Phoslock Environmental Technologies Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Phoslock Environmental Technologies Limited
ABN:	88 099 555 290
Reporting period:	For the half-year ended 30 June 2026
Previous period:	For the half-year ended 30 June 2025

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2. Results for announcement to the market

				$
Revenues from ordinary activities	up	4.3%	to	1,487,165
Underlying Loss Before Interest and Taxes ('Underlying EBIT')	down	18.0%	to	(863,370)
Loss from ordinary activities after tax attributable to the owners of Phoslock Environmental Technologies Limited	down	18.8%	to	(858,547)
Loss for the half-year attributable to the owners of Phoslock Environmental Technologies Limited	down	18.8%	to	(858,547)

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 $858,547 (30 June 2025: loss of $1,057,787)

The reconciliation of statutory loss after income tax for the half-year ('NPAT') to Underlying Earnings is as follows:

	Consolidated	
	30 Jun 2026 $	30 Jun 2025 $
Revenue	1,487,165	1,425,243
Net loss after Tax ('NPAT')	(858,547)	(1,057,787)
Add: Finance costs	(7,786)	3,013
Add: Reversal of impairment	(91,338)	(283,100)
Add: Foreign exchange loss/(gain)	96,349	293,219
Less: Interest revenue	(2,048)	(12,846)
Underlying EBIT*	(863,370)	(1,057,501)

* 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 directors believe 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 commentary on the results.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.94	1.44

The net tangible assets calculation include the lease liabilities of $441,616 (30 June 2025: 689,081).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. 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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Interim Report of Phoslock Environmental Technologies Limited for the half-year ended 30 June 2026 is attached.

12. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 28 August 2026

Fred Bart
Chairman
Sydney

Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Interim Report - 30 June 2026

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', 'PET' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2026.

Directors

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

Fred Bart - Chairman and Non-Executive Director
Shawn van Boheemen
Graeme Newing

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 on the evaluation and development of new water treatment products and technologies through in-house development, licensing arrangements or acquisition.

Review of operations

The loss for the Group after providing for income tax amounted to $858,547 (30 June 2025: loss $1,057,787).

The reconciliation of statutory loss after income tax for the half-year ('NPAT') to Underlying Earnings is as follows:

	Consolidated	
	30 Jun 2026 $	30 Jun 2025 $
Revenue	1,487,165	1,425,243
Net loss after Tax (‘NPAT’)	(858,547)	(1,057,787)
Add: Finance costs	(7,786)	3,013
Add: Reversal of impairment	(91,338)	(283,100)
Add: Foreign exchange loss/(gain)	96,349	293,219
Less: Interest revenue	(2,048)	(12,846)
Underlying EBIT*	(863,370)	(1,057,501)

* 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 directors believe 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 six months ended 30 June 2026 was $1,487,165, broadly in line with the prior corresponding period of $1,425,243. The timing of certain anticipated projects and customer orders resulted in some revenue being deferred into the second half of the financial year.

Gross profit increased by 28% to $744,426 compared to $580,407 in the prior corresponding period. The gross margin improved to 50.1% from 40.7%, primarily reflecting a more favourable sales mix and continued management of product and delivery costs.

The Company reported an underlying EBIT loss of $863,370 for the period, compared with a loss of $1,057,501 in the prior corresponding period. The improvement was primarily attributable to the higher gross profit achieved during the period and continued management of the Company’s operating cost base.

NPAT for the six months amounted to a loss of $858,547, compared to a NPAT loss of $1,057,787 for the prior corresponding period.

Cash Flows
Net cash used in operating activities for the six months ended 30 June 2026 was $1,295,207 compared with a net cash outflow of $1,095,575 in the prior corresponding period.

Cash receipts from customers were $967,675 compared with $1,477,280 from prior corresponding period. The decrease primarily reflects the timing of customer receipts, including amounts outstanding at period end in relation to sales recognised during the period. Cash payments to suppliers, consultants and employees amounted to $2,264,930 compared to $2,585,701 in the six months ended 30 June 2025.

