



## 1. Company details

Name of entity:	Phoslock Environmental Technologies Limited
ABN:	88 099 555 290
Reporting period:	For the year ended 31 December 2023
Previous period:	For the year ended 31 December 2022

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	12.2% to	3,392
Underlying Loss Before Interest and Tax ('Underlying EBIT')	down	19.5% to	(8,219)
Loss from ordinary activities after tax attributable to the owners of Phoslock Environmental Technologies Limited	down	81.7% to	(2,056)
Loss for the year attributable to the owners of Phoslock Environmental Technologies Limited	down	81.7% to	(2,056)

### Dividends

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

### Comments

The loss for the Group after providing for income tax amounted to \$2,056,000 (31 December 2022: \$11,212,000).

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

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue	3,392	3,022
Net Operating Profit/(Loss) after Tax ('NPAT')	(2,056)	(11,212)
Add: Finance costs	25	10
Add: Impairment/(reversals of impairment) of receivables	(6,089)	(94)
Add: Impairment of assets	126	2,213
Add: Foreign exchange losses	78	137
Less: Interest revenue	(163)	(86)
Less: Gain on remeasurement of lease liabilities	(140)	(18)
Underlying EBIT *	<u>(8,219)</u>	<u>(9,050)</u>

\* 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.

Refer to the Review of Operations section in the Directors' Report for more information on the Group's results for the year.



### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.96	2.34

The net tangible assets calculation includes the lease liabilities of \$342,000 (31 December 2022: \$955,000).

### 4. Loss of control over entities

Not applicable.

### 5. Dividends

#### *Current period*

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

#### *Previous period*

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

### 6. Dividend reinvestment plans

Not applicable.

### 7. Details of associates and joint venture entities

Not applicable.

### 8. Foreign entities

#### *Details of origin of accounting standards used in compiling the report:*

Not applicable.

### 9. Audit qualification or review

#### *Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unmodified opinion has been issued.

### 10. Attachments

#### *Details of attachments (if any):*

The Annual Report of Phoslock Environmental Technologies Limited for the year ended 31 December 2023 is attached.

### 11. Signed

As authorised by the Board of Directors



A handwritten signature in black ink, appearing to read 'F. Bart'.

Signed \_\_\_\_\_

Fred Bart  
Chairman

Date: 13 September 2024

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# Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Annual Report - 31 December 2023

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Corporate directory	2
Directors' report	3
Auditor's independence declaration	18
Statement of profit or loss and other comprehensive income	19
Statement of financial position	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23
Directors' declaration	54
Independent auditor's report to the members of Phoslock Environmental Technologies Limited	55
Shareholder information	60

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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 Level 3, 60 Carrington Street Sydney, NSW 2000 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	<a href="https://www.petwatersolutions.com/">https://www.petwatersolutions.com/</a>



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 2023.

### 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 (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)
- Brenda Shanahan AO (resigned on 18 January 2024)
- Lachlan McKinnon (resigned on 18 January 2024)
- Bob Prosser (resigned on 18 January 2024)
- Barry Sechos (resigned on 6 September 2023)

### 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 \$2,056,000 (31 December 2022: loss of \$11,212,000).

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

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	3,392	3,022
Net Operating Profit/(Loss) after Tax ('NPAT')	(2,056)	(11,212)
Add: Finance costs	25	10
Add: Impairment/(reversals of impairment) of receivables	(6,089)	(94)
Add: Impairment of assets	126	2,213
Add: Foreign exchange losses	78	137
Less: Interest revenue	(163)	(86)
Less: Gain on remeasurement of lease liabilities	(140)	(18)
<b>Underlying EBIT *</b>	<b>(8,219)</b>	<b>(9,050)</b>

\* 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 was \$3,392,000, up 12% on the \$3,022,000 generated in the prior corresponding year. The Company continued to execute on its diversification strategy of balancing the sales mix away from China, with the majority of sales generated across South America and modest contributions in Europe, ANZ, USA and China.



Gross profit was \$1,742,000 for the full year (full year to 31 December 2022: \$1,396,000). The gross profit margin was 51% for the full year (full year to 31 December 2022: 46%). The gross profit margin was up compared to the prior corresponding period as a result of increased sales to distribution partners and fluctuating freight rates within the period.

Underlying EBIT for the year was a loss of \$8,219,000 compared to a loss of \$9,050,000 in the prior corresponding period. During the year, the business actively addressed cost by reducing administration and corporate costs providing the efficiencies gained from right sizing the business. While some ongoing legacy issue investigation costs were incurred, these trended much lower than in prior corresponding period.

NPAT for the Group for the full year amounted to a loss of \$2,056,000; (full year to 31 December 2022: loss of \$11,212,000). It should be noted that the 31 December 2023 reported loss included a non-recurring non-cash gain on adjustments to receivables of \$6,089,000. During the period, the Company successfully negotiated settlements related to receivables from the Xingyun Lake project and the Waterproof Blanket project in China, both of which had been impaired in previous years. For more information, please refer to note 10.

Consistent with stated inventory accounting policy, within the 2023 period, updates were made to the Group's provision for impairment of finished goods, the details of which can be found in notes of these accounts.

Within the year, the business added to existing tax losses in Australia.

#### **Cash Flows**

Operating Cash Flow for the full year was a cash outflow of \$2,624,000 (full year to 31 December 2022: outflow of \$7,070,000).

Cash payments from customers for the year were \$8,502,000 (full year to 31 December 2022: \$5,555,000). Cash payments to suppliers and employees for the full year were \$11,419,000 (full year to 31 December 2022: \$13,507,000). Receipts from customers came primarily from the settlement with Xingyun Lake project and Waterproof Blanket project in China, which, after a favourable court order in 2022, agreed to pay \$6,089,000 of the total \$7,894,000 owing (the balance of which was written off). The decrease in cash outflow is resulted from lower employee payments and reduced manufacturing related activity. As mentioned previously, the Group incurred significantly lower legal and consulting expenses incurred as a result of the fraud and mismanagement investigations. The Group continued to incur expenses in government lobbying and the Company's manufacturing/supply chain strategy within the period.

New plant, equipment, and intangibles acquisitions for the current year totalled \$533,000. This was mainly for the Chinese manufacturing facilities, R&D related activity and costs associated with patent applications.

