



Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Annual Report - 31 December 2024

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Directors	Fred Bart- Chairman and Non-Executive Director Shawn van Boheemen Graeme Newing
Company secretary	Shawn van Boheemen
Registered office	Suite3, Level 12, 75 Elizabeth Street, Sydney NSW 2000
Principal place of business	Suite 3, Level 12, 75 Elizabeth Street, Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited 6 Hope Street, Ermington, NSW 2115 Australia Phone: +61 2 8234 5000
Auditor	SW Audit Level 10 530 Collins Street Melbourne VIC 3000 Phone: +613 8635 1800
Stock exchange listing	Phoslock Environmental Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: PET), currently suspended.
Website	https://www.petwatersolutions.com/

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Dear Shareholders,

I am pleased to present this report to you, reflecting on a transformative period for Phoslock. The last year has been one of both challenge and opportunity as we navigate the complexities of a highly competitive market and embark on the path to rebuilding our business.

In January 2024, following a critical shareholder vote, the entire board resigned, and I, along with two new non-executive directors, took on the responsibility of leading Phoslock forward. The company had undergone significant downsizing, with many employees departing in late 2023, leaving only a few key personnel to manage the remnants of our operations.

Our immediate priority was to stabilize the company and begin the process of restructuring. This included addressing operational gaps across key functions such as sales, marketing, R&D, and global operations. Despite these challenges, we have made strides in rebuilding our teams and laying the groundwork for future growth.

Our efforts in 2024 were focused on reducing operational costs and streamlining the organization. We took decisive steps to optimize our overheads by reducing the number of high-cost employees and consultants while maintaining key operational functions. This approach has resulted in a leaner, more efficient organization that is better positioned for sustainable growth.

While our sales were impacted in 2024, we are now seeing an improvement: our distributor in Brazil, Hydro Science, has resumed purchases; deliveries to the US have increased following the distributor agreement with The Orion Companies; and European sales are rebounding due to the reappointment of the general manager for that region.

Phoslock continues to address ongoing legal matters, including an investigation by the Australian Federal Police (AFP) and class action proceedings filed by shareholders. While we cannot predict the outcome of these matters, we are fully committed to complying with all regulatory requirements and defending the company's interests. Our primary focus is to resolve these issues and move forward with the confidence of all stakeholders. We are taking proactive steps to ensure that any potential impact on the company's operations is minimized.

Looking ahead, we are cautiously optimistic about Phoslock's future. We are positioning for a further improvement in sales in coming years, driven by investments in product innovation and expanding our market presence. Our R&D efforts are currently focused on enhancing our range of lanthanum modified bentonite (LMB) products to solidify Phoslock's position as a leader in this critical environmental sector.

The global need to address water quality and reduce phosphorus levels remains a growing concern. While there are external challenges related to government funding and environmental priorities, we believe that the long-term prospects for our products are strong, and we are well-positioned to capitalize on this trend.

In conclusion, while 2024 presented significant challenges, we have taken decisive steps to reposition the company for future success. We remain committed to delivering value to our shareholders and stakeholders through continued innovation, operational efficiency, and strategic growth.

I would like to thank all our employees, partners, and shareholders for their continued support as we work to rebuild and strengthen Phoslock's future.

Yours faithfully,

Graeme Newing
Managing Director and CEO



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Phoslock Environmental Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2024.

Directors

The following persons were directors of Phoslock Environmental Technologies Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Fred Bart - Chairman and Non-Executive Director (appointed on 18 January 2024)
- Shawn van Boheemen - Non-Executive Director (appointed on 18 January 2024)
- Graeme Newing - Executive Director (appointed on 18 January 2024)
- David Krasnostein AM - Chairman and Non-Executive Director (resigned on 18 January 2024)
- Brenda Shanahan AO (resigned on 18 January 2024)
- Lachlan McKinnon (resigned on 18 January 2024)
- Bob Prosser (resigned on 18 January 2024)

Principal activities

The principal activities of the Group during the period were selling and marketing of the patented product 'Phoslock®' and providing design, engineering and project implementation solutions for water related projects and water treatment products to clean up lakes, rivers, canals, wetlands and drinking water reservoirs. The Group devotes significant resources to the evaluation and development of new water treatment products and technologies through in-house development, licensing arrangements or acquisition.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to \$2,277,000 (31 December 2023: loss of \$2,056,000).

Underlying Loss Before Interest and Taxes ('Underlying EBIT') for the year is as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Revenue	757	3,392
Net Operating Profit/(Loss) after Tax ('NPAT')	(2,277)	(2,056)
Add: Finance costs	15	25
Add: Reversals of impairment of receivables	-	(6,089)
Add: Impairment of assets	(568)	126
Add: Foreign exchange (gains)/losses	(494)	78
Less: Interest revenue	(89)	(163)
Less: Gain on remeasurement of lease liabilities	-	(140)
Underlying EBIT *	(3,413)	(8,219)

* Underlying EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for the add back of income tax, finance costs and certain non-cash income and expense items that are deemed to not have an ongoing effect to the underlying performance of the business. The Company believes that Underlying EBIT provides a better reflection of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Operating results

Revenue for the year totalled \$757,000, representing a 77.7% decrease compared to \$3,392,000 recorded in the prior corresponding year. During the year, the majority of sales were generated in the United States, with moderate contributions from Europe, ANZ and China.



The Group reported a gross profit of \$51,000 for the full year ended 31 December 2024 compared to a gross profit of \$1,742,000 for the prior year. The gross profit margin declined from 51% in the prior year, primarily due to reduced sales prices offered to distribution partners and higher freight and labour costs incurred during the period.

Underlying EBIT for the year was a loss of \$3,413,000 compared to a loss of \$8,219,000 in the prior corresponding period. During the year, the business continued to actively address costs by reducing administrative and corporate expenses, leveraging efficiencies gained from right-sizing the organisation.

NPAT for the Group for the full year amounted to a loss of \$2,277,000 compared to loss of \$2,056,000 in the prior year.

Cash Flows

Operating cash flow for the full year was a cash outflow of \$2,851,000 (full year to 31 December 2023 outflow of \$2,624,000).

Cash payments from customers for the year were \$2,079,000 (full year to 31 December 2023: \$8,502,000). Cash payments to suppliers and employees for the full year were \$5,019,000 (full year to 31 December 2023: \$11,419,000). The decrease in cash outflows was primarily driven by significantly lower employee-related payments and a substantial reduction in legal and consulting expenses related to investigations. Although investigative activities concerning historical incidents of fraud and mismanagement declined significantly, this was partially offset by considerable legal and other fees incurred in relation to potential class actions.

New plant, equipment and intangibles acquisitions for the current year totalled \$49,000. This expenditure primarily related to the Company's Chinese manufacturing facilities, research and development activities, and patent application costs.

Financial position

The Group has net current asset position of \$10,369,000 as at 31 December 2024 (2023: \$12,274,000). At balance date, the Group had no external loan facilities.

The full year financial statements have been prepared on a going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Board is committed to making the Group profitable and cash positive and will continue to revise its strategy to best meet its objectives. The Board believes that any contingent liabilities that may arise from the AFP investigation into the actions of former officers or potential class actions should not impact the current going concern assessment. Refer to note 2 for further details on the going concern basis of preparation.

Business risks

The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

Macroeconomic risks

The Group's financial performance can be impacted by current and future economic conditions which it cannot control, such as increases in interest rates and inflation. The Group stays abreast of these conditions, focuses on its internal debtor controls and diversifies its customer base to help manage these risks.

Cybersecurity and Information technology ('IT') infrastructure

The risk of system disruption, either malicious or accidental, is something that can never be completely mitigated against as technology and methods of potential disruption are, by definition, constantly changing. We manage this risk in diverse ways, including utilising third parties to proactively review our environments and make recommendations for improvement, focusing on monitoring and reporting back so we can be aware of any changes as they happen (before causing noticeable disruption). This enables us to make certain that we have backups and methods in place to reproduce our data and materials from scratch in case a worst-case scenario does happen.

Legal or regulatory

A change in laws or regulations could adversely affect the business. Changes may result in, but are not limited to, a change in the market conditions affecting the competitive landscape, increase in costs of operating the business, and increased information security requirements. The Group adopts a sound corporate governance structure and practices that align with industry standards. This enables the Group to have clarity and confidence around its regulatory risk framework and its ability to manage regulatory change.



