim of executing licencing agreements by mid 2019. Product sales can then be expected late in 2020.

Impact of TB trials : Significant upside potential to Beer & Co.'s valuation

If the FRG is as effective as PO3 hopes / expects, then the market for the air purifier will be a multiple of the market that Beer & Co has assumed in our analysis which does not assume any sales at all into South Asia.

Field trials of Recreational Water System 2019 H1

Beer & Co is enthusiastic about the recreational water segment as it is the easiest of the 3 focus segments for PO3 to generate near term sales.

Beer & Co affirms our Speculative, Strong BUY recommendation on PO3

Beer & Co affirms our \$20 valuation on PO3. There is significant upside to this, but we expect this will be realised when OEM agreements are concluded, with products and sales revenue in 12 – 18 months after.

This report was produced by Beer & Co Research, an independent research and advisory firm. Beer & Co is an authorised representative of Melbourne Venture Securities, which holds AFSL No. 224 313. This research is intended for wholesale investors ONLY. If you do not wish to receive our research, please email to info@beerandco.com.au with "unsubscribe"
If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

FRG is a proven low cost, chemical free technology

PO3's FRG is :

- Proven technology
- Low cost
- Chemical free
- Effective against a range of pathogens

Free Radical Generator (FRG) technology is a proven, chemical free, low cost solution for destruction of bacteria, viruses, moulds and spores. The FRG generates oxidative radicals, ozone and the hydroxyl radical, which destroy bacteria, viruses, moulds and spore by lysing (breaking open) the protective cell wall.

PO3 is applying this technology, in the near term to :

- Air purification;
- Water sanitation (recreational); and
- Surface sterilisation.

Air Purifier Trials, in Hyderabad

FRG to be tested in Hyderabad, India, in medical facilities to combat Hospital Acquired Infections

In its 23 June ASX announcement, PO3 showed that the FRG technology is able to effectively remove tobacco smoke from a room and destroy the associated odour, noxious chemicals and carcinogens contained within tobacco smoke.

The , and also removing the odour, will provide substantive and preventive health benefits by improving the air quality of any contained space in which smokers are smoking.

Figure 1 shows that the test results, with the FRG destroying smoke particulates.

Figure 1 : PO3's Commercialisation and Development of FRG



Source : PO3 November 2018 Presentation

Tests in Hyderabad

The Hyderabad tests will be in operational setting, rather than laboratory settings, which have given outstanding results

Figure 1 shows :

- Laboratory test results;
- Tobacco smoke, partly because of its visual impact, as well as health results.

The tests announced on 29 November are

- A live setting, rather than a laboratory; and
- Focused on pathogens, which are not visible.

Hospital Acquired Infections are a serious issue in medicine, especially in poorer countries

The tests will show the effectiveness of the FRG's "triple punch"

- **ozone radicals produced from the air;**
- **hydroxyl radicals produced from the moisture / humidity in the air;**
- **the impact of the plasmas produced by the FRG on the contaminants; and**
- **the agglomeration of particulates in the air, amenable to filtration.**

Beer & Co has not allowed for any sales of PO3 products into poor, heavily populated countries that have a significant need for the benefits of the FRG.

Success will generate a much larger market than Beer & Co has allowed.

Background

Hospital Acquired Infections (HAI), when people go to a medical facility to treat one health problem, and acquire a different, and sometimes more significant, health problem.

This is a particular issue for air that is contaminated by sick people through their coughing and sneezing, caused by the resistance of many pathogens (bacteria, viruses, mould, etc that make people sick) to treatment.

PO3 is engaged in 2 tests. The first test, which is about to start and is expected to run for one month, is in the Government General and Chest Hospital in Hyderabad.

The second test, which will start soon after the first is concluded, will be in the dedicated inpatient Tuberculosis ward of the Bhaskar Medical College in Hyderabad.

Technical

The tests are in active areas, with people going about their normal business.

The Air Purification system draws in air and passes it through the FRG unit. The system has a filter between the FRG unit and the exit of the treated air. This filter captures both particulates and any radicals that may exit the FRG unit so that the air that is released back into the internal environment is safe and highly purified.

The air that is drawn in has some contained moisture, which is radicalised to the powerful hydroxyl radical; the amount will vary with the humidity.

The purification process is a triple punch – ozone, hydroxyl radicals and direct plasma treatment of the air itself which agglomerates particulates, while the plasmas generated within the tube also react with contaminants. The filtration zone captures the agglomerated particles and ensures that the hydroxyl radicals in particular are not then released into the inhabited space.