#### **Financial position**

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 new Board is committed to making the Group profitable and cash positive and will continue to revise its strategy to best meet its objectives. As the Board has no intention of selling, liquidating or winding up the Company, and based on its assessment of its operating capability, cash position, forecast sales, project pipeline and cash resources, it is believed that the Group will continue as a going concern. The Board believe that any contingent liability which may or may not arise from the AFP investigation into the previous officers actions should not impact the current going concern assessment, albeit it will be disclosed in the financial statements until the matter is resolved. Refer to note 2 for further details on the going concern basis of preparation.

The Group has net current asset position of \$12,274,000 as at 31 December 2023 (2022: \$15,312,000). At balance date, the Group had no external loan facilities.

#### **Significant changes in the state of affairs**

On 10 August 2023, PET was suspended from trading on ASX.

On 15 August 2023, PET announced that, following a review of the business and finances, it would consider winding down its activities in the absence of significant external funding.

On 31 August 2023, PET stated that, in light of inadequate funding or timely alternative transactions, the directors intended to propose a resolution to shareholders for the voluntary (solvent) winding-up of the Company. Consequently, the directors determined that the going concern basis of accounting was no longer appropriate.





In September 2023, General Manager China, Viktor Li, and non-executive director, Barry Sechos, both resigned. In December PET terminated the employment of CEO Lachlan McKinnon and CFO Matthew Parker. However, McKinnon continued as a director and Parker as Company Secretary. Both were initially expected to remain with PET until their 12-month notice period lapsed, but they resigned in March 2024, opting not to complete this notice period.

On 15 December, a Notice was issued for an Extraordinary General Meeting of shareholders to be held on 18 January 2024. The agenda included:

- The sale of the remaining inventory and certain intangible assets, including IP, to competitor SePRO Corporation for \$3.2 million;
- Delisting from the ASX;
- Returning capital of \$10.8 million to \$12.5 million (1.7 to 2.0 cents per share) to shareholders; and
- Winding up the company.

An alternative plan for the Company was also presented in the Notice of Meeting, which proposed replacing the directors with three new candidates: Fred Bart, Shawn van Boheemen, and Graeme Newing. These individuals were nominated by shareholders who believed that the Company should remain operational.

The Company convened an Extraordinary General Meeting (EGM) on 18 January 2024, during which shareholders voted against the proposed disposal of the main undertaking and delisting. Additionally, shareholders approved the appointment of a new Board of Directors. Following their appointment, the new Board has determined that the financial statements for the period ending 31 December 2023 should be prepared on a going concern basis, a decision that has also been agreed upon by the auditor.

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**

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.

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

On 7 March 2024, the new Board resolved to invest the Group's surplus working capital with Beradee Pty Ltd (ATF Shaw Properties Trust, ABN 75 135 718 446), a company controlled by Fred Bart, the Chairman. The objective of this investment is to secure a higher interest rate (5% p.a. at call) compared to the current returns from term deposits. This investment is structured as an unsecured, at-call deposit facility. The Board has thoroughly evaluated the associated risks and determined that they fall within acceptable limits. In June, the Board initiated and completed the transfer of \$2,000,000 to the Beradee bank account. To date, the principal has been returned, with interest paid.

No other matter or circumstance has arisen since 31 December 2023 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 suffered significant setbacks following the decision of the previous Directors to cease activities; nevertheless, the company is now showing signs of stabilization and has begun to recover sales. Operations in the US are currently on a path to recovery, and efforts are underway to recruit additional resources to address gaps in our European operations. Our initiatives in China are actively pursued with potential opportunities.

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 over the period. The Board believes that the operational cash deficit in FY24 could be lower than that in FY23, with a return to positive cash flow anticipated in FY25.

#### **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&amp;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



Name: Shawn van Boheemen  
 Title: 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: Audio Pixels Holdings Limited (ASX: AKP)  
 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: 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, LL.M  
 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  
 Interests in shares: 1,164,124  
 Interests in options: None



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  
Interests in shares: 1,506,500 ordinary shares  
Interests in options: None

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  
Interests in shares: 1,325,000 ordinary shares  
Interests in options: None

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.  
Interests in shares: 416,666  
Interests in options: None



Name:	Barry Sechos
Title:	Non-Executive Director (resigned on 6 September 2023)
Qualifications:	BComm LLB from UNSW.
Experience and expertise:	Barry has over 30 years' experience as a director, business executive and corporate lawyer. Barry is a director of the Sherman Group Pty Limited, a privately owned investment company located in Sydney, Australia. Barry is also an executive director of Paddington St Finance Pty Limited, a specialist structured finance company providing R&D Tax Incentive Finance and Mid-Market Corporate Loans to emerging corporations domiciled in Australia and Fulcrum Media Finance Pty Limited, a finance company providing Producer Offset Finance to Australian and New Zealand film production companies. Barry commenced his professional career as a commercial lawyer at the law firm Allen Allen & Hemsley, specialising in banking & finance law at Allens' Sydney office and worked in Allens' Singapore and London offices.
Other current directorships:	Regeneus Limited
Former directorships (last 3 years):	Concentrated Leaders Fund Limited
Special responsibilities:	Chairman of the Remuneration Committee, Member Nomination Committee and Audit and Risk Committee
Interests in shares:	None
Interests in options:	None

'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') and of each Board committee held during the year ended 31 December 2023, 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)	-	-	-	-	-	-
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)	11	11	1	1	4	4
Brenda Shanahan AO (resigned on 18 January 2024)	10	11	1	1	4	4
Lachlan McKinnon (resigned on 18 January 2024)	11	11	1	1	4	4
Bob Prosser (resigned on 18 January 2024)	11	11	1	1	4	4
Barry Sechos (resigned on 6 September 2023)	10	11	1	1	3	4



Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

## 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 2023.

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)

Barry Sechos (resigned on 6 September 2023)

Matthew Parker (resigned as CFO on 8 March 2024)

The table below outlines the KMP of the Group subsequent to 31 December 2023.

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)

### 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 2021 Annual General Meeting ('AGM')**

At the AGM held on 23 May 2023, 67.14% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2022. 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.

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**

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholder return for the last five years.

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 can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

### **Service agreements**

Name: Lachlan McKinnon  
Title: Managing Director  
Agreement commenced: 27 November 2019 terminated 31 October 2023  
Term of agreement: Ongoing - no fixed minimum term  
Details: Annual base salary of \$527,800.00 pa  
Short-term incentive: 30% base salary (maximum) pa subject to achieving a range of KPI's determined by the Board.