Climate Risk

The Group takes climate risk into account in its investment decisions. There is the possibility that such decisions have underestimated the severity of climate change.

Significant changes in the state of affairs

At the Extraordinary General Meeting held on 18 January 2024, shareholders overwhelmingly voted in favour of appointing three new candidates as Directors, resulting in the resignation of all previous Directors. None of the resolutions proposed by the previous Board were passed. Following their appointment, the new Board has determined that the financial statements for the period ending 31 December 2024 should be prepared on a going concern basis, a decision that has also been agreed upon by the auditor.

In March 2024, the previous management team, Lachlan McKinnon and Matthew Parker left the Company.

PET has been served with documents concerning proceedings in the Federal Court initiated by Levitt Robinson and Banton Group on behalf of shareholders. The Levitt proceedings are seeking preliminary discovery from PET and other parties.

In November 2024, a group proceeding was initiated in the Federal Court of Australia against Phoslock Environmental Technology (the Company), with the Company named as the respondent. The case, filed by the Banton Group, also includes Laurence Stephen Freedman AM, the former Chairman; Robert Paul Schuitema, the former Managing Director; and KPMG, the Company's former auditor (ABN 51 194 660 183). The proceedings represent individuals who acquired fully paid ordinary shares in Phoslock Environmental Technology (Phoslock Shares) between 11 October 2018 and 17 September 2020 (the Relevant Period), or who held such shares prior to and throughout the Relevant Period. The proceedings also represent individuals who held a "long exposure" to Phoslock Shares by entering into equity swap agreements during the Relevant Period. The Company denies liability and intends to vigorously defend the claims.

The Company was also identified as the first prospective respondent in preliminary discovery proceedings filed by Levitt Robinson in the Federal Court of Australia. These proceedings involve the same parties named in the group proceedings as prospective respondents. The discovery application by Levitt Robinson has since been withdrawn, and the Court has ordered Levitt Robinson to pay the costs of the respective defendants.

The Company shares remain suspended from trading on the ASX platform.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Business operations faced significant setbacks during 2024 due to the decision of the previous Directors to cease activities and the emergence of competing products. However, sales in 2025 are expected to recover strongly. A distributor has been appointed for the US market, resulting in US sales significantly outpacing those of 2024. Sales to Brazil have resumed, and sales in Europe have increased substantially. Sales in China remain slow, although the R&D team in China is making progress in the development of new lanthanum-modified bentonite products.

In response to increased sales expectations, a decision has been made to return the China plant to a state of production readiness, which will involve some refurbishment expenditure. Part of the work will include equipment modifications to enable the plant to switch to the production of new products, if required.

Despite the challenges of forecasting, the cash flow scenarios indicate that the Group will have adequate funds to sustain its operational activities and meet creditor obligations as they become due. The Board believes that the operational cash deficits in FY25 and FY26 may be lower than those in FY24.

Environmental regulation

The Group's operations are subject to environmental regulation of the territories in which it operates. Details of the Group's performance in relation to environmental regulations are as follows:

The Group commits to comply with all regulations governing the use and application of its water technology products both in Australia and internationally.



Phoslock® has been awarded the North American Drinking Water Certification (NSF/ANSI 60) since 2011. The certification is renewed annually.

Information on directors

Name:	Fred Bart
Title:	Chairman and Non-Executive Director (appointed on 18 January 2024)
Experience and expertise:	<p>In 1985, Mr Bart was appointed the Managing Director of Textile Industries Australia. The Group employed over 1,200 people and distributed product to many countries worldwide. The Company manufactured and distributed the majority of bed linen in Australia under brands like Sheridan and ACTIL. The Company was sold in 1987.</p> <p>In 1989, Mr Bart established and chairs a number of private companies under the umbrella of the Bart Group which covered hotels, retail, commercial and residential land development and technologies which still continue to operate. The Group today employs in excess of 1,000 people and is active in many local and overseas markets.</p> <p>In 2001, Mr Bart became Chairman of Electro Optic Systems Holdings Limited (ASX: EOS). Since that time it has grown to be one of Australia's premier defence companies with activities in many countries worldwide employing over 400 people and is currently included in the S&P/ASX 300.</p> <p>In September 2000, Mr Bart became a director and Chairman of Audio Pixels Holdings Limited (ASX: AKP). Audio Pixels is developing the first digital speaker in the world and currently has a market capitalisation of over \$181 million.</p> <p>In 2013, Mr Bart became Director and majority shareholder of Immunovative Therapies Limited, a private Israeli company involved in the manufacture of vaccines for the treatment of certain forms of cancer. The Company has undertaken trials in both collateral and liver cancers.</p> <p>In March 2018, Mr Bart joined the Board of Weebit Nano Limited (ASX: WBT). Weebit is a developer of memory technology.</p>
Other current directorships:	Chairman of ASX listed company, Audio Pixels Holdings Limited (ASX: AKP). He is also the Chairman of ASX listed company, Noxopharm Limited (ASX: NOX). Mr Bart is also a director of Immunovative Therapies Limited, an Israeli company involved in the manufacture of cancer vaccines for the treatment of most forms of cancer.
Former directorships (last 3 years):	Electro Optics Systems Holdings Limited (ASX: ESO) - resigned 27 July 2021, Weebit Nano Limited – resigned 27 June 2023.
Special responsibilities:	Member of Audit and Risk Committee, Member of Remuneration Committee
Interests in shares:	None
Interests in options:	None

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Name: Shawn van Boheemen
Title: Non-Executive Director (appointed on 18 January 2024)
Qualifications: Master of Commerce degree with a major in Accounting (UWS) and a Bachelor of Business degree in Accounting and Commercial Law (UWS), Fellow of the Australian Society of Certified Practising Accountants and a Justice of the Peace in NSW
Experience and expertise: Shawn's experience in commercial finance leadership spans 30 years across various sectors, including healthcare, manufacturing, biotech and financial services.

His expertise includes Australian ASX and ASIC reporting, SEC reporting in the USA, compliance and regulatory affairs, internal and external audit work, taxation, business and financial analytics, IP protection, as well as regulatory and financial reporting locally and in the United States.

He has held senior financial positions in both Australian and multinational organisations, including Covance, Unomedical, M.D. Sass, and New York Life Insurance. He is currently CFO of Noxopharm Limited (ASX: NOX) and CFO/Company Secretary of Audio Pixels Holdings Limited (ASX: AKP).

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of Audit and Risk Committee, Chairman of Remuneration Committee
Interests in shares: None
Interests in options: None

Name: Graeme Newing
Title: Executive Director (appointed on 18 January 2024)
Qualifications: BSc (Hons) in Mineral technology from Otago University
Experience and expertise: Graeme was a securities analyst within the stockbroking industry for some decades before his retirement. He was the top-rated mining analyst for most of the 1980s, at JM Bowyer and Co and then at County Natwest Securities Australia where he became a director.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee, Member of Remuneration Committee
Interests in shares: None
Interests in options: None

Name: David Krasnostein AM
Title: Non-Executive Chairman and Non-Executive Director (resigned on 18 January 2024)
Qualifications: B. Juris (Hons), LLB, LLM
Experience and expertise: David brings extensive legal and business experience across a distinguished corporate career and board representation. Formerly General Counsel and Group Director, Strategic Planning and Development at Telstra; Group Chief General Counsel at National Australia Bank; and Chief Executive Officer of MLC Private Equity (one of Australia's oldest and largest private equity firms with over \$3 billion invested globally during his tenure). David also practised law in the USA at the Wall St firm of Sullivan & Cromwell and as a partner of the Chicago law firm, Sidley Austin.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Board, Chairman of Nomination Committee, Member of Remuneration Committee and Audit and Risk Committee

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Name: Brenda Shanahan AO
Title: Non-Executive Director (resigned on 18 January 2024)
Qualifications: B. Comm, Fellow of AICD Hon. PHD Swinburne University
Experience and expertise: Brenda is a former member of the Australian Stock Exchange Ltd and has some two decades of experience as a non-executive director on Boards of ASX listed and unlisted domestic and international companies, including currently Clinuvel Pharmaceuticals Ltd (ASX:CUV), DMP Asset Management Ltd., S G Hiscock Ltd., and Chair of ACMD Ltd. She is a former director of Equitilink Ltd., Challenger Financial Group Ltd., and Bell Financial Group Ltd. She also serves on many philanthropic organisations and Advisory Groups.
Other current directorships: Clinuvel Pharmaceuticals Ltd, DMP Asset Management Ltd, S G Hiscock Ltd, the Chair of the Aitkenhead Centre for Medical Discovery and Director of Rock Art Australia Ltd
Former directorships (last 3 years): Bell Financial Group Ltd and St Vincent's Medical Research Institute
Special responsibilities: Member of Nomination Committee, Member of Remuneration Committee