Beer & Co view

In Beer & Co.'s view, PO3 would not have sought these tests if PO3 had only a low degree of comfort about the expected results.

However, that does not mean that the results will turn out as positively as expected.

Impact of Successful Tests

Beer & Co.'s modelling does not have any sales of any FRG units into poor countries, many of which have high population densities meaning that pathogens are easily transmitted by coughing and sneezing.

Figure 2 shows the detail of Beer & Co.'s modelling of sales of air purification units :

- First sales in late 2020;
- Sales totalling 1.7m units in 15 years from now.

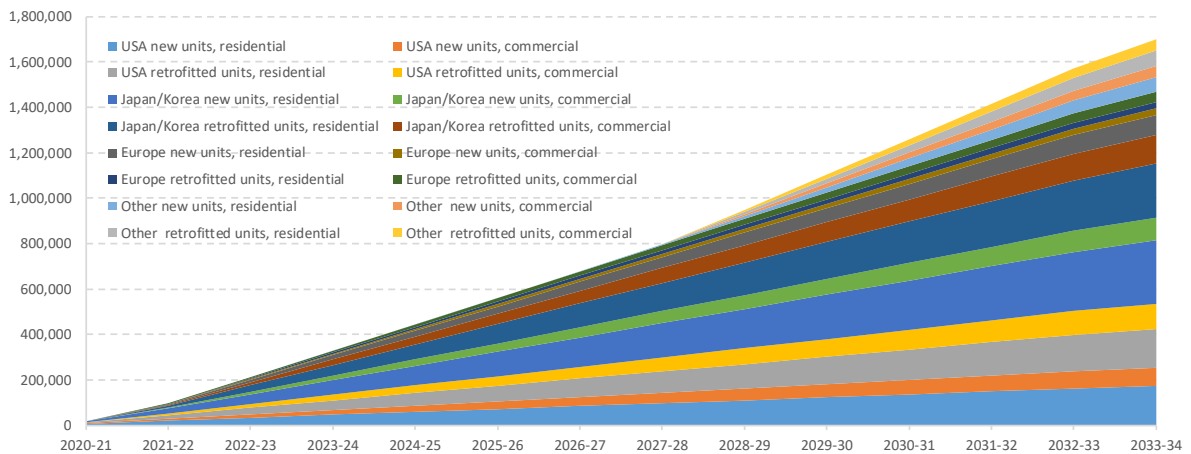
This compares with :

- Projected sales for 2018 of 12m air purifying units, which fail to capture fine particulates or to treat bio-contaminants; and
- Projected sales, globally, of 134m air conditioning units in 2018, with a total of an estimated 1,622m units already installed.

Sales of both air purifiers and air conditioners are projected to grow strongly, as shown in Figure 3, increasing by nearly 120% from 2016 to 2035.

In other words, Beer & Co.'s sales projections are very modest compared with the market potential.

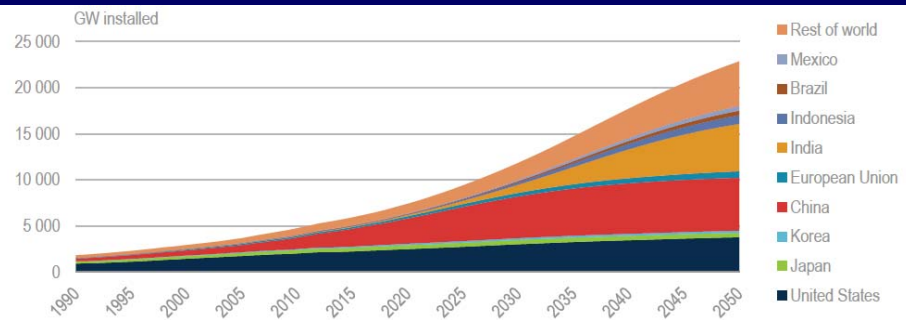
Figure 2 : Beer & Co.'s projected sales by PO3 of FRG units for Air Purification