Name: Matthew Parker  
Title: CFO / Company Secretary  
Agreement commenced: 20 March 2020 terminated 31 October 2023  
Term of agreement: Ongoing - no fixed minimum term  
Details: Annual base salary of \$384,600.00 pa  
Short-term incentive: 30% base salary (maximum) pa subject to achieving a range of KPI's determined by the Board.

Employment contracts for senior executives stipulate a range of one to three-month resignation periods (twelve months for the Managing Director / Chief Executive Officer and CFO / Company Secretary). The Company may terminate a contract of employment without cause by providing written notice or making payment in lieu of notice for a period equivalent to the resignation period (six months for the Managing Director / Chief Executive Officer and CFO / Company Secretary). Termination payments are not payable on dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

As of 31 October 2023, the employment agreements for the CEO and CFO were terminated. However, McKinnon continued as a director and Parker as Company Secretary. Both were initially expected to remain with PET until their 12-month notice period lapsed, but they resigned in March 2024, opting not to complete this notice period.

### **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.

31 Dec 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
	<u>2,436,665</u>	-	-	-	<u>137,558</u>	<u>58,359</u>	-	<u>2,632,582</u>

\* 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.



	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	
31 Dec 2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
David Krasnostein AM	122,500	-	-	-	12,556	-	-	135,056
Brenda Shanahan AO	109,091	-	-	-	11,182	-	-	120,273
Barry Sechos	110,000	-	-	-	-	-	-	110,000
Robert Prosser	109,091	-	-	-	11,182	-	-	120,273
<i>Executive Directors:</i>								
Lachlan McKinnon	512,425	160,133	-	8,435	27,881	25,340	-	734,214
<i>Other Key Management Personnel:</i>								
Matthew Parker	373,375	153,084	-	4,250	26,753	16,555	-	574,017
	1,336,482	313,217	-	12,685	89,554	41,895	-	1,793,833

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
<i>Non-Executive Directors:</i>						
David Krasnostein AM	100%	100%	-	-	-	-
Brenda Shanahan AO	100%	100%	-	-	-	-
Barry Sechos	100%	100%	-	-	-	-
Bob Prosser	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Lachlan McKinnon	100%	78%	-	22%	-	-
<i>Other Key Management Personnel:</i>						
Matthew Parker	100%	73%	-	27%	-	-

### 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 2023.

#### 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 2023.

#### 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 2023.



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 2023.

**Additional information**

The earnings of the Group for the five years to 31 December 2023 are summarised below:

	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Sales revenue	3,392	3,022	6,297	6,878	19,757
Underlying EBIT	(8,219)	(9,050)	(7,896)	(7,396)	352
Loss after income tax	(2,056)	(11,212)	(3,937)	(25,734)	(1,083)

**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>					
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
Barry Sechos (resigned on 6 September 2023)	-	-	-	-	-
Bob Prosser (resigned on 18 January 2024)	416,666	-	-	-	416,666
Matthew Parker (resigned as CFO on 31 October 2023)	-	-	-	-	-
	<u>4,412,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,412,290</u>

*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 2023 and up to the date of this report.

**Shares under performance rights**

Unissued ordinary shares of Phoslock Environmental Technologies Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
14 April 2023	1 June 2024	1,900,000
14 April 2023	1 June 2025	1,800,000
		<u>3,700,000</u>



No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

#### 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 2023 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.



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 'Fred Bart'.

---

Fred Bart  
Chairman

13 September 2024

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023 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, 13 September 2024

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Level 7, Aurora Place  
88 Phillip Street  
Sydney NSW 2000  
T + 61 2 8059 6800



**Phoslock Environmental Technologies Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Sales revenue	5	3,392	3,022
Cost of sales		(1,650)	(1,626)
Gross profit		<u>1,742</u>	<u>1,396</u>
Other income	6	385	913
Interest revenue calculated using the effective interest method		163	86
<b>Expenses</b>			
Distribution		(62)	(147)
Marketing		(249)	(211)
Occupancy		(80)	(332)
Director, listing and professional fees		(4,141)	(5,302)
Administration		(5,752)	(5,486)
Reversal of impairment of receivables	10	6,089	94
Impairment of assets	7	(126)	(2,213)
Finance costs	7	(25)	(10)
<b>Loss before income tax expense</b>		<u>(2,056)</u>	<u>(11,212)</u>
Income tax expense	8	-	-
<b>Loss after income tax expense for the year attributable to the owners of Phoslock Environmental Technologies Limited</b>		<u>(2,056)</u>	<u>(11,212)</u>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(349)	36
Other comprehensive (loss)/income for the year, net of tax		<u>(349)</u>	<u>36</u>
<b>Total comprehensive loss for the year attributable to the owners of Phoslock Environmental Technologies Limited</b>		<u><u>(2,405)</u></u>	<u><u>(11,176)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	(0.33)	(1.80)
Diluted earnings per share	28	(0.33)	(1.80)

*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 2023



		Consolidated	
	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	10,622	14,456
Trade and other receivables	10	1,531	681
Inventories	11	1,769	2,420
Financial assets		100	127
Other assets		419	433
<b>Total current assets</b>		<u>14,441</u>	<u>18,117</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	-	-
Right-of-use assets	13	-	-
Intangibles	14	-	-
<b>Total non-current assets</b>		<u>-</u>	<u>-</u>
<b>Total assets</b>		<u>14,441</u>	<u>18,117</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	1,190	2,104
Contract liabilities		9	2
Lease liabilities	16	342	491
Employee benefits		440	208
Provisions	17	186	-
<b>Total current liabilities</b>		<u>2,167</u>	<u>2,805</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	-	464
Employee benefits		38	19
Provisions	17	-	188
<b>Total non-current liabilities</b>		<u>38</u>	<u>671</u>
<b>Total liabilities</b>		<u>2,205</u>	<u>3,476</u>
<b>Net assets</b>		<u>12,236</u>	<u>14,641</u>
<b>Equity</b>			
Issued capital	18	92,398	92,398
Reserves	19	779	1,128
Accumulated losses		(80,941)	(78,885)
<b>Total equity</b>		<u>12,236</u>	<u>14,641</u>

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 2023**



**Consolidated**

	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2022	92,398	1,092	(67,673)	25,817
Loss after income tax expense for the year	-	-	(11,212)	(11,212)
Other comprehensive income for the year, net of tax	-	36	-	36
Total comprehensive income/(loss) for the year	-	36	(11,212)	(11,176)
Balance at 31 December 2022	<u>92,398</u>	<u>1,128</u>	<u>(78,885)</u>	<u>14,641</u>