Capital expenditure for the six months ended 30 June 2026 totalled $28,839, primarily relating to investment in the Company's manufacturing facilities in China, ongoing research and development activities and patent application costs.

Financial position
The half-year financial statements have been prepared on a going concern basis. In assessing the Group's ability to continue as a going concern, the Board has considered the Group's current financial position, cash flow forecasts, planned operational initiatives as well as the effects of contingent liabilities. Based on these factors, the Board considers that the Group will be able to meet its obligations as and when they fall due and continue as a going concern. Refer to note 2 for further details.

As at 30 June 2026, the Group's net current asset position totalled $6,081,230, including cash balance of $3,526,720.

As at 30 June 2026, the Group had no external loan facilities.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial half-year.

Environmental Issues
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.

Rounding
The Company is of a kind referred to in Corporations Instrument 2026/183, 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 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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Fred Bart
Chairman

28 August 2026
Sydney

SW Accountants & Advisors

Take the lead

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 half-year ended 30 June 2026 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

SW Audit
Chartered Accountants

Nick Michael
Partner

Melbourne, 28 August 2026

Phoslock Environmental Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2026

	Note	Consolidated 30 Jun 2026 $	Consolidated 30 Jun 2025 $
Revenue			
Sales revenue	4	1,487,165	1,425,243
Cost of sales		(742,739)	(844,836)
Gross profit		744,426	580,407
Other income	5	556,483	315,813
Interest revenue calculated using the effective interest method		2,048	12,846
Expenses			
Distribution		(79,029)	(101,991)
Marketing		(50,304)	(6,111)
Occupancy		-	(21,038)
Director, listing and professional fees	6	(924,435)	(691,279)
Administration		(1,206,860)	(1,426,521)
Reversal of impairment of assets	6	91,338	283,100
Finance costs	6	7,786	(3,013)
Loss before income tax expense		(858,547)	(1,057,787)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		(858,547)	(1,057,787)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(104,622)	35,935
Other comprehensive (loss)/income for the half-year, net of tax		(104,622)	35,935
Total comprehensive loss for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		(963,169)	(1,021,852)
		Cents	Cents
Basic loss per share	14	(0.14)	(0.17)
Diluted loss per share	14	(0.14)	(0.17)

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

Phoslock Environmental Technologies Limited
Consolidated statement of financial position
As at 30 June 2026

	Note	Consolidated 30 Jun 2026 $	Consolidated 31 Dec 2025 $
Assets			
Current assets			
Cash and cash equivalents		3,526,720	5,204,677
Trade and other receivables	7	962,259	341,633
Inventories	8	2,375,924	2,379,380
Financial assets		99,742	99,742
Other assets		442,325	411,904
Total current assets		7,406,970	8,437,336
Total assets		7,406,970	8,437,336
Liabilities			
Current liabilities			
Trade and other payables	9	950,848	813,296
Contract liabilities		1,650	1,650
Lease liabilities	10	216,923	474,914
Employee benefits		156,319	97,587
Total current liabilities		1,325,740	1,387,447
Non-current liabilities			
Lease liabilities	10	224,693	214,167
Employee benefits		2,215	18,231
Total non-current liabilities		226,908	232,398
Total liabilities		1,552,648	1,619,845
Net assets		5,854,322	6,817,491
Equity			
Issued capital		92,398,527	92,398,527
Reserves		787,225	891,847
Accumulated losses		(87,331,430)	(86,472,883)
Total equity		5,854,322	6,817,491

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

Phoslock Environmental Technologies Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2026