Name: Lachlan McKinnon
Title: Managing Director and CEO (resigned on 18 January 2024)
Qualifications: Bachelor of Agricultural Science, Graduate Diploma of Business (Agribusiness), Master of Enterprise and Harvard Business School Short Course - Agribusiness
Experience and expertise: Lachlan has worked for Nufarm Limited (ASX: NUF) in various management roles in Australia, Europe and North America since 1994. Nufarm is a leading agricultural chemicals business with manufacturing and marketing operations based in Australia, New Zealand, Asia, Europe and the Americas. Lachlan has significant overseas sales and marketing experience. He was most recently (2016-19) Country Manager for Canada and Head of Marketing for the Americas. Previously, he has spent four years leading and developing Nufarm's Northern Europe business.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Nomination Committee

Name: Bob Prosser
Title: Non-Executive Director (resigned on 18 January 2024)
Qualifications: MA (Oxf), FCA, MAICD
Experience and expertise: Bob has extensive experience as a director and is a chartered accountant and former partner at PricewaterhouseCoopers (PwC). During his career at PwC, he gained expertise in accounting, audit, transactions, tax, valuation, structuring, commercial legal issues, corporate governance, compliance, strategy and risk across organisations of all sizes and in many industry sectors.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Audit and Risk Committee Chairman, Member Nomination Committee and Remuneration Committee.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Shawn van Boheemen (appointed on 18 January 2024) - see directors information for Shawn's qualifications.

Matthew Parker (resigned on 24 January 2024)



Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2024, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Fred Bart - Chairman and Non-Executive Director (appointed on 18 January 2024)	3	3	1	1	1	1
Shawn Van Boheemen (appointed on 18 January 2024)	3	3	1	1	1	1
Graeme Newing (appointed on 18 January 2024)	3	3	1	1	1	1
David Krasnostein AM - Chairman and Non-Executive Director (resigned on 18 January 2024)	-	-	-	-	-	-
Brenda Shanahan AO (resigned on 18 January 2024)	-	-	-	-	-	-
Lachlan McKinnon (resigned on 18 January 2024)	-	-	-	-	-	-
Bob Prosser (resigned on 18 January 2024)	-	-	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

Contents

The remuneration report is set out under the following main headings:

- Details of Key Management Personnel
- Principles used to determine the nature and amount of remuneration
- Details of Executive remuneration
- Consolidated entity performance and link to remuneration
- Service agreements
- Non-executive directors' remuneration
- Statutory and share-based reporting
- Additional information
- Additional disclosures relating to key management personnel

Details of Key Management Personnel

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The key management personnel ('KMP') of the Group consisted of the non-executive directors of the Company, executive directors and senior executives. The table below outlines the KMP of the Group and their movements for the year ended 31 December 2024.

- Fred Bart- Chairman and Non-Executive Director (appointed on 18 January 2024)
- Shawn van Boheemen - Non-Executive Director (appointed on 18 January 2024)
- Graeme Newing - Executive Director (appointed on 18 January 2024)
- David Krasnostein AM - Chairman and Non-Executive Director (resigned on 18 January 2024)
- Brenda Shanahan AO (resigned on 18 January 2024)
- Lachlan McKinnon (resigned as director on 18 January 2024 and resigned as CEO on 8 March 2024)
- Bob Prosser (resigned on 18 January 2024)

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Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group. The Remuneration Committee has concluded a review of the remuneration of key executives in consultation with external remuneration consultants to ensure objectives are aligned between executives and shareholders.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having profitable growth as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives by providing a total remuneration opportunity sufficient to attract proven and experienced executives, and retain existing executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience, whereby a substantial part of remuneration is contingent on achievement and delivering sustained performance outcomes;
- reflecting competitive reward for contribution to growth in shareholder wealth. This will see a significant proportion of executive remuneration is delivered in the form of equity to ensure executive alignment with shareholder experience; and
- providing a clear structure for earning rewards, such that performance targets are set to reach a challenging level before any payments are made.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Use of remuneration consultants

From time to time the Remuneration Committee may seek external guidance from independent remuneration advisers. Any advice provided by external advisers is used as a guide and is not a substitute for consideration of all the issues by each non-executive director of the Remuneration Committee.

Voting and comments made at the Company's 2023 Annual General Meeting ('AGM')

At the AGM held on 20 December 2024, 95.41% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments ('LTI'); and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

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Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentive ('STI') program is designed to focus performance on drivers of shareholder value within a performance year and by doing so, aligns the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentive ('LTI') program aims to align executive actions with shareholder interests by developing a sense of 'ownership' in the Company. Performance rights are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholder value relative to the entire market and the increase compared to the Group's direct competitors. The Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives.

Consolidated entity performance and link to remuneration

Over the past few years, remuneration has not been directly linked to the performance of the Group. The Remuneration Committee is of the opinion that the recent effort to improve corporate governance and positive changes to the overall strategy of the business will increase shareholder wealth if maintained over the coming years.

Refer to the section 'Additional information' below for details of the earnings and total shareholder return for the last five years.

Service agreements

Name:	Graeme Newing
Title:	Managing Director and CEO
Agreement commenced:	26 August 2024
Term of agreement:	Ongoing - no fixed minimum term
Details:	Annual base salary of \$200,000.00 pa
Short-term incentive:	None

Employment contracts for senior executives specify a resignation notice period ranging from one to three months (six months for the Managing Director / Chief Executive Officer). The Company may terminate an employment contract without cause by providing written notice or payment in lieu of notice for a period equivalent to the resignation notice period (six months for the Managing Director / Chief Executive Officer). Termination payments are not applicable in cases of dismissal due to serious misconduct. In such instances, the Company reserves the right to terminate employment immediately.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held in 2020, where the shareholders approved a maximum annual aggregate remuneration of \$800,000.



Statutory and share-based reporting

Details of the remuneration of key management personnel of the Group are set out in the following tables.

2024	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Allowance \$	Other \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>								
Fred Bart *	77,113	-	-	-	8,684	-	-	85,797
Shawn van Boheemen *	42,841	-	-	-	4,825	-	-	47,666
David Krasnostein AM**	-	-	-	-	-	-	-	-
Brenda Shanahan AO **	-	-	-	-	-	-	-	-
Robert Prosser**	-	-	-	-	-	-	-	-
<i>Executive Directors:</i>								
Graeme Newing*	95,419	-	-	-	10,871	129	-	106,419
Lachlan McKinnon***	105,731	-	-	11,162	-	-	-	116,893
<i>Other Key Management Personnel:</i>								
Matthew Parker***	88,632	-	-	5,589	-	-	-	94,221
Cherry Wang	92,070	-	-	-	10,553	11,395	-	114,018
	<u>501,806</u>	<u>-</u>	<u>-</u>	<u>16,751</u>	<u>34,933</u>	<u>11,524</u>	<u>-</u>	<u>565,014</u>

* Represents salaries from the date of appointment on 18 January 2024 to the end of financial year 31 December 2024.

** Represents salaries from 1 January 2024 to the date of resignation on 18 January 2024

*** Represents salaries from 1 January 2024 to the date of resignation on 8 March 2024.

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2023	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Allowance	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
David Krasnostein AM*	122,500	-	-	-	13,169	-	-	135,669
Brenda Shanahan AO *	109,091	-	-	-	11,727	-	-	120,818
Barry Sechos***	110,000	-	-	-	-	-	-	110,000
Robert Prosser*	109,091	-	-	-	11,727	-	-	120,818
<i>Executive Directors:</i>								
Lachlan McKinnon**	1,127,766	-	-	-	50,417	34,897	-	1,213,080
<i>Other Key Management Personnel:</i>								
Matthew Parker**	858,217	-	-	-	50,518	23,462	-	932,197
	2,436,665	-	-	-	137,558	58,359	-	2,632,582

* Represents salaries from for the entire financial year ended 31 December 2023.