**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	<u>92,398</u>	<u>779</u>	<u>(80,941)</u>	<u>12,236</u>

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

**Phoslock Environmental Technologies Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2023**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		8,502	5,555
Receipts from research and development grant and other income		140	798
Payments to suppliers and employees (inclusive of GST)		(11,419)	(13,507)
Interest received		153	84
		<u>          </u>	<u>          </u>
Net cash used in operating activities	27	<u>(2,624)</u>	<u>(7,070)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(440)	(545)
Payments for intangibles		(93)	(83)
		<u>          </u>	<u>          </u>
Net cash used in investing activities		<u>(533)</u>	<u>(628)</u>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities		(561)	(687)
		<u>          </u>	<u>          </u>
Net cash used in financing activities		<u>(561)</u>	<u>(687)</u>
Net decrease in cash and cash equivalents		(3,718)	(8,385)
Cash and cash equivalents at the beginning of the financial year		14,456	22,991
Effects of exchange rate changes on cash and cash equivalents		(116)	(150)
		<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>10,622</u></u>	<u><u>14,456</u></u>

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



## **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 \_\_\_\_ September 2024. 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. 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.

As at 31 December 2023, the Group had cash and cash equivalents of \$10,622,000 (31 December 2022: \$14,456,000). The Group had net current assets of \$12,274,000 (31 December 2022: \$15,312,000) and net assets of \$12,236,000 (31 December 2022: \$14,641,000). The Group incurred a net loss of \$2,056,000 (31 December 2022: \$11,212,000) and the net cash outflow from operating activities was \$2,624,000 (31 December 2022: \$7,070,000) for the year ended 31 December 2023.

During the 30 June 2023 interim financial statements, the Group presented a non-going concern basis of preparation. As of 31 December 2023, after the review of the following aspects of the Group, the new appointed directors believe that the financial statements should be prepared on a going concern:

#### **(a) Operational capability**

The Board is continuing to maintain the operational capabilities of the Company through:

- Continuing to sell Phoslock® globally.
- Keeping the China warehouse operational, albeit with scaled back staff numbers to reduce costs.
- Maintaining the China factory lease in the event production is recommenced.
- Retaining key personnel in the USA, UK and China.
- Continuing distribution agreements in the US, Brazil, Europe and China.
- Establishing agreements with distributors in the UK.

#### **(b) Sales**

Subsequent to 31 December 2023, sales have continued, with over 100 tonnes sold in the first half of 2024.

The budgeted sales forecast for the 2024 financial year is approximately 800 tonnes for the US, Canada, and Brazil, with further efforts underway in other regions, including China and Europe/UK.



## Note 2. Material accounting policy information (continued)

### (c) Inventory

The Group maintains ample inventory on hand, with the primary objective of maximizing sales. This approach enables the Board to gain a clearer understanding of the competitive and operational landscape, facilitating the establishment of a robust global distributor network to strengthen the current project pipeline.

### (d) Project pipeline

Significant effort has been made to increase the project pipeline, with current projects being negotiated or quoted in the following regions:

- Australia – 2 projects
- UK – 1 project
- Uruguay – 2 projects
- Brazil – 3 projects
- USA – multiple leads across various projects
- China – multiple projects, large and small, with potential for over 500 tons

### (e) Cash position

According to the Quarterly Activities report (Appendix 4C) disclosed to the market, the Group maintained a cash balance of \$10,623,000 as of the end of March 2024. Since the new Board joined the company, the strategy has focused on restructuring the business to enhance sales while reducing operating costs. Based on current cash flow forecasts, it is estimated that the cash available for future operating activities will last at least 5 quarters.

The Board is committed to making the Group profitable and cash positive and will continue to revise its strategy to best meet its objectives. With current cash position and ongoing sales revenue, the Group possesses the financial resources to sustain operations and allocate resources globally, ensuring operational viability. As the Board has no intention of selling, liquidating, or winding up the Company, and based on its assessment of operational capability, cash position, forecast sales, project pipeline, and cash resources, it believes that the Group will continue as a going concern. The Board believes that any contingent liability arising from the AFP investigation into the previous officers' actions should not impact the current going concern assessment, although it will be disclosed in the financial statements until the matter is resolved.

The Company is in the process of repatriating approximately \$4 million from its China subsidiary. However, this process is subject to risks, including potential delays due to China's foreign exchange controls and regulatory approval requirements. Any significant delays in repatriating these funds could potentially impact the Company's going concern status. To mitigate this risk, the Company will continue to closely monitor its cash flow and funding position to ensure it remains solvent in the event of prolonged delays, but there remains a material uncertainty related to the going concern assumption.

### 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 30.



## **Note 2. Material accounting policy information (continued)**

### **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 2023 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.

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.



## Note 2. Material accounting policy information (continued)

### 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.

#### *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.





## **Note 2. Material accounting policy information (continued)**

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 unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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.

### **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.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



## Note 2. Material accounting policy information (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	10 years
Motor vehicles	3 years
IT equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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.

### Intangible assets

Intangible assets not acquired as part of a business combination are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Patents

Significant costs associated with patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

### 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.





## Note 2. Material accounting policy information (continued)

### 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.

### 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.

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.



## Note 2. Material accounting policy information (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### 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.

### 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.



## Note 2. Material accounting policy information (continued)

### 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 2023. 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, the impact of the COVID-19 pandemic 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.

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

## 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.

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.



#### Note 4. Operating segments (continued)

##### 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 2023, approximately 61% of the Group's external revenue was derived from sales to one customer (31 December 2022: approximately 75% of the Group's external revenue was derived from sales to four customers).

