

CUSTOMERS AND CONSUMERS NEED MORE INNOVATIVE, CREATIVE AND AFFORDABLE SOLUTIONS TO HELP THEM DEAL WITH THE DAILY CHALLENGE OF FINDING CLEAN, SAFE DRINKING WATER IN AN INCREASINGLY POLLUTED WORLD.



MARTIN COLES - CEO

When I joined HaloSource as CEO in 2011, we were a company with 3 very different business units serving different geographies with distinct and different technologies and go-to-market models. As separate as each business was, they were all unified by the idea of “making water better.”

As our company focused on making an impact on clean water availability and preservation across these 3 businesses, it also became clearer that trying to serve 3 very different sets of customers and markets far from creating scale actually drove complexity that held us back from being able to excel in any one of our businesses.

We concluded that by far the largest benefit for shareholders and consumers would be achieved by focusing exclusively on our core business of Residential Drinking Water, a huge business segment (\$16B in residential point-of-use water purification) where the issue of clean water access and preservation is only getting worse and the category is still largely untapped in many geographies. Customers and consumers need more innovative, creative and affordable solutions to help them deal with the daily challenge of finding clean, safe drinking water in an increasingly polluted world.

With this as background, during the first 6 months of 2016 we exited both the Recreational Water and Environmental Water businesses in order to focus exclusively on accelerating the growth of our Drinking Water business. In doing so, we strengthened our balance sheet by over \$8 million, reduced US based headcount from 50 to less than 20, refocused the US team on Innovation and Global account management and increased our in-market headcount to assume all aspects of short to medium term business and operational support. As a result, we have cut our SG&A by almost 50%, dramatically reducing our cash flow break-even point to approximately \$13 million in annual revenues, and aligned all resources to focus exclusively on aggressively growing our Drinking Water business.

As a part of this we have accelerated our strategy of becoming the technology solutions provider of choice for multi-national companies operating in the Drinking Water sector, adding technical and strategic marketing resources in both China and India to ensure that our innovation is guided by clearly understood consumer needs and a sharper understanding of trends in those markets.

Today, our patented and proprietary HaloPure® media provides clean, safe drinking water every day to millions of people in India, China, South East Asia and parts of South America, protecting consumers from waterborne

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viruses and bacteria that cause 85% of disease across the world. We continue to take our technology to market through strategic partners across each region who are making major inroads into dramatically underpenetrated markets where often simple filtration or boiling are the only methods used for water purification.

Our focus on innovation in this segment has resulted in the recent filing of patent claims for a unique, cartridge based approach to lead removal from contaminated water (another looming issue in developing and developed nations). Additionally, this technology platform has expansion potential to also target Arsenic, Fluoride, pesticides and pharmaceutical contaminants.

As the issues of water contamination and drinking water availability loom large globally, the importance of HaloSource's focus on innovation and technology solutions integration for our strategic partners who take our class-leading technology to market has never been greater. As the multi-billion dollar market for water purification solutions continues to grow year over year, we continue to be a sought-after technology partner, helping solve for unmet needs in the residential and commercial point-of-use segments. This approach is enabling us to grow and positively impact millions of lives around the world every day, with more than 10 million people drinking fresh, clean water purified using our unique, class leading Bromine-based technology.

We believe we will double our business over the next 12 months, positively impacting the health and well-being of more than 20 million people.

While we are proud of the impact we are making, this is still only a fraction of the population lacking access to clean, disease and chemical contaminant free water. With the release of our newest technology platform designed initially to take lead contamination levels down to less than 10 ppb (the NSF 53 standard for safe drinking water) early next year, we expect to be able to continue this rate of growth into the foreseeable future. Democratizing access to clean water dramatically improves standards of health and by association productivity, education, individual earnings potential and living standards of those previously impacted.

We look forward to bringing the full capability of our newly aligned team to the problems presented by biological and chemical contamination of the world's finite water supplies. Our social purpose is core to what we do in demonstrating it is indeed possible to "do well by doing good" a belief we share with like-minded partners around the globe.