Source : PO3 November 2018 Presentation

Beer & Co.'s sales projections are a very small portion of the potential market

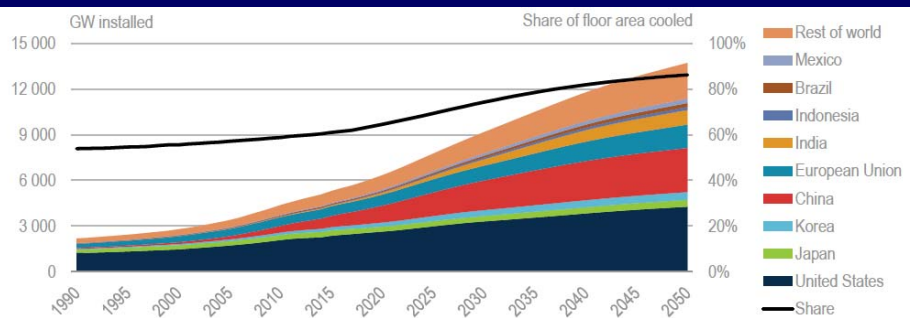
Figure 3a : Residential Air Conditioning capacity



Source : IEA : "The Future of Cooling", 2018 (Figure 3.2)

The FRG unit is able to treat legionnaires disease, which suggests significant potential in the commercial air conditioning market

Figure 3b : Commercial Air Conditioning capacity



Source : IEA : "The Future of Cooling", 2018 (Figure 3.3)

Further Impacts of Successful Tests

In response to a direct question at the AGM, Professor Mohanty responded that he expects that the FRG is capable of also destroying Legionnaires disease and other airborne diseases.

The market penetration assumed by Beer & Co is much more modest than this potential suggests.

In addition, success in this area assists in penetration in other sectors, such as water treatment, for which India has a huge need.

Commercialisation of Air Purification

PO3 has signed NDAs with some OEMs

Non-Disclosure Agreements (NDAs) have been signed with certain Original Equipment Manufacturers (OEMs). Prototype FRG units have been provided to these OEMs for testing.

The OEMs are trialling FRG units

The OEMs will generally wish to manufacture the FRG units themselves and pay a royalty. Agreement on protection of PO3's Intellectual Property (IP) will need to be reached.

PO3 is hopeful that agreements will be reached by mid 2019

Only after successful trials and agreements on manufacturing and IP protection will the OEMs include the FRG in their production plans, which have a lead time of 12 to 18 months.

This means first sales in late 2020, consistent with Beer & Co modelling.

Water Sanitation (Recreational)

Given product cycles, this leads to expected sales in late 202

In the 30 November Chairman's address to the AGM, PO3 stated that field trials of the FRG unit in the recreational water segment are expected to be completed in the first half of 2019.

After completing the field trials, it will then be up to PO3 to sell FRG units that it will manufacture itself, with installation by current pool technicians.

PO3 is undertaking field trials in recreational water sanitation.

While this segment is not as large as other segments, and its NPV is smaller, it has the capacity to generate revenue in a more timely manner.

Other water treatment

The lead time to sales is expected to be modest

In response to a question at the AGM, the PO3 chairman advised :

- The predecessor company to PO3 (Water Resources Group) had spent years in this segment and Somnio Global's first work was directed at this area;
- PO3 will re-visit the general water sector when it has established its priority areas.

The FRG technology is expected to be effective also in water treatment, which is a very large, though competitive, market

In Beer & Co.'s view, the returns from water treatment have the potential to be very large in NPV terms, reflecting the size of the market, but not as attractive in ROA terms due to lead times and the wide range of presently available technologies which means it will require greater sales effort.

In Beer & Co.'s view, commercial water treatment is a further horizon, after PO3 has become established in recreational water, air purification and surface sterilisation, but a very large and potentially valuable sector.

Conclusions

As shown in Figure 4, Beer & Co is not changing its valuation of PO3 at this time, though we believe that, pending success in the current Hyderabad trials, which could significantly expand the potential markets, and contracts with OEMs, which will de-risk the valuation, there is significant upside potential to our valuation

Beer & Co affirms our valuation of PO3 of \$20/share.