##### Operating segment information

Consolidated - 31 Dec 2023	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
<b>Revenue</b>						
Sales to external customers	172	298	2,785	137	-	3,392
Intersegment sales	371	-	-	1,434	(1,805)	-
<b>Total sales revenue</b>	<b>543</b>	<b>298</b>	<b>2,785</b>	<b>1,571</b>	<b>(1,805)</b>	<b>3,392</b>
Interest revenue	241	-	-	13	(91)	163
<b>Total revenue</b>	<b>784</b>	<b>298</b>	<b>2,785</b>	<b>1,584</b>	<b>(1,896)</b>	<b>3,555</b>
<b>Underlying EBIT</b>	<b>(7,031)</b>	<b>(1,062)</b>	<b>103</b>	<b>(284)</b>	<b>55</b>	<b>(8,219)</b>
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)
<b>Profit/(loss) before income tax expense</b>	<b>(6,835)</b>	<b>(1,074)</b>	<b>122</b>	<b>5,693</b>	<b>38</b>	<b>(2,056)</b>
Income tax expense						-
<b>Loss after income tax expense</b>						<b>(2,056)</b>
<b>Assets</b>						
Segment assets	6,842	1,014	854	6,492	(761)	14,441
<b>Total assets</b>						<b>14,441</b>
<b>Liabilities</b>						
Segment liabilities	3,987	489	1,902	3,765	(7,938)	2,205
<b>Total liabilities</b>						<b>2,205</b>



Note 4. Operating segments (continued)

Consolidated - 31 Dec 2022	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
<b>Revenue</b>						
Sales to external customers	159	223	2,578	62	-	3,022
Intersegment sales	3	-	-	129	(132)	-
Total sales revenue	162	223	2,578	191	(132)	3,022
Interest revenue	83	-	-	3	-	86
<b>Total revenue</b>	<b>245</b>	<b>223</b>	<b>2,578</b>	<b>194</b>	<b>(132)</b>	<b>3,108</b>
<b>Underlying EBIT</b>						
Interest revenue	(7,127)	(622)	45	(1,567)	221	(9,050)
Gain on remeasurement of lease liabilities	83	-	-	3	-	86
Reversal of impairment of receivables	18	-	-	-	-	18
Impairment of assets	-	-	-	94	-	94
Foreign exchange loss	(18,034)	(3)	(407)	(1,260)	17,491	(2,213)
Finance costs	(177)	(3)	-	43	-	(137)
	25	-	(35)	-	-	(10)
<b>Profit/(loss) before income tax expense</b>	<b>(25,212)</b>	<b>(628)</b>	<b>(397)</b>	<b>(2,687)</b>	<b>17,712</b>	<b>(11,212)</b>
Income tax expense						-
<b>Loss after income tax expense</b>						<b>(11,212)</b>
<b>Assets</b>						
Segment assets	14,163	1,461	1,007	3,375	(1,889)	18,117
<b>Total assets</b>						<b>18,117</b>
<b>Liabilities</b>						
Segment liabilities	4,098	103	1,747	9,681	(12,153)	3,476
<b>Total liabilities</b>						<b>3,476</b>

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Geographical regions</b>		
Australia/NZ	172	159
Europe/UK	298	223
US/Canada/Brazil	2,785	2,578
China	137	62
	<b>3,392</b>	<b>3,022</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	3,294	2,825
Services transferred at a point in time	98	197
	<b>3,392</b>	<b>3,022</b>



## Note 5. Revenue (continued)

### *Seasonality of operations*

The Group's sale of goods segment 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	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Gain on remeasurement of lease liabilities	140	18
Research and development grants	140	230
Other income	105	665
	<hr/>	<hr/>
Other income	385	913
	<hr/> <hr/>	<hr/> <hr/>

### *Gain on remeasurement of lease liabilities*

The current year includes non-cash adjustments to lease liabilities as a result of the Group signing a lease surrender with its landlord in relation to the head office building at The Como Centre in South Yarra. The lease surrender extinguishes the lease term and overall cost and is part of the ongoing effort to right-size the business.

### *Other*

Other includes freight collected from customers for product transportation.



Note 7. Expenses

Consolidated  
31 Dec 2023    31 Dec 2022  
\$'000            \$'000

Loss before income tax includes the following specific expenses:

*Depreciation*

Plant and equipment	5	6
Buildings right-of-use assets	76	55
Office equipment right-of-use assets	1	2
	82	63

*Amortisation*

Patents	20	7
	102	70

*Impairment expense/(reversal)*

Inventories	(75)	700
Plant and equipment	227	712
Rights-of-use assets	(77)	481
Patents	51	320
	126	2,213

*Finance costs*

Interest and finance charges paid/payable on lease liabilities	25	10
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*Net foreign exchange loss*

Net foreign exchange loss	78	137
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*Leases*

Short-term lease payments	80	287
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*Employee benefits expense*

Employee benefits expense excluding superannuation	4,344	3,944
Defined contribution superannuation expense	205	159
	4,549	4,103





**Note 8. Income tax**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,056)	(11,212)
Tax at the statutory tax rate of 25%	(514)	(2,803)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	(1,384)	583
	(1,898)	(2,220)
Current year tax losses not recognised	1,436	1,630
Foreign subsidiaries	462	590
Income tax expense	-	-

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	58,641	53,051
Potential tax benefit @ 25%	14,660	13,263

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.

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	14,660	13,263
Accruals and provisions	108	211
Total deferred tax assets not recognised	14,768	13,474

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**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash at bank	10,622	14,456

As of 31 December 2023, 47% of the Group's cash balance was held within its China subsidiaries. The Group is actively working to repatriate a portion of these funds to the Parent Company, subject to the restrictions imposed by China's foreign exchange controls.





**Note 10. Trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Trade receivables	1,543	8,497
Less: Allowance for expected credit losses	(12)	(7,816)
	<u>1,531</u>	<u>681</u>

*Allowance for expected credit losses*

On October 17, 2023, 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.

During the 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 and 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:

<b>Consolidated</b>	<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not overdue	1,357	556	-	-
0 to 3 months overdue	-	250	-	250
3 to 6 months overdue	153	11	-	-
Over 6 months overdue	33	7,680	12	7,566
	<u>1,543</u>	<u>8,497</u>	<u>12</u>	<u>7,816</u>

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

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	7,816	8,062
Additional impairment reversals recognised	(6,089)	(94)
Foreign exchange translation	90	(152)
Receivables written off during the year as uncollectable	(1,805)	-
Closing balance	<u>12</u>	<u>7,816</u>



**Note 11. Inventories**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Raw materials - at cost	840	873
Less: Provision for impairment	(549)	-
	<u>291</u>	<u>873</u>
Finished goods - at cost	2,956	3,692
Less: Provision for impairment	(1,478)	(2,145)
	<u>1,478</u>	<u>1,547</u>
	<u>1,769</u>	<u>2,420</u>

As at 31 December 2023 and 31 December 2022, 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 are carried in the Chinese Manufacturing facility ('PWSC') at net realisable value.