Consolidated	Issued capital $	Foreign currency translation reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2025	92,398,527	827,004	(83,220,778)	10,004,753
Loss after income tax expense for the half-year	-	-	(1,057,787)	(1,057,787)
Other comprehensive income for the half-year, net of tax	-	35,935	-	35,935
Total comprehensive (loss)/income for the half-year	-	35,935	(1,057,787)	(1,021,852)
Balance at 30 June 2025	92,398,527	862,939	(84,278,565)	8,982,901

Consolidated	Issued capital $	Foreign currency translation reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2026	92,398,527	891,847	(86,472,883)	6,817,491
Loss after income tax expense for the half-year	-	-	(858,547)	(858,547)
Other comprehensive loss for the half-year, net of tax	-	(104,622)	-	(104,622)
Total comprehensive loss for the half-year	-	(104,622)	(858,547)	(963,169)
Balance at 30 June 2026	92,398,527	787,225	(87,331,430)	5,854,322

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

Phoslock Environmental Technologies Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2026

	Consolidated	
	30 Jun 2026	30 Jun 2025
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	967,675	1,477,280
Payments to suppliers and employees (inclusive of GST)	(2,264,930)	(2,585,701)
Interest received	2,048	12,846
Net cash used in operating activities	(1,295,207)	(1,095,575)
Cash flows from investing activities		
Payments for property, plant and equipment	(9,574)	(12,564)
Payments for intangibles	(19,265)	(26,839)
Net cash used in investing activities	(28,839)	(39,403)
Cash flows from financing activities		
Repayment of lease liabilities	(230,979)	(334,277)
Net cash used in financing activities	(230,979)	(334,277)
Net decrease in cash and cash equivalents	(1,555,025)	(1,469,255)
Cash and cash equivalents at the beginning of the financial half-year	5,204,677	7,858,661
Effects of exchange rate changes on cash and cash equivalents	(122,932)	(208,025)
Cash and cash equivalents at the end of the financial half-year	3,526,720	6,181,381

The above consolidated 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 ('Company', 'PET' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (together referred to in these financial statements as the 'Group'). 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:

60 Linksley Ave,
Glenhaven NSW 2156

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 27 August 2026.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2026 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2025 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 30 June 2026 and are not expected to have a significant impact for the full financial year ending 31 December 2026.

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

Going concern

For the half-year ended 30 June 2026, the Group recorded a loss before income tax benefit of $858,547 (30 June 2025: loss of $1,057,787) and net cash outflows from operating activities of $1,295,207 (30 June 2025: outflows of $1,095,575). The net assets of the Group as of 30 June 2026 were $5,854,322 (31 December 2025: $6,817,491), and the Group reported a net current asset position of $6,081,230 (31 December 2025: $7,049,889). The Group has no external loan facilities.

As disclosed in the note 12 'Contingent liabilities', in November 2024 a representative proceeding was commenced in the Federal Court of Australia against the Company, former directors and the Company's former auditor. The mediation conducted on 11 June 2026 was terminated without resolution and the proceedings will continue in accordance with the directions of the Court. The Company continues to deny the allegations and intends to defend the proceeding.

The proceedings remain at an early stage and there is significant uncertainty regarding their ultimate outcome, including the likelihood, timing and amount of any potential liability. The continuation of the proceedings may also result in significant additional legal and other costs. Any material liability, settlement amount or additional costs arising from the proceedings could place further pressure on the Group's available financial resources and cash flows.

Note 2. Material accounting policy information (continued)

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's current financial position, expected cash flows, the potential financial impact of the proceedings and the actions available to the Group to manage its funding and liquidity requirements. In the event that the proceedings result in significant additional costs or an adverse outcome requiring a material payment, the Group may need to obtain additional funding, realise assets, reduce or defer expenditure, or pursue other measures to maintain adequate liquidity.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Depending on the ultimate outcome and financial impact of the proceedings and the Group's ability to secure sufficient funding or otherwise manage its cash flows, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding this material uncertainty, the Directors have determined that the financial statements for the six months ended 30 June 2026 should be prepared on a going concern basis. This assessment reflects the Directors' belief that the Group has the ability to continue its operations and meet its obligations as they fall due, having regard to its current financial position, expected cash flows and the actions available to the Group to manage its funding and liquidity requirements, without the intention or need to liquidate or wind up the Group in the foreseeable future.