There is significant upside potential to our valuation from :

- De-risking as OEM agreements are progressed; and
- Expansion of potential markets

Beer & Co affirms our Speculative, Strong BUY recommendation

Figure 4 : Beer & Co.'s risked valuation of PO3

AUD m	risk :	30 June 2018			12-Dec-18
		100%	Product	per share	
discount rate = 12.0 %					
Air Purification					
USA	35 %	265	93	\$A 2.8	\$A 2.9
Japan / Korea	25 %	287	72	\$A 2.1	\$A 2.3
Europe	25 %	65	16	\$A 0.5	\$A 0.5
Middle East / Other	10 %	78	8	\$A 0.2	\$A 0.2
Water Sanitation (Pools)					
USA	40 %	65	26	\$A 0.8	\$A 0.8
Australia	40 %	5	2	\$A 0.1	\$A 0.1
Europe	25 %	31	8	\$A 0.2	\$A 0.2
Surface Sterilisation					
USA	12 %	1,684	202	\$A 6.0	\$A 6.3
Europe	10 %	1,546	155	\$A 4.6	\$A 4.9
Japan / Korea	10 %	667	67	\$A 2.0	\$A 2.1
Corporate					
franking credits	40 %	0	0	\$A 0.0	\$A 0.0
Corporate	100 %	(7)	(7)	(\$A 0.2)	(\$A 0.2)
Equity raisings	100 %	11	11	\$A 0.3	\$A 0.2
Cash / Debt	100 %	(1)	(1)	(\$A 0.0)	(\$A 0.0)
TOTAL		4,697	651	\$A 19.4	\$A 20.4
Shares on issue		27.3m	F P O shares	0.0m	Options
		6.3m	to be issued	0.0m	exercised

Source : Beer & Co estimates

Beer & Co affirms our Speculative, Strong BUY recommendation on PO3.

Beer & Co Research

Puriflo (PO3.ASX)

December 2018

Year ended June		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Section 1 - P&L									
Sales revenue	\$A m	0	0	6	172	683	1,335	1,988	2,641
Interest revenue	\$A m	0	0	0	0	0	0	0	0
Other Revenue	\$A m	0	0	0	0	0	0	0	0
Total Revenue	\$A m	0	0	6	172	683	1,335	1,988	2,641
Cash costs	\$A m	0	(0)	(3)	(85)	(356)	(710)	(1,065)	(1,419)
Royalties	\$A m	0	(0)	(0)	(9)	(36)	(70)	(104)	(139)
Corporate	\$A m	(0)	(2)	(6)	(25)	(56)	(78)	(100)	(121)
R & D Expensed	\$A m	0	0	0	0	0	0	0	0
Other Operating Expenses	\$A m	0	0	0	0	0	0	0	0
Total Operating Expenses	\$A m	(0)	(2)	(9)	(119)	(448)	(858)	(1,269)	(1,679)
EBITDA	\$A m	(0)	(2)	(4)	53	235	477	720	962
Dep'n & Amort'n	\$A m	0	0	0	0	0	0	0	0
EBIT	\$A m	(0)	(2)	(4)	53	235	477	720	962
Interest Expense	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0	0
Pre-Tax Profit	\$A m	(0)	(2)	(4)	53	235	477	720	962
Tax Expense	\$A m	0	1	1	(15)	(65)	(131)	(198)	(265)
NPAT	\$A m	(0)	(2)	(3)	38	171	346	522	697

Section 2 - Key Data

Ordinary shares - year end	m	27.3	31.4	31.4	33.6	33.6	33.6	33.6	33.6
Fully diluted shares on issue	m	27.3	31.4	31.4	33.6	33.6	33.6	33.6	33.6
Weighted # shares	m	22.5	30.4	31.4	33.6	33.6	33.6	33.6	33.6
Earnings per Share		(1.6c)	(5.4c)	(8c)	114 c	508 c	1,030 c	1,553 c	2,077 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c

Section 3 - Balance Sheet

Cash & Eqv	\$A m	0	8	4	20	127	387	803	1,374
Receivables	\$A m	0	0	1	26	102	200	298	396
Inventories	\$A m	0	0	0	2	7	14	21	28
CURRENT ASSETS	\$A m	0	8	5	47	236	602	1,123	1,799
Receivables	\$A m	0	0	0	0	0	0	0	0
P, P & E	\$A m	0	0	0	0	0	0	0	0
Capitalised R & D / IP	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0	0
NON-CURRENT ASSETS	\$A m	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$A m	0	8	5	47	236	602	1,123	1,799
Payables	\$A m	0	0	0	9	39	78	117	156
Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0	0
CURRENT LIABILITIES	\$A m	0	0	0	9	39	78	117	156
Long Term Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0	0	0
NON-CURRENT LIABILITIES	\$A m	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	\$A m	0	0	0	9	39	78	117	156
NET ASSETS	\$A m	0	8	5	38	197	524	1,006	1,643
Accumulated Profit (Loss)	\$A m	(75)	(76)	(79)	(40)	130	476	998	1,695
Reserves	\$A m	0	1	(0)	(10)	(21)	(40)	(80)	(140)
Contributed Equity	\$A m	75	84	84	88	88	88	88	88
Total Equity	\$A m	0	8	5	38	197	524	1,006	1,643