As at 31 December 2023, PWSC holds 2,600 tonnes of Phoslock® worth \$976,000 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 period, 1,180 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**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Plant and equipment - at cost	2,278	2,040
Less: Accumulated depreciation	(375)	(519)
Less: Impairment	(1,903)	(1,521)
	<u>-</u>	<u>-</u>
Motor vehicles - at cost	-	66
Less: Accumulated depreciation	-	(66)
	<u>-</u>	<u>-</u>
Work-in-progress - at cost	171	529
Less: Impairment	(171)	(529)
	<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:

<b>Consolidated</b>	Plant and equipment \$'000	Work-in- progress \$'000	Total \$'000
Balance at 1 January 2022	15	-	15
Additions	178	528	706
Disposals	(4)	-	(4)
Exchange differences	-	1	1
Impairment of assets	(183)	(529)	(712)
Depreciation expense	(6)	-	(6)
Balance at 31 December 2022	-	-	-
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	-	-	-

*Impairment*

As at 31 December 2022, a value in use model was created to test whether the recoverable amount of the China Cash Generating Unit ('CGU') exceeded its carrying value when taking into consideration the relative age and condition of the assets and capacity constraint of the plant as a result of treating the wastewater appropriately (6,000 tones p/a). Given these factors, along with market pricing of the product and inherent business overheads, the model indicated that the recoverable amount of the CGU was lower than the carrying amount of the assets within the CGU. Consequently, an impairment loss was recognized on property, plant, and equipment.

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.



### Note 13. Right-of-use assets

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Land and buildings - right-of-use	1,983	2,142
Less: Accumulated depreciation	(80)	(114)
Less: Impairment	(1,903)	(2,028)
	<u>-</u>	<u>-</u>
Office equipment - right-of-use	-	14
Less: Accumulated depreciation	-	(13)
Less: Impairment	-	(1)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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.

#### Reconciliations

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

<b>Consolidated</b>	<b>Buildings right-of-use \$'000</b>	<b>Office equipment right-of-use \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2022	319	3	322
Additions	240	-	240
Lease modifications	(24)	-	(24)
Impairment of loss recognised	(480)	(1)	(481)
Depreciation expense	(55)	(2)	(57)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2022	-	-	-
Reversal of impairment loss recognised	76	1	77
Depreciation expense	(76)	(1)	(77)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2023	<u>-</u>	<u>-</u>	<u>-</u>

#### Impairment

As at 31 December 2022, a value in use model was used to estimate the recoverable amount of the Group's cash generating units ('CGUs') based on the present value of the future cash flows expected to be derived from each of the Group's CGUs. The recoverable amount of the CGUs was lower than the carrying amount of the assets within the Group CGUs and therefore an impairment loss was recognised on right-of-use assets.

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.



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

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

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Patents - at cost	439	367
Less: Accumulated amortisation	(77)	(47)
Less: Impairment	(362)	(320)
	-	-
	-	-

#### Reconciliations

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

<b>Consolidated</b>	<b>Patents</b>
	<b>\$'000</b>
Balance at 1 January 2022	241
Additions	86
Impairment of assets	(320)
Amortisation expense	(7)
	-
Balance at 31 December 2022	-
Additions	71
Impairment of assets	(51)
Amortisation expense	(20)
	-
Balance at 31 December 2023	-

#### Impairment

As at 31 December 2022, a value in use model was used to estimate the recoverable amount of the Group's CGUs based on the present value of the future cash flows expected to be derived from the CGUs. The recoverable amount of the CGUs was lower than the carrying amount of the assets within the CGU's and therefore an impairment loss was recognised on the patents (intangible assets).

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.



**Note 15. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	517	1,463
Accrued expenses	379	679
Other payables	294	(38)
	1,190	2,104
	1,190	2,104

Refer to note 21 for further information on financial instruments.

**Note 16. Lease liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability	342	491
<i>Non-current liabilities</i>		
Lease liability	-	464
	342	955
	342	955

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

During the period the lease in Chapel Street South Yarra was modified resulting in a reduction of leased space. Within the period the Group recognised \$140,000 on a gain on lease modifications resulting from that modification.

**Note 17. Provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease provisions	186	-
<i>Non-current liabilities</i>		
Lease provisions	-	188
	186	188
	186	188

**Lease provisions**

In 2022, 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 \$186,000 (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. During the reporting period, discussions with Advanced Casper regarding the future plans for the project have continued. Consequently, no payments have been made to date, and there has been no change in the provision.



## Note 17. Provisions (continued)

### Movements in provisions

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

	Lease provisions \$'000
<b>Consolidated - 31 Dec 2023</b>	
Carrying amount at the start of the year	188
Foreign exchange	(2)
Carrying amount at the end of the year	<u>186</u>

## Note 18. Issued capital

	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	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.

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.

The Group is subject to certain financing arrangements covenants in relation to office equipment. Meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.



## Note 19. Reserves

**Consolidated**  
**31 Dec 2023**   **31 Dec 2022**  
**\$'000**            **\$'000**

Foreign currency reserve	779	1,128
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### *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:

<b>Consolidated</b>	<i>Foreign currency \$'000</i>
Balance at 1 January 2022	1,092
Foreign currency translation	36
Balance at 31 December 2022	1,128
Foreign currency translation	(349)
Balance at 31 December 2023	779

## 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.





**Note 21. Financial instruments (continued)**

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

	Assets		Liabilities	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Consolidated</b>				
US dollars	853	907	35	142
Euros	-	-	-	12
New Zealand dollars	-	-	-	9
Canadian dollars	-	-	-	39
Chinese Yuan	4,120	-	-	-
	<u>4,973</u>	<u>907</u>	<u>35</u>	<u>202</u>

The Group had net assets denominated in foreign currencies of \$4,938,000 (assets of \$4,973,000 less liabilities of \$35,000) as at 31 December 2023 (31 December 2022: \$705,000 (assets of \$907,000 less liabilities of \$202,000)). Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% (31 December 2022: 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 \$493,800 lower/\$493,800 (31 December 2022: \$70,500 lower/\$70,500 higher) and equity would have been \$370,350 lower/\$370,350 higher (31 December 2022: \$52,875 lower/\$52,875 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 loss for the year ended 31 December 2023 was \$78,000 (31 December 2022: loss of \$137,000).