** Represents salaries from 1 January 2023 to the date of resignation as executives on 31 December 2023.

*** Represents salaries from 1 January 2023 to the date of resignation on 6 September 2023.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Fred Bart	100%	-	-	-	-	-
Shawn van Boheemen	100%	-	-	-	-	-
David Krasnostein AM	-	100%	-	-	-	-
Brenda Shanahan AO	-	100%	-	-	-	-
Barry Sechos	-	100%	-	-	-	-
Bob Prosser	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Graeme Newing	100%	-	-	-	-	-
Lachlan McKinnon	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Matthew Parker	100%	100%	-	-	-	-
Cherry Wang	100%	-	-	-	-	-

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2024.



Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2024.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 December 2024.

Additional information

The earnings of the Group for the five years to 31 December 2024 are summarised below:

	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000
Sales revenue	757	3,392	3,022	6,297	6,878
Underlying EBIT	(3,413)	(8,219)	(9,050)	(7,896)	(7,396)
Loss after income tax	(2,277)	(2,056)	(11,212)	(3,937)	(25,734)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other *	Balance at the end of the year
<i>Ordinary shares</i>					
Fred Bart- Chairman and Non-Executive Director (appointed on 18 January 2024)	-	-	-	-	-
Shawn van Boheemen (appointed on 18 January 2024)	-	-	-	-	-
Graeme Newing (appointed on 18 January 2024)	-	-	-	-	-
David Krasnostein AM - Chairman and Non-Executive Director (resigned on 18 January 2024)	1,164,124	-	-	(1,164,124)	-
Brenda Shanahan AO (resigned on 18 January 2024)	1,506,500	-	-	(1,506,500)	-
Lachlan McKinnon (resigned on 18 January 2024)	1,325,000	-	-	(1,325,000)	-
Bob Prosser (resigned on 18 January 2024)	416,666	-	-	(416,666)	-
	4,412,290	-	-	(4,412,290)	-

* Represents reversal of holding at the time of resignation/retirement.

Option holding

There were no options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Phoslock Environmental Technologies Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Phoslock Environmental Technologies Limited issued on the exercise of options during the year ended 31 December 2024 and up to the date of this report.

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Shares under performance rights

There were no unissued ordinary shares of Phoslock Environmental Technologies Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Phoslock Environmental Technologies Limited issued on the exercise of performance rights during the year ended 31 December 2024 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the current and prior auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of SW Audit

There are no officers of the Company who are former partners of SW Audit.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'F Bart', written in a cursive style.

Fred Bart
Chairman

2 April 2025
Sydney

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF PHOSLOCK ENVIRONMENTAL
TECHNOLOGIES LIMITED**

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As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



SW Audit
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 2 April 2025

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Phoslock Environmental Technologies Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2024



	Note	Consolidated 2024 \$'000	2023 \$'000
Revenue			
Sales revenue	5	757	3,392
Cost of sales		(706)	(1,650)
Gross profit		<u>51</u>	<u>1,742</u>
Other income	6	553	385
Interest revenue calculated using the effective interest method		89	163
Expenses			
Distribution		(124)	(62)
Marketing		(14)	(249)
Occupancy		(7)	(80)
Director, listing and professional fees		(1,533)	(4,141)
Administration		(1,845)	(5,752)
Reversal of impairment of receivables	10	-	6,089
Impairment of assets	7	568	(126)
Finance costs	7	(15)	(25)
Loss before income tax expense		<u>(2,277)</u>	<u>(2,056)</u>
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Phoslock Environmental Technologies Limited		<u>(2,277)</u>	<u>(2,056)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		48	(349)
Other comprehensive income/(loss) for the year, net of tax		<u>48</u>	<u>(349)</u>
Total comprehensive loss for the year attributable to the owners of Phoslock Environmental Technologies Limited		<u>(2,229)</u>	<u>(2,405)</u>
		Cents	Cents
Basic earnings per share	29	(0.36)	(0.33)
Diluted earnings per share	29	(0.36)	(0.33)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Phoslock Environmental Technologies Limited
Statement of financial position
As at 31 December 2024



	Note	Consolidated	
		2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	7,859	10,622
Trade and other receivables	10	374	1,531
Inventories	11	2,497	1,769
Financial assets		100	100
Other assets		403	419
Total current assets		11,233	14,441
Non-current assets			
Property, plant and equipment	12	-	-
Right-of-use assets	13	-	-
Intangibles	14	-	-
Total non-current assets		-	-
Total assets		11,233	14,441
Liabilities			
Current liabilities			
Trade and other payables	15	784	1,190
Contract liabilities		2	9
Lease liabilities	16	16	342
Employee benefits		62	440
Provisions	17	-	186
Total current liabilities		864	2,167
Non-current liabilities			
Lease liabilities	16	351	-
Employee benefits		11	38
Total non-current liabilities		362	38
Total liabilities		1,226	2,205
Net assets		10,007	12,236
Equity			
Issued capital	18	92,398	92,398
Reserves	19	827	779
Accumulated losses		(83,218)	(80,941)
Total equity		10,007	12,236

The above statement of financial position should be read in conjunction with the accompanying notes

Phoslock Environmental Technologies Limited
Statement of changes in equity
For the year ended 31 December 2024



Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2023	92,398	1,128	(78,885)	14,641
Loss after income tax expense for the year	-	-	(2,056)	(2,056)
Other comprehensive loss for the year, net of tax	-	(349)	-	(349)
Total comprehensive loss for the year	-	(349)	(2,056)	(2,405)
Balance at 31 December 2023	92,398	779	(80,941)	12,236

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2024	92,398	779	(80,941)	12,236
Loss after income tax expense for the year	-	-	(2,277)	(2,277)
Other comprehensive income for the year, net of tax	-	48	-	48
Total comprehensive income/(loss) for the year	-	48	(2,277)	(2,229)
Balance at 31 December 2024	92,398	827	(83,218)	10,007

The above statement of changes in equity should be read in conjunction with the accompanying notes

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Phoslock Environmental Technologies Limited
Statement of cash flows
For the year ended 31 December 2024



	Note	Consolidated 2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,079	8,502
Receipts from research and development grant and other income		-	140
Payments to suppliers and employees (inclusive of GST)		(5,019)	(11,419)
Interest received		89	153
		<u> </u>	<u> </u>
Net cash used in operating activities	28	<u>(2,851)</u>	<u>(2,624)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(32)	(440)
Payments for intangibles		(17)	(93)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(49)</u>	<u>(533)</u>
Cash flows from financing activities			
Proceeds/(repayment) of leases		(355)	(561)
		<u> </u>	<u> </u>
Net cash used in financing activities		<u>(355)</u>	<u>(561)</u>
Net decrease in cash and cash equivalents		(3,255)	(3,718)
Cash and cash equivalents at the beginning of the financial year		10,622	14,456
Effects of exchange rate changes on cash and cash equivalents		492	(116)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>7,859</u></u>	<u><u>10,622</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. General information

The financial statements cover Phoslock Environmental Technologies Limited as a Group consisting of Phoslock Environmental Technologies Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Phoslock Environmental Technologies Limited's functional and presentation currency.

Phoslock Environmental Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3, Level 12,
75 Elizabeth Street,
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 2 April 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The directors have determined that the financial statements should be prepared on a going concern basis of accounting. This basis assumes the continuity of normal business activities, the realisation of assets, and the settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2024, the Group recorded a loss of \$2,277,000 (31 December 2023: loss of \$2,056,000) and net cash outflow from operating activities of \$2,851,000 (31 December 2023: \$2,624,000). The net assets of the Group as of 31 December 2024 were \$10,007,000 (31 December 2023: \$12,236,000), with a net current assets position of \$10,369,000 (31 December 2023: \$12,274,000) and the Group has no external loan facilities and no litigation matters currently against it.

The newly appointed directors believe that the financial statements should be prepared on a going concern for the following reasons:

(a) Operational capability

The Board continues to ensure the Company's operational capabilities through the following initiatives:

- Continuing the global sales of Phoslock®.
- Keeping the China warehouse operational.
- Maintaining the lease of the China factory to enable a swift resumption of production if required.
- Retaining the General Manager in the USA and key personnel in China.
- Recruiting a General Manager for the UK and Europe to strengthen regional leadership.
- Hiring research staff in China to support innovation and development.
- Sustaining distribution agreements in the US, Brazil, and China.

(b) Sales

Sales in 2025 are budgeted to increase substantially.



Note 2. Material accounting policy information (continued)

(c) Inventory

The Group currently holds ample inventory. However, if the Company's forward projections are realized, the Changxing factory may need to resume production to replenish stock by the end of 2025.