Section 4 - Cashflow

Net Cashflow from operations	\$A m	(1)	(3)	(3)	(4)	5	96	114	100
Net Interest Paid	\$A m	0	0	0	0	(4)	(5)	(3)	(0)
Taxes Paid	\$A m	0	0	0	0	0	0	(15)	(23)
Change in Working Capital	\$A m	0	(0)	0	0	(2)	(3)	(0)	1
OPERATING CASHFLOW	\$A m	(1)	(3)	(3)	(3)	(1)	88	97	77
Exploration + Feasibility	\$A m	0	(1)	(8)	0	0	0	0	0
Maintenance Capex	\$A m	0	0	0	0	0	0	(2)	(2)
Expansion Capex	\$A m	0	0	0	(55)	(40)	0	0	0
PPE Acquisitions (Total Capex)	\$A m	0	(1)	(8)	(55)	(40)	0	(2)	(2)
PPE Divestments	\$A m	0	0	0	0	0	0	0	0
INVESTING CASHFLOW	\$A m	0	(1)	(8)	(55)	(40)	0	(2)	(2)
Change in Equity	\$A m	0	4	47	2	0	0	0	0
Dividends Paid	\$A m	0	0	0	0	0	0	0	0
Change in Debt	\$A m	0	0	0	22	44	(10)	(17)	(18)
FINANCING CASHFLOW	\$A m	0	4	47	24	44	(10)	(17)	(18)
Free Cashflow	\$A m	(1)	(4)	(10)	(58)	(41)	88	95	75
Net Cashflow	\$A m	(1)	(1)	37	(35)	4	78	78	57

Major Shareholders

Dilato Holdings	18.410m	58.7%
Upjohn Laboratories	5.272m	16.8%

Projected Unit Sales

Year ended June		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Air Purification								
USA		0	0	12,820	38,473	64,127	89,780	115,433
Japan / Korea		0	0	1,375	26,550	68,017	109,483	150,950
Europe		0	0	0	5,360	14,853	24,347	33,840
Middle East / Other		0	0	0	0	0	0	0
Water Treatment								
USA		0	1,460	11,346	31,362	52,050	72,739	93,428
Australia		150	806	2,484	4,248	6,012	7,776	9,539
Europe		0	0	375	2,513	4,933	7,353	9,773
Surface Sterilisation								
USA		0	20	1,000	2,600	4,200	5,800	7,400
Europe		0	0	288	1,620	3,060	4,500	5,940
Japan / Korea		0	0	0	310	1,100	1,900	2,700

Market Penetration - New Units

Year ended June		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Air Purification								
USA		0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%
Japan / Korea		0.0%	0.0%	0.0%	0.1%	0.3%	0.4%	0.6%
Europe		0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%
Middle East / Other		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water Treatment								
USA		0.0%	0.3%	1.1%	2.3%	3.5%	4.7%	5.9%
Australia		0.8%	2.8%	4.8%	6.8%	8.8%	10.8%	12.8%

Cumulative Market Penetration - Existing Installations

Year ended June		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Air Purification								
USA		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan / Korea		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Europe		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Middle East / Other		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water Treatment								
USA		0.0%	0.0%	0.0%	0.2%	0.5%	0.8%	1.3%
Australia		0.0%	0.0%	0.2%	0.5%	0.9%	1.4%	2.1%
Europe		0.0%	0.0%	0.0%	0.1%	0.3%	0.5%	0.9%
Surface Sterilisation								
USA		0.0%	0.0%	0.1%	0.4%	0.8%	1.4%	2.1%
Europe		0.0%	0.0%	0.0%	0.2%	0.6%	1.1%	1.7%
Japan / Korea		0.0%	0.0%	0.0%	0.1%	0.3%	0.7%	1.2%

Asset based Valuation

discount rate = 12.0%

30 June 2018 12-Dec-18

risk : 100% Product per share

Air Purification

USA 35% \$265m \$93m \$2.8 \$2.9

Japan / Korea 25% \$287m \$72m \$2.1 \$2.3

Europe 25% \$65m \$16m \$0.5 \$0.5

Middle East / Other 10% \$78m \$8m \$0.2 \$0.2

Water Sanitation (Pools)