**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.

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

	31 Dec 2023		31 Dec 2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash and cash equivalents	0.73%	<u>10,622</u>	1.01%	<u>14,456</u>
Net exposure to cash flow interest rate risk		<u>10,622</u>		<u>14,456</u>

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

	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
<b>Consolidated - 31 Dec 2023</b>						
Net exposure to cashflow interest rate risk	100	<u>106</u>	<u>106</u>	(100)	<u>(106)</u>	<u>(106)</u>



Note 21. Financial instruments (continued)

Consolidated - 31 Dec 2022	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	145	145	(100)	(145)	(145)

**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.

**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 - 31 Dec 2023	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>				
<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



**Note 21. Financial instruments (continued)**

<b>Consolidated - 31 Dec 2022</b>	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>				
<i>Non-interest bearing</i>				
Trade payables	1,463	-	-	1,463
Other payables	(38)	-	-	(38)
<i>Interest-bearing - variable</i>				
Lease liability	491	464	-	955
<b>Total non-derivatives</b>	<b>1,916</b>	<b>464</b>	<b>-</b>	<b>2,380</b>

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:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit or review of the financial statements - SW	431,248	585,288
<i>Other services</i>		
Penetration Testing – SW	-	12,000
	<b>431,248</b>	<b>597,288</b>
<i>Audit services – network firm</i>		
Audit or review of the financial statements -SW China	23,222	30,299

**Note 23. Contingent liabilities**

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

**Tax and Environmental Matters**

The Group identified certain adjustments associated with 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 result in penalties or interest in future periods. As at the date of this report, other than items detailed in this report, no amount has been provided 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 not wholly within the control of the entity. These matters may require amendments to previously lodged income tax returns and therefore create an uncertain tax position in relation to the tax authorities' views in relation to these corrections. In addition, these adjustments may result in penalties or interest in future periods.



### Note 23. Contingent liabilities (continued)

The Group is continuing to assess certain regulatory compliance and operational matters associated with excess wastewater discharge connected with its Chinese manufacturing operations which may result in penalties or the Group incurring additional costs associated with rectification activities from regulatory bodies such as environmental authorities. As at the date of this financial report it is not possible to measure the contingent obligation with sufficient reliability as it remains subject to the outcome of future events not wholly within the control of the Group. The Group will recognise a liability for these amounts if and when the contingent obligations are confirmed and can be reliably measured.

#### *Regulatory authorities*

As indicated in previous announcements and disclosures, the Company self-reported the suspected fraud and mismanagement issues identified by current 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 Company's engagement with the AFP is ongoing. In accordance with the ICA between AFP and the Company, the Company has committed to cooperating with the AFP which will be a factor for the Commonwealth Director of Public Prosecutions ('CDPP') when deciding whether or not to prosecute the Company or offer it a Deferred Prosecution Agreement should that option become available under Australian Law. Even if the CDPP ultimately decides to prosecute the Company, the Company considers that its cooperation should also be a mitigating factor for sentencing purposes in respect of penalties to be imposed on the Company.

The ICA deals primarily with offences in the nature of bribery and foreign corruption. There are other offences and proceedings which may be of relevance to the Company's past actions, some of which are within the purview of the AFP, while others are the domain of other regulatory agencies.

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. The AFP has also referred certain allegations arising from the Company's engagement with the AFP under the ICA to ASIC for its consideration.

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 16 November 2021 and 25 May 2022 Announcements foreshadowed claims that may be brought by PET against individuals including former directors Zhigang Zhang and Rob Schuitema. The 16 September 2022 Announcement stated that "After carefully considering (1) inquiries and investigations currently on foot 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, (3) the quantum of potential 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 the filing of legal claims against the aforementioned parties."

The Company notes that in many circumstances, the initiation of a claim can accelerate or heighten the prospect of counterclaims, or of separate claims relating to similar matters. In this regard, and more generally in relation to the prospect of claims being made against the Company, the Company makes the following statements:

- (1) The Company has not received any third-party claims, or letters of demand relating to these matters.
- (2) As far as the Company is aware, no proceedings have been filed against it in relation to these matters.
- (3) If any claims are made against the Company, or if these risks progress or develop, the Company will continue to keep shareholders apprised of such developments in a timely manner, and in accordance with the law and the ASX Listing Rules.

Further, following the fraud and mismanagement issues, the Company has been, and continues to be, exposed to a higher risk of being involved in proceedings, claims and disputes, whether initiated by the Company or persons previously involved with the Company's affairs. Any litigation, claim or dispute relating to the Company's past fraud and mismanagement issues may have an adverse impact on the financial performance and financial position of the Company.



**Note 24. Related party transactions**

*Parent entity*

Phoslock Environmental Technologies Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 26.

*Transactions with key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

*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*

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

**Note 25. 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:

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,436,665	1,662,384
Post-employment benefits	137,558	89,554
Long-term benefits	58,359	41,895
	<u>2,632,582</u>	<u>1,793,833</u>

**Note 26. 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:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
		<b>%</b>	<b>%</b>
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 27. Cash flow information**

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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the year	(2,056)	(11,212)
Adjustments for:		
Depreciation and amortisation	102	70
(Reversals) of impairment of receivables	(6,089)	(94)
Impairment of assets	126	2,213
Other non-cash items	-	171
Change in operating assets and liabilities:		
Decrease in trade and other receivables	5,269	2,205
Decrease in inventories	727	185
(Increase) in prepayments	(45)	(158)
(Decrease) in trade and other payables	(914)	(497)
(Decrease)/increase in contract liabilities	7	(86)
(Decrease) in employee benefits	251	(55)
Increase/(decrease) in other provisions	(2)	188
Net cash used in operating activities	<u>(2,624)</u>	<u>(7,070)</u>

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	<b>Lease liabilities</b>
	<b>\$'000</b>
Balance at 1 January 2022	1,292
Net cash used in financing activities	(687)
Lease modifications/ new lease	313
Finance costs	37
Balance at 31 December 2022	955
Net cash used in financing activities	(561)
Lease modifications/ new lease	(77)
Finance costs	25
Balance at 31 December 2023	<u>342</u>

**Note 28. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of Phoslock Environmental Technologies Limited	<u>(2,056)</u>	<u>(11,212)</u>
	<b>Number</b>	<b>Number</b>
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 28. Earnings per share (continued)**

	Cents	Cents
Basic earnings per share	(0.33)	(1.80)
Diluted earnings per share	(0.33)	(1.80)

2,700,000 (2022: Nil) 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 29. 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 is conferring entitlement to be issued 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 will vest subject to performance condition being met as follows:

**Tranche 1 - 1,900,000 supplier performance rights**

**Tranche 2 - 1,800,000 supplier performance rights**

Performance conditions - performance hurdle	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 in relation to the supplier performance rights is \$nil as of 31 December 2023.