(d) Project pipeline

Numerous projects are currently in the pipeline. The majority involve volumes in the tens of tonnes, while some are in the hundreds of tonnes, and a few exceed 1,000 tonnes.

(e) Cash position

Since the new Board was elected, the strategy has focused on restructuring the business to drive sales growth while reducing operating costs. Based on current cash flow forecasts, it is estimated that the available cash for future operating activities will sustain the business for at least eight quarters, provided there is no significant escalation in legal expenses.

The Board is committed to making the Group profitable and cash-positive and will continue to refine its strategy to best achieve these objectives. With no intention of selling, liquidating, or winding up the Company, and based on its assessment of operational capabilities, cash position, forecast sales, project pipeline, and cash resources, the Board believes the Group will continue as a going concern. Additionally, the Board believes that any contingent liability arising from the AFP investigation into the actions of previous officers will not affect the current going concern assessment. However, it will be disclosed in the financial statements until the matter is resolved.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Phoslock Environmental Technologies Limited ('Company' or 'parent entity') as at 31 December 2024 and the results of all subsidiaries for the year then ended. Phoslock Environmental Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



Note 2. Material accounting policy information (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Phoslock Environmental Technologies Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time when the goods are despatched from the Group's warehouse or loaded in the shipping vessels depending on the shipping terms.

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Note 2. Material accounting policy information (continued)

Rendering of services

Revenue from the design, engineering and project implementation contract to provide services is recognised over time as the services are rendered.

Research and development grant

Research and development grant are recognised at fair value where there is a reasonable assurance that the grant will be received, and that the Group will comply with all attached conditions. Grants relating to expense items are recognised as income at the point of grant receipt.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxable authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis or to realise the asset and settle the liabilities simultaneously in future periods.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.



Note 2. Material accounting policy information (continued)

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'moving average' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Right-of-use assets

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

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Note 2. Material accounting policy information (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Phoslock Environmental Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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Note 2. Material accounting policy information (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower. See note 10 for further information.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. See note 11 for further information.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments based on geographical areas: Australia/NZ, Europe/UK, US/Canada/Brazil and China. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews Underlying EBIT (earnings before interest and tax adjusted for non-cash items). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.



Note 4. Operating segments (continued)

The information reported to the CODM is on a monthly basis.

Intersegment transactions

Intersegment sales were made at an internally determined transfer price. The price is based on what would be realised in the event the sale was made to an external party at arm's-length. Intersegment sales are eliminated on consolidation.

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 31 December 2024, approximately 50% of the Group's external revenue was derived from sales to 3 customer (31 December 2023: approximately 61% of the Group's external revenue was derived from sales to one customer).

Operating segment information

Consolidated - 2024	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
Revenue						
Sales to external customers	230	75	437	15	-	757
Intersegment sales	-	-	-	-	-	-
Total sales revenue	230	75	437	15	-	757
Interest revenue	67	-	-	22	-	89
Total revenue	297	75	437	37	-	846
Underlying EBIT	(2,221)	(305)	(334)	(286)	(267)	(3,413)
Interest revenue	67	-	-	22	-	89
Reversal of impairment/(impairment) of assets	(26)	-	154	440	-	568
Foreign exchange gain/(loss)	504	(10)	-	-	-	494
Finance costs	82	-	(81)	(16)	-	(15)
Profit/(loss) before income tax expense	(1,594)	(315)	(261)	160	(267)	(2,277)
Income tax expense						-
Loss after income tax expense						(2,277)
Assets						
Segment assets	8,422	672	887	1,984	(732)	11,233
Total assets						11,233
Liabilities						
Segment liabilities	3,979	404	2,250	6,740	(12,147)	1,226
Total liabilities						1,226

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Note 4. Operating segments (continued)

Consolidated - 2023	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
Revenue						
Sales to external customers	172	298	2,785	137	-	3,392
Intersegment sales	371	-	-	1,434	(1,805)	-
Total sales revenue	543	298	2,785	1,571	(1,805)	3,392
Interest revenue	241	-	-	13	(91)	163
Total revenue	784	298	2,785	1,584	(1,896)	3,555
Underlying EBIT						
Interest revenue	241	-	-	13	(91)	163
Gain on remeasurement of lease liabilities	140	-	-	-	-	140
Reversal of impairment of receivables	-	-	-	6,089	-	6,089
Impairment of assets	(110)	(3)	93	(106)	-	(126)
Foreign exchange loss	(70)	(9)	-	1	-	(78)
Finance costs	(5)	-	(74)	(20)	74	(25)
Profit/(loss) before income tax expense	(6,835)	(1,074)	122	5,693	38	(2,056)
Income tax expense	-	-	-	-	-	-
Loss after income tax expense						(2,056)
Assets						
Segment assets	6,842	1,014	854	6,492	(761)	14,441
Total assets						14,441
Liabilities						
Segment liabilities	3,987	489	1,902	3,765	(7,938)	2,205
Total liabilities						2,205

Note 5. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Geographical regions</i>		
Australia/NZ	230	172
Europe/UK	75	298
US/Canada/Brazil	437	2,785
China	15	137
	757	3,392
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	729	3,294
Services transferred at a point in time	28	98
	757	3,392



Note 5. Revenue (continued)

Seasonality of operations

The Group's sale of goods is subject to seasonal fluctuations as a result of weather conditions. In particular, the sales and application of Phoslock® in northern China and European regions are affected by the winter weather conditions, which occur primarily from November to February.

Note 6. Other income

	Consolidated	
	2024 \$'000	2023 \$'000
Net foreign exchange gain	494	-
Gain on remeasurement of lease liabilities	-	140
Research and development grants	2	140
Other income	57	105
	<hr/>	<hr/>
Other income	553	385
	<hr/> <hr/>	<hr/> <hr/>

Note 7. Expenses

	Consolidated	
	2024 \$'000	2023 \$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	-	5
Buildings right-of-use assets	-	76
Office equipment right-of-use assets	-	1
	<hr/>	<hr/>
Total depreciation	-	82
<i>Amortisation</i>		
Patents	21	20
	<hr/>	<hr/>
Total depreciation and amortisation	21	102
<i>Impairment expense/(reversal)</i>		
Inventories	(942)	(75)
Plant and equipment	-	227
Rights-of-use assets	377	(77)
Patents	(3)	51
	<hr/>	<hr/>
Total impairment	(568)	126
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	15	25
	<hr/>	<hr/>
<i>Leases</i>		
Short-term lease payments	5	80
	<hr/>	<hr/>
<i>Employee benefits expense</i>		
Employee benefits expense excluding superannuation	1,005	4,344
Defined contribution superannuation expense	39	205
	<hr/>	<hr/>
Total employee benefit expense	1,044	4,549
	<hr/> <hr/>	<hr/> <hr/>



Note 8. Income tax

	Consolidated	Consolidated
	2024	2023
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,277)	(2,056)
Tax at the statutory tax rate of 25%	(569)	(514)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	(27)	(1,384)
Current year tax losses not recognised	(596)	(1,898)
Foreign subsidiaries	646	1,436
Income tax expense	(50)	462
	<u>-</u>	<u>-</u>

	Consolidated	Consolidated
	2024	2023
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	60,602	58,641
Potential tax benefit @ 25%	15,151	14,660

The above potential tax benefit for tax losses has not been recognised in the Statement of Financial Position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	Consolidated
	2024	2023
	\$'000	\$'000
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	15,151	14,660
Accruals and provisions	(10)	108
Total deferred tax assets not recognised	<u>15,141</u>	<u>14,768</u>

The above potential tax benefit for deductible temporary differences has not been recognised in the Statement of Financial Position as the recovery of this benefit is uncertain.

Note 9. Cash and cash equivalents

	Consolidated	Consolidated
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	<u>7,859</u>	<u>10,622</u>

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Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	290	1,526
Less: Allowance for expected credit losses	(13)	(12)
	<u>277</u>	<u>1,514</u>
Other receivables	97	17
	<u>374</u>	<u>1,531</u>

Allowance for expected credit losses

In prior year, the Group reached an agreement with the Yuxi City Bureau of Ecology and Environment ('Yuxi') regarding the receivable associated with the Xingyun Lake project in China. The Group obtained a settlement of RMB 24,687,000 (approximately \$5,298,000) for the outstanding receivable and recognised a reversal of this amount as of 31 December 2023. The settlement amount was received in two instalments on 25 August 2023 and 17 October 2023. According to the settlement agreement, RMB 8,410,000 (approximately \$1,805,000) was written off as a one-time settlement. This amount includes RMB 1,180,000 in interest, as mandated by the court order in 2022.