USA 40% \$65m \$26m \$0.8 \$0.8

Australia 40% \$5m \$2m \$0.1 \$0.1

Europe 25% \$31m \$8m \$0.2 \$0.2

Surface Sterilisation

USA 12% \$1,684m \$202m \$6.0 \$6.3

Europe 10% \$1,546m \$155m \$4.6 \$4.9

Japan / Korea 10% \$667m \$67m \$2.0 \$2.1

Corporate

franking credits 40% \$0m \$0m \$0.0 \$0.0

Corporate 100% (\$7m) (\$7m) (\$0.2) (\$0.2)

Equity raisings 100% \$11m \$11m \$0.3 \$0.2

Cash / Debt 100% (\$1m) (\$1m) (\$0.0) (\$0.0)

TOTAL \$4,697m \$651m \$19.4 \$20.4

Shares on issue 27.3m F P O shares 0.0m Options 6.3m to be issued 0.0m exercised

Financial Ratios

Year ended June 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24

Revenue \$A m 0 6 172 683 1,335 1,988

EBITDA \$A m (2) (4) 53 235 477 720

EBIT \$A m (2) (4) 53 235 477 720

NPAT (reported) \$A m (2) (3) 38 171 346 522

Adjusted EPS (cps) (5.4c) (8.1c) 114.2 c 508.4 c 1,029.9 c 1,553.3 c

EPS Growth (%) (49%) 1,509% 345% 103% 51%

DPS (c) 0.0 c 0.0 c 0.0 c 0.0 c 0.0 c 0.0 c

Dividend Yield (%) 0% 0% 0% 0% 0% 0%

PE adj. (x) (8.0) (49.4) 3.5 0.8 0.4 0.3

EV / EBITDA (x) (5.2) (33.5) 2.3 0.5 0.0 (0.4)

EV / EBIT (x) (5.2) (33.5) 2.3 0.5 0.0 (0.4)

Gearing (%) 0% 0% 0% 0% 0% 0%

Return on Assets (28%) (69%) 112% 100% 79% 64%

Return on Equity (20%) (54%) 102% 87% 66% 52%

EBITDA Margin (%) n/a n/a (62%) 31% 34% 36%

Interest Cover (x) n/a n/a n/a n/a n/a n/a

Important Information

Confidential

This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Beer & Co Pty Ltd. It has been prepared at the request of Purifloh Limited.

Disclaimer

The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Beer & Co Pty Ltd and its related entities, their respective directors and officers disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.

General Advice

The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Beer & Co Pty Ltd has not undertaken detailed due diligence on the information provided and has no obligation to provide revised assessments in the event of changed circumstances.

Disclosure

Directors of Beer & Co or other associate companies may own securities in Purifloh Limited. Beer & Co Pty Ltd seeks to do work with those companies it researches. Investors should be aware that Beer & Co Pty Ltd may have a conflict of interest that could affect the objectivity of this report.

The author of this report owns Purifloh shares in his SMSF.

Analyst Certification

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

Report prepared by : Pieter Bruinstroop pbruinstroop@beerandco.com.au

Beer & Co Recommendation

Beer & Co provide general recommendations only and do not consider the specific interests of the recipient of this report. Beer & Co generally provides a 2 part recommendation and both need to be considered together.

Recommendation : Beer & Co.'s investment recommendation is driven by the difference between our base case, risked valuation and the share price at the time. A Strong BUY recommendation means a very large difference (eg. over 100%), while BUY means a significant difference and Accumulate means a small, but positive difference. The recommendation is not independent of the uncertainty in Beer & Co.'s valuation; the greater the degree of uncertainty, the greater the difference between price and value required for a positive recommendation.

Risk : Risk relates to the potential, over the long run, for an investor to lose money; it is a function of both the difference between our base case valuation and the uncertainty in our valuation due to the degree of estimation and/or uncertainties about project execution. Speculative means a high chance of loss; High risk means a good chance of loss and medium means some chance of loss, given the company size.

Beer & Co Pty Ltd,
ABN 88 158 837 186,
Authorised Representative of
Melbourne Venture Securities Pty Ltd
AFSL No. 224 313

Level 2 South
Bank House
11 - 19 Bank Place
Melbourne, Vic,
Australia 3000

Tel : (+613) 9600 3599
Fax : (+613) 9602 2291
e : info@beerandco.com.au
W: www.beerandco.com.au