The supplier performance rights granted during the current financial year is measured at expected settlement amount of \$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.





### Note 30. Parent entity information

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

#### Statement of profit or loss and other comprehensive income

	Parent 31 Dec 2023 \$'000	Parent 31 Dec 2022 Restated* \$'000
Loss after income tax	(5,647)	(22,642)
Total comprehensive loss	(5,647)	(22,642)

#### Statement of financial position

	Parent 31 Dec 2023 \$'000	Parent 31 Dec 2022 Restated* \$'000
Total current assets	11	1,978
Total assets	8,779	14,427
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	92,398	92,398
Accumulated losses	(83,619)	(77,971)
Total equity	8,779	14,427

\* The prior period has been restated. In 2022, the Company recorded an impairment on its investment in Zhejiang Phoslock Environmental Technologies Ltd and loan receivable from Phoslock Pty Ltd to an increased loss of \$5,059,000, decreased in total assets of \$5,059,000 and decrease in total equity of \$5,059,000. This restatement does not affect the consolidated Group accounts.

#### 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 2023 and 31 December 2022.

#### Contingent liabilities

Except as disclosed in note 23, the parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

#### 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 31. Events after the reporting period**

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.

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

On 7 March 2024, the new Board resolved to invest the Group's surplus working capital with Beradee Pty Ltd (ATF Shaw Properties Trust, ABN 75 135 718 446), a company controlled by Fred Bart, the Chairman. The objective of this investment is to secure a higher interest rate (5% p.a. at call) compared to the current returns from term deposits. This investment is structured as an unsecured, at-call deposit facility. The Board has thoroughly evaluated the associated risks and determined that they fall within acceptable limits. In June, the Board initiated and completed the transfer of \$2,000,000 to the Beradee bank account. To date, the principal has been returned, with interest paid.

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

No other matter or circumstance has arisen since 31 December 2023 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.



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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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Fred Bart  
Chairman

13 September 2024

## 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 2023, the statement of 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, 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 2023 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.

##### Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial report, which indicates restrictions on the Company's ability to repatriate the \$4 million cash held by subsidiaries in China to Australia. As stated in Note 2(e), these restrictions and events, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern if the funds held by subsidiaries in China remain inaccessible when needed. Our opinion is not modified in respect of this matter.

##### 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.



## 1. Related party transaction after the reporting period

### Key audit matter

#### Refer to Note 31 *Events after the reporting period*

In June 2024, the Directors authorised an investment of \$2,000,000 with Beradee Pty Ltd, a related party of the Group. The investment is an unsecured, at-call deposit facility generating 5% annual interest.

The \$2,000,000 principal has been returned to the Group with interest paid in July 2024.

There is a risk that the related party transaction may not be properly disclosed in the financial report or that it may not have been made on an arm's length basis.

This could result in insufficient information being provided in order to enable the user of the financial statements to understand the nature and effect of the related party relationship and transaction.

Given the nature and the significant amount of the transaction, we have determined that this is a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included:

- Reviewing the underlying agreement and evaluating whether
  - the business rationale of the transaction suggests fraudulent financial reporting or asset misappropriation;
  - the terms of the transaction are consistent with management's explanation;
- Obtaining evidence of proper approval and authorisation of executing the transaction;
- Communicating with those who charge with governance in relation to the transaction;
- Assessing whether the transaction has been appropriately accounted for and disclosed in accordance with the accounting standards.

## 2. Basis of Preparation

### Key audit matter

#### Refer to Note 2(e) *Material accounting policy information – Cash Position*

The Directors have changed the basis of preparation from the non-going concern basis used in preparing the half-year financial statements for 30 June 2023 to the going concern basis of accounting for the full year financial statements for the 31 December 2023 financial year.

The change in basis of preparation involves significant judgement applied by the directors, including considering whether changes to the carrying value of assets and liabilities are required, as a result we have determined that this is a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included:

- Obtaining and reviewing the position paper prepared by those charged with governance on the basis of preparation;
- Performing financial analysis on the current financial position and recent performance including ratio analysis and sensitivity analysis for reasonable possible changes;
- Performing a detailed review of management's budgets, sales pipeline and outlook, cash flow forecast and financial position to determine reasonableness of the going concern assumption;
- Performing technical consultations to ensure any material adjustments to the financial statements for a change in the going concern basis of preparation are compliant with the recognition and measurement requirements of the accounting standards;
- Assessing whether adequate disclosures on a change of basis of preparation are included in the notes to the financial statements.

### 3. 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 \$1,769,000 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 need for writing down inventory to net realisable value.
- Reviewing sales of inventory after year end to ensure inventory was valued at the lower of cost and net realisable value.
- Evaluating the aging of inventory and ensuring costs assigned to inventory were reasonable.
- 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 2023, 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view 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 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 16 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Phoslock Environmental Technologies Limited for the year ended 31 December 2023 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, 13 September 2024





The shareholder information set out below was applicable as at 6 August 2024.

### 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	585	0.04	273,596
1,001 to 5,000	1,458	0.65	3,985,611
5,001 to 10,000	884	1.06	6,646,317
10,001 to 100,000	2,661	15.12	94,426,478
100,001 and over	846	83.13	519,058,507
	<b>6,434</b>	<b>100.00</b>	<b>624,390,509</b>
Holding less than a marketable parcel*	<b>3,769</b>	<b>3.60</b>	<b>22,455,085</b>

\* 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	15,504,528	2.48
CITICORP NOMINEES PTY LIMITED	15,123,774	2.42
BNP PARIBAS NOMINEES PTY LTD	10,991,284	1.76
MR BILAL AHMAD	10,990,000	1.76
ZZL PTY LTD	10,347,006	1.66
LESWEEK 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
MR MOBEEN IQBAL	3,125,000	0.50
MRS LYSETTE FOSTER	3,015,594	0.48
MR DECLAN MCEVOY	3,000,000	0.48
	<b>190,592,897</b>	<b>30.53</b>

#### Unquoted equity securities

There are no unquoted equity securities.



### Substantial holders

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	<b>% of total</b>
	<b>Number held</b>	<b>shares</b>
		<b>issued</b>
Laurence Freedman	69,432,912	11.12

### 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.