In prior year, the Group also secured a full settlement of RMB 3,688,000 (approximately \$791,000) for the receivable associated with the Waterproof Blanket project in China. The payment was made to the Group's Beijing-based subsidiary, Beijing Ecosystem Environmental Science and Technology Co., Ltd ('BEST'). This amount constitutes the full balance owed and was recognised in the profit or loss statement for the period ending 31 December 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Not overdue	282	1,352	-	-
3 to 6 months overdue	6	153	-	-
Over 6 months overdue	2	21	13	12
	<u>290</u>	<u>1,526</u>	<u>13</u>	<u>12</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Opening balance	12	7,816
Additional impairment reversals recognised	-	(6,089)
Foreign exchange translation	1	90
Receivables written off during the year as uncollectable	-	(1,805)
Closing balance	<u>13</u>	<u>12</u>



Note 11. Inventories

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Raw materials - at cost	892	840
Less: Provision for impairment	-	(549)
	<u>892</u>	<u>291</u>
Finished goods - at cost	2,791	2,956
Less: Provision for impairment	(1,186)	(1,478)
	<u>1,605</u>	<u>1,478</u>
	<u><u>2,497</u></u>	<u><u>1,769</u></u>

As at 31 December 2024 and 31 December 2023, the Group concluded that its inventory holding exceeded short term demand in light of the reduced business activity. While directors believe there is a limited risk of its inventory (both raw materials and finished goods) becoming obsolete or expiring (excluding the amounts disclosed below), based on the factors outlined above, the Board has concluded to impair all or portions of inventory that are either not associated with a committed order or is under contract negotiation with a memorandum of understanding ('MOU'). The raw materials held at the Chinese manufacturing facility (PWSC) are valued at the lower of cost and net realizable value. The provision for raw materials made as of 30 June 2023 has been reversed in the current reporting period due to an improvement in the market value of the raw materials.

As at 31 December 2024, PWSC holds 979 tonnes of Phoslock® worth \$803,000 that has been defined as having a quality issue or defect in the product during the manufacturing process which renders it non-resaleable or non-useable in its current state, and therefore impairment has been fully provided for. During the year, 321 tonnes of the affected Phoslock® were reprocessed and repackaged by the manufacturing department. Subsequent testing performed internal quality department confirmed that the quality of the reprocessed product meets customer requirements. As a result, these products have been successfully sold to customers.

Note 12. Property, plant and equipment

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	2,434	2,278
Less: Accumulated depreciation	(400)	(375)
Less: Impairment	(2,034)	(1,903)
	<u>-</u>	<u>-</u>
Work-in-progress - at cost	-	171
Less: Impairment	-	(171)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>



Note 12. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$'000	Work-in- progress \$'000	Total \$'000
Balance at 1 January 2023	-	-	-
Additions	404	-	404
Disposals	(172)	-	(172)
Impairment of assets	(583)	356	(227)
Transfers in/(out)	356	(356)	-
Depreciation expense	(5)	-	(5)
Balance at 31 December 2023	-	-	-
Additions	-	-	-
Impairment of assets	-	-	-
Depreciation expense	-	-	-
Balance at 31 December 2024	-	-	-

Impairment

As at 31 December 2023, the Group performed a reversal of impairment indicator test. The test revealed no indication that the impairment loss recognised in prior periods for the CGU, other than goodwill may no longer exist or have decreased. Therefore, the impairment remains unchanged.

This impairment loss reflects the uncertainty regarding the future operating performance of the Group in light of the loss incurred in the current year, volatile market conditions and uncertainty regarding the future performance of the Group's operations.

As at 31 December 2024, the assets are fully impaired.

Note 13. Right-of-use assets

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,484	1,983
Less: Accumulated depreciation	(75)	(80)
Less: Impairment	(2,409)	(1,903)
	-	-

In August 2023, the company received notice of surrender of the lease at the Como Building in South Yarra. This lease has been re-measured to reflect the expected balance of exiting the premise prior to the contractual lease termination date.



Note 13. Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings right-of-use \$'000	Office equipment right-of-use \$'000	Total \$'000
Balance at 1 January 2023	-	-	-
Reversal of impairment loss recognised	76	1	77
Depreciation expense	(76)	(1)	(77)
Balance at 31 December 2023	-	-	-
Additions	377	-	377
Impairment of loss recognised	(377)	-	(377)
Balance at 31 December 2024	-	-	-

Impairment

As at 31 December 2023, the Group performed a reversal of impairment indicator test. The test revealed no indication that the impairment loss recognised in prior periods for the CGU, other than goodwill may no longer exist or have decreased. Therefore, the impairment remains unchanged.

This impairment loss reflects the uncertainty regarding the future operating performance of the Group in light of the loss incurred in the current year, volatile market conditions and uncertainty regarding the future performance of the Group's operations.

As at 31 December 2024, the assets are fully impaired.

For other AASB 16 and lease related disclosures, refer to the following:

- Refer note 7 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- Refer note 16 for lease liabilities;
- Refer note 21 for undiscounted future lease commitments; and
- Refer consolidated statement of cash flows for repayment of lease liabilities

Note 14. Intangibles

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Patents - at cost	458	439
Less: Accumulated amortisation	(98)	(77)
Less: Impairment	(360)	(362)
	-	-



Note 14. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Patents \$'000
Balance at 1 January 2023	-
Additions	71
Impairment of assets	(51)
Amortisation expense	(20)
	<hr/>
Balance at 31 December 2023	-
Additions	18
Impairment of assets	3
Amortisation expense	(21)
	<hr/>
Balance at 31 December 2024	<u>-</u>

Impairment

AS at 31 December 2023, the Group performed a reversal of impairment indicator test. The test revealed no indication that the impairment loss recognised in prior periods for the CGU, other than goodwill may no longer exist or have decreased. Therefore, the impairment remains unchanged.

This impairment loss reflects the uncertainty regarding the future operating performance of the Group in light of the loss incurred in the current year, volatile market conditions and uncertainty regarding the future performance of the Group's operations.

As at 31 December 2024, the assets are fully impaired.

Note 15. Trade and other payables

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Current liabilities</i>		
Trade payables	240	517
Accrued expenses	640	379
Other payables	(96)	294
	<hr/>	<hr/>
	<u>784</u>	<u>1,190</u>

Refer to note 21 for further information on financial instruments.



Note 16. Lease liabilities

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	16	342
<i>Non-current liabilities</i>		
Lease liability	351	-
	<u>367</u>	<u>342</u>

Refer to note 21 for the contractual maturity of lease liabilities.

Note 17. Provisions

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease provisions	-	186

Lease provisions

During the prior period the Company's subsidiary in USA signed a development agreement with Advanced Casper, based in Wyoming USA. The agreement provided the option for the Group to establish a manufacturing facility in Casper Wyoming subject to a business case. As a consideration, the Group is obligated to pay up to \$185,000 (in rental and outgoings) for 2 years. These amounts constitute all payments that the Group is obligated to pay for the Casper project should the business decide not to go ahead with project. As of 31 December 2024, the provisions were reversed.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2024	<i>Lease provisions</i> \$'000
Carrying amount at the start of the year	186
Unused amounts reversed	<u>(186)</u>
Carrying amount at the end of the year	<u>-</u>

Note 18. Issued capital

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>624,390,509</u>	<u>624,390,509</u>	<u>92,398</u>	<u>92,398</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.



Note 18. Issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest or expand its business or the Company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 19. Reserves

	Consolidated	
	2024	2023
	\$'000	\$'000
Foreign currency reserve	827	779

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$'000
Balance at 1 January 2023	1,128
Foreign currency translation	(349)
Balance at 31 December 2023	779
Foreign currency translation	48
Balance at 31 December 2024	827

Note 20. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.



Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('finance') under policies approved by Audit and Risk Committee under the delegated power from the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain sales and purchase of goods denominated in foreign currencies particularly the US dollar, Chinese Yuan and European Euro and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
US dollars	3,391	853	1	35
Chinese Yuan	-	4,120	-	-
	<u>3,391</u>	<u>4,973</u>	<u>1</u>	<u>35</u>

The Group had net assets denominated in foreign currencies of \$3,390,000 (assets of \$3,391,000 less liabilities of \$1,000) as at 31 December 2024 (31 December 2023: \$4,938,000 (assets of \$4,973,000 less liabilities of \$35,000)). Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% (31 December 2023: weakened by 10% / strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$18,000 lower/\$18,000 higher (31 December 2023: \$493,800 lower/\$493,800 higher) and equity would have been \$13,000 lower/\$13,000 higher (31 December 2023: \$370,350 lower/\$370,350 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 31 December 2024 was \$494,000 (31 December 2023: loss of \$78,000).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents. Cash and cash equivalents obtained at variable rates expose the Group to interest rate risk. Cash and cash equivalents obtained at fixed rates expose the Group to fair value interest rate risk.



Note 21. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate cash and cash equivalents outstanding:

Consolidated	2024		2023	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	0.35%	7,859	0.73%	10,622
Net exposure to cash flow interest rate risk		7,859		10,622

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Consolidated - 2024	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net exposure to cashflow interest rate risk	100	79	79	100	(79)	(79)

Consolidated - 2023	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net exposure to cashflow interest rate risk	100	106	106	(100)	(106)	(106)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	240	-	-	240
Other payables	(96)	-	-	(96)
<i>Interest-bearing - variable</i>				
Lease liability	16	351	-	367
Total non-derivatives	160	351	-	511

Consolidated - 2023	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	517	-	-	517
Other payables	294	-	-	294
<i>Interest-bearing - variable</i>				
Lease liability	342	-	-	342
Total non-derivatives	1,153	-	-	1,153

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the Company, and its network firms:

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements - SW	279,245	431,248
<i>Audit services – network firm</i>		
Audit or review of the financial statements -SW China	15,883	23,222



Note 23. Contingent liabilities

The Group is continuing to assess regulatory, compliance, and operational matters related to its Chinese operations, which may result in penalties or additional costs for the Group. These matters are discussed in more detail below. As of the date of this financial report, it is not possible to reliably measure any contingent obligations, as they remain subject to the outcome of future events not entirely within the control of the entity. The Group will recognize a liability for these amounts if and when the possible obligations can be reliably measured.

Tax and Environmental Matters

The Group has historically identified certain adjustments related to historical income tax deductions, research and development activities, and withholding tax matters, which resulted in the restatement of prior period financial statements. These adjustments may lead to penalties or interest in future periods. As of the date of this report, and aside from the items detailed herein, no provision has been made for such costs, as it is not possible to measure the contingent obligation with sufficient reliability, as it remains subject to the outcome of future events beyond the entity's control.

These matters may necessitate amendments to previously filed income tax returns, potentially creating an uncertain tax position regarding the tax authorities' stance on these corrections. Additionally, these adjustments may result in penalties or interest in future periods.

The Group is not aware of any regulatory, compliance, or operational matters that could result in penalties or other costs imposed by regulatory bodies, such as environmental authorities.

Regulatory authorities

As indicated in previous announcements and disclosures, the Company self-reported the suspected fraud and mismanagement issues identified by the previous management and entered into an Investigation Cooperation Agreement (ICA) with the Australian Federal Police ('AFP') in November 2021. This agreement requires the Company to engage cooperatively with the AFP. The ICA deals primarily with offences in the nature of bribery and foreign corruption. There has been no communication with the AFP in more recent years but presumably the investigation is ongoing.

The Company has also engaged in discussions with the Australian Securities and Investments Commission ('ASIC'). ASIC has made enquiries in relation to PET and its financial accounts that have been lodged with ASIC.

There is a risk that the Company will be exposed to judgments, fines and penalties arising from regulatory activity including the AFP's investigation and ASIC's inquiries that may have an adverse impact on its financial performance and financial position.

Claims by or against other persons involved in the Company's affairs

The announcements made on 16 November 2021 and 25 May 2022 foreshadowed potential claims that may be brought by Phoslock Environmental Technology (the Company) against individuals, including former directors Zhigang Zhang and Rob Schuitema. The announcement on 16 September 2022 stated: "After carefully considering (1) inquiries and investigations currently being conducted by regulators, with compulsory powers to access documents and information, (2) the significant resources that would be expended by the Company and its key personnel in pursuing these claims, and (3) the potential quantum of compensation that could be obtained by the Company should the claims be successful, the Company has determined to await the outcome of inquiries by regulatory agencies before filing legal claims against the aforementioned parties."

In November 2024, a group proceeding was initiated in the Federal Court of Australia against Phoslock Environmental Technology (the Company), with the Company named as the respondent. The case, filed by the Banton Group, also includes Laurence Stephen Freedman AM (former Chairman), Robert Paul Schuitema (former Managing Director), and KPMG (the Company's former auditor, ABN 51 194 660 183). The proceedings represent individuals who acquired fully paid ordinary shares in Phoslock Environmental Technology (Phoslock Shares) between 11 October 2018 and 17 September 2020 (the Relevant Period), or who held such shares prior to and throughout the Relevant Period. The proceedings also represent individuals who had a "long exposure" to Phoslock Shares by entering into equity swap agreements during the Relevant Period. The Company denies liability and intends to vigorously defend itself against the claims.

The Company was also named as the first prospective respondent in preliminary discovery proceedings filed by Levitt Robinson in the Federal Court of Australia. These proceedings involve the same parties named in the group proceedings as prospective respondents. However, the discovery application by Levitt Robinson has since been withdrawn, and the Court has ordered Levitt Robinson to pay the costs of the respective defendants.



Note 23. Contingent liabilities (continued)

At this stage, the claims are still in their early phases, and it is not possible to reliably estimate the potential financial impact, if any, that may arise from these proceedings. As a result, no provision has been recognised for these matters as of 31 December 2024. The Company will continue to monitor the progress of these cases and will update its assessment as further information becomes available.

Note 24. Contingent assets

A contingent asset exists in relation to legal costs incurred on behalf of Lawrence Freeman. The company has incurred legal expenses, a portion of which has been reimbursed by AXA Insurance Company. The remaining amount is contingent upon future reimbursement and has not been recognized as an asset in the financial statements.

Note 25. Related party transactions

Parent entity

Phoslock Environmental Technologies Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Transactions with key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties previously disclosed

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Other income:		
Interest received from director related entity	9,178	-
Payment for services to director related entity	11,663	-

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

During the period, a \$2 million deposit was made to related party Beradee Pty Ltd (ATF Shaw Properties Trust, ABN 75 135 718 446), a company controlled by Fred Bart, the Chairman. In July 2024, the principal was returned, along with the interest payment.

There were no other loans to or from related parties as of the current and prior reporting dates.

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Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	518,557	2,436,665
Post-employment benefits	34,933	137,558
Long-term benefits	11,524	58,359
	<u>565,014</u>	<u>2,632,582</u>

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024	2023
		%	%
Phoslock Europe GmbH	Switzerland	100%	100%
Phoslock Technologies Pty Ltd	Australia	100%	100%
Phoslock Pty Ltd	Australia	100%	100%
Phoslock International Pty Ltd	Australia	100%	100%
Phoslock Belgium BV	Belgium	100%	100%
Phoslock Water Solutions (UK) Ltd	United Kingdom	100%	100%
Phoslock (Shanghai) Water Solutions Ltd	China	100%	100%
Phoslock (Changxing) Water Solutions Ltd	China	100%	100%
Phoslock (Beijing) Ecological Engineering Technology Co., Ltd	China	100%	100%
Beijing Ecosystem Environmental Science and Technology Co., Ltd	China	100%	100%
Zhejiang Phoslock Environmental Technologies Ltd	China	100%	100%
Phoslock Canada Inc.	Canada	100%	100%
Phoslock Inc.	USA	100%	100%
Shanghai Phoslock Environmental Technologies Limited	China	100%	100%



Note 28. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2024 \$'000	2023 \$'000
Loss after income tax expense for the year	(2,277)	(2,056)
Adjustments for:		
Depreciation and amortisation	21	102
(Reversals) of impairment of receivables	-	(6,089)
Impairment of assets	(568)	126
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,255	5,269
Decrease/(increase) in inventories	(250)	727
(Increase) in prepayments and other assets	42	(45)
(Decrease) in trade and other payables	(476)	(914)
(Decrease)/increase in contract liabilities	(7)	7
(Decrease) in employee benefits	(405)	251
Decrease in other provisions	(186)	(2)
Net cash used in operating activities	<u>(2,851)</u>	<u>(2,624)</u>

Changes in liabilities arising from financing activities

Consolidated	Lease liabilities \$'000
Balance at 1 January 2023	955
Net cash used in financing activities	(561)
Lease modifications/ new lease	(77)
Finance costs	25
Balance at 31 December 2023	342
Net cash used in financing activities	(355)
Lease modifications/ new lease	365
Finance costs	15
Balance at 31 December 2024	<u>367</u>

Note 29. Earnings per share

	Consolidated 2024 \$'000	2023 \$'000
Loss after income tax attributable to the owners of Phoslock Environmental Technologies Limited	<u>(2,277)</u>	<u>(2,056)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>624,390,509</u>	<u>624,390,509</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>624,390,509</u>	<u>624,390,509</u>



Note 29. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.36)	(0.33)
Diluted earnings per share	(0.36)	(0.33)

Nil (2023: 2,700,000) supplier performance rights were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 30. Share-based payments

Supplier performance rights

On 14 April 2023, the Company granted 2,700,000 unquoted supplier performance rights to one of its suppliers, Water Warriors Inc. The unquoted performance rights has a deemed issue price of nil cents per rights and exercise price of nil cents. The supplier performance rights are subject to certain performance and time hurdles. The 2,700,000 performance rights allows for the issuance of one fully paid ordinary shares in the Company at the exercise price in two tranches: tranche 1: 1,900,000 performance rights and tranche 2: 1,800,000 performance rights. The performance rights vest subject to performance hurdles relating to sales targets in the 2023 and 2024 financial years:

	Tranche 1 - 1,900,000 supplier performance rights	Tranche 2 - 1,800,000 supplier performance rights
Performance conditions	The Company or its subsidiaries in aggregate has invoiced sales of Phoslow of not less than \$1,740,000 (approximately 90 tonnes) for the period 1 January 2023 to 31 December 2023).	The Company or its subsidiaries in aggregate has invoiced sales of Phoslow of not less than \$3,085,000 (approximately 160 tonnes) for the period 1 January 2024 to 31 December 2024).
Performance conditions time hurdle	The supplier remaining as a supplier to the Company or its subsidiaries until 1 March 2024.	The supplier remaining as a supplier to the Company or its subsidiaries until 1 March 2025.
Expiry date	1 June 2024	1 June 2025

The share-based payments expense in relation to the supplier performance rights is \$nil for 31 December 2024 (31 December 2023: \$nil).

Tranche 1 performance hurdle was not met as of 31 December 2023 and has expired subsequent to 31 December 2023. Tranche 2 performance hurdle will not be met as the distribution agreement with Water Warriors has been cancelled. Consequently, there are no outstanding performance rights as of 31 December 2024 (31 December 2023: 2,700,000 performance rights).

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2024 \$'000	2023 \$'000
Loss after income tax	-	(5,647)
Total comprehensive loss	-	(5,647)



Note 31. Parent entity information (continued)

Statement of financial position

	Parent	
	2024 \$'000	2023 \$'000
Total current assets	7	11
Total assets	8,779	8,779
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	92,398	92,398
Accumulated losses	(83,619)	(83,619)
Total equity	8,779	8,779

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2024 and 31 December 2023.

Contingent liabilities

Except as disclosed in note 23, the parent entity had no contingent liabilities as at 31 December 2024 and 31 December 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2024 and 31 December 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Phoslock Environmental Technologies Limited
Consolidated entity disclosure statement
As at 31 December 2024



Entity Name	Entity type	Place formed / incorporated	% of share capital held	Tax residency	Tax residency
				Australian or foreign	Foreign jurisdiction
Phoslock Environmental Technologies Limited	Body corporate	Australia	n/a	Australian	n/a
Phoslock Europe GmbH	Body corporate	Switzerland	100	Foreign	Switzerland
Phoslock Technologies Pty Ltd	Body corporate	Australia	100	Australian	n/a
Phoslock Pty Ltd	Body corporate	Australia	100	Australian	n/a
Phoslock International Pty Ltd	Body corporate	Australia	100	Australian	n/a
Phoslock Belgium BV	Body corporate	Belgium	100	Foreign	Belgium
Phoslock Water Solutions (UK) Ltd	Body corporate	United Kingdom	100	Foreign	United Kingdom
Phoslock (Shanghai) Water Solutions Ltd	Body corporate	China	100	Foreign	China
Phoslock (Changxing) Water Solutions Ltd	Body corporate	China	49	Foreign	China
Phoslock (Beijing) Ecological Engineering Technology Co., Ltd	Body corporate	China	100	Foreign	China
Beijing Ecosystem Environmental Science and Technology Co., Ltd	Body corporate	China	100	Foreign	China
Zhejiang Phoslock Environmental Technologies Ltd	Body corporate	China	100	Foreign	China
Phoslock Canada Inc.	Body corporate	Canada	100	Foreign	Canada
Phoslock Inc.	Body corporate	USA	100	Foreign	USA
Shanghai Phoslock Environmental Technologies Limited	Body corporate	China	100	Foreign	China

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In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Fred Bart', written over a horizontal line.

Fred Bart
Chairman

2 April 2025
Sydney

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Phoslock Environmental Technologies Limited (the Company) and its subsidiaries (the Group) which comprises the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of Phoslock Environmental Technologies Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of inventory

Why this is a key audit matter

Refer to Note 3 *Critical accounting judgements, estimates and assumptions - Provision for impairment of inventories* and Note 11 *Inventories*

The Group holds inventory amounting to \$2,497,000 which is material to the financial statements.

Inventory is required to be carried at the lower of its cost and net realisable value.

The valuation of inventory involves a degree of estimation and judgement by management.

Because of the high level of estimation and judgement involved in carrying amount, we have determined that this is a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

- Obtaining an understanding and assessing key controls over the valuation of inventory;
- Evaluating management's judgement and assumptions used in determining the net realisable value of inventory and raw material;
- Reviewing sales of inventory after year end to ensure inventory was valued at the lower of cost and net realisable value;
- Reviewing raw materials price after year end to ensure raw materials was valued at the lower of cost and net realisable value;
- Evaluating the aging of inventory and ensuring costs assigned to inventory were reasonable; and
- Assessing the adequacy of the Group's disclosures in respect of inventory.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that gives a true and fair view in accordance with the *Corporations Act 2001* and

for such internal control as the directors determine is necessary to enable the preparation of

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (b) the consolidated entity disclosure statement that is true and correct and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these

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matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of Phoslock Environmental Technologies Limited for the year ended 31 December 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SW Audit
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 2 April 2025

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The shareholder information set out below was applicable as at 12 March 2025.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders	Ordinary shares % of total shares issued	Number of shares
1 to 1,000	584	0.04	272,497
1,001 to 5,000	1,458	0.65	3,980,717
5,001 to 10,000	882	1.06	6,631,795
10,001 to 100,000	2,654	15.06	94,051,366
100,001 and over	846	83.19	519,454,134
	6,424	100.00	624,390,509
Holding less than a marketable parcel*	3,767	3.60	22,460,391

Minimum \$500 parcel at \$0.0250 per unit.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
LINK TRADERS (AUST) PTY LTD SUITE 405	67,840,714	10.87
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,532,181	2.49
CITICORP NOMINEES PTY LIMITED	15,072,074	2.41
BNP PARIBAS NOMINEES PTY LTD	11,018,224	1.76
MR BILAL AHMAD	10,990,000	1.76
ZZL PTY LTD	10,347,006	1.66
DESWEEK PTY LIMITED	5,559,051	0.89
MR KYLE STUART PASSMORE	5,527,500	0.89
QUIZETE PTY LTD	5,179,000	0.83
MR EDWIN PAUL CAYZER	5,137,483	0.82
MR TIMOTHY STEWART CAMPBELL	5,000,000	0.80
SHARKY HOLDINGS PTY LTD	4,800,000	0.77
MR DAVID NEVILLE COLBRAN	4,715,575	0.76
THIRTY SIXTH VILMAR PTY LTD	4,037,875	0.65
ATATURK INVESTMENTS PTY LTD	3,707,711	0.59
TENRUB PTY LTD	3,690,802	0.59
MR WAFI MUHAMMAD IQBAL	3,300,000	0.53
MRS IFRAH NISHAT	3,125,000	0.50
NETWEALTH INVESTMENTS LIMITED	3,100,278	0.50
MRS LYSETTE FOSTER	3,015,594	0.48
	190,696,068	30.55

Unquoted equity securities

There are no unquoted equity securities.

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Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Laurence Freedman	69,483,912	11.13

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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