The Directors will continue to closely monitor the proceedings and the Group's financial position, cash flow requirements and ability to meet its obligations as they fall due, and will reassess the Group's going concern position as further information becomes available.

Note 3. 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.

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.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 30 Jun 2026	Australia/NZ $	Europe/UK $	US/Canada/ Brazil $	China $	Eliminations $	Total $
Revenue						
Sales to external customers	221,786	584,389	680,990	-	-	1,487,165
Intersegment sales	391,446	-	-	-	(391,446)	-
Total revenue	613,232	584,389	680,990	-	(391,446)	1,487,165
EBIT	(846,643)	(99,175)	(17,560)	84,566	15,442	(863,370)
Interest revenue						2,048
Foreign exchange loss						(96,349)
Impairment of assets						91,338
Finance costs						7,786
Loss before income tax expense						(858,547)
Income tax expense						-
Loss after income tax expense						(858,547)
Assets						
Segment assets	4,392,911	1,295,335	870,532	1,293,177	(444,985)	7,406,970
Total assets						7,406,970
Liabilities						
Segment liabilities	4,155,417	1,405,023	2,847,861	805,415	(7,661,068)	1,552,648
Total liabilities						1,552,648

Note 3. Operating segments (continued)

Consolidated - 30 Jun 2025	Australia/NZ $	Europe/UK $	US/Canada/ Brazil $	China $	Eliminations $	Total $
Revenue						
Sales to external customers	76,442	381,834	954,819	12,148	-	1,425,243
Intersegment sales	279,628	-	-	-	(279,628)	-
Total revenue	356,070	381,834	954,819	12,148	(279,628)	1,425,243
EBIT	(789,759)	(186,513)	(116,283)	(46,920)	81,974	(1,057,501)
Interest revenue						12,846
Foreign exchange loss						(293,219)
Impairment of assets						283,100
Finance costs						(3,013)
Loss before income tax expense						(1,057,787)
Income tax expense						-
Loss after income tax expense						(1,057,787)
Consolidated - 31 Dec 2025						
Assets						
Segment assets	5,372,438	884,916	1,197,426	1,304,839	(322,283)	8,437,336
Total assets						8,437,336
Liabilities						
Segment liabilities	4,174,872	964,160	2,863,502	920,540	(7,303,229)	1,619,845
Total liabilities						1,619,845

Note 4. Revenue

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

	Consolidated 30 Jun 2026 $	Consolidated 30 Jun 2025 $
Geographical regions		
Australia/NZ	221,786	76,442
Europe/UK	584,389	381,834
US/Canada/Brazil	680,990	954,819
China	-	12,148
	1,487,165	1,425,243
Timing of revenue recognition		
Goods transferred at a point in time	1,487,165	1,425,243

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

Note 5. Other income

	Consolidated	
	30 Jun 2026	30 Jun 2025
	$	$
Legal fee reimbursement	556,000	296,169
Other	483	19,644
Other income	556,483	315,813

Note 6. Expenses

	Consolidated	
	30 Jun 2026	30 Jun 2025
	$	$
Loss before income tax includes the following specific expenses:		
Impairment of assets/(reversals)		
Inventories	(121,867)	(332,077)
Plant and equipment	46,833	16,030
Right-of-use assets	(31,346)	-
Patents	15,042	32,947
Net reversal of impairment of assets	(91,338)	(283,100)
Director, listing and professional fees		
Director fees	70,892	73,633
Listing fees	81,198	86,745
Consultancy fees	31,164	36,606
Legal fees	567,171	319,541
Audit and accounting fees	174,010	174,754
Total director, listing and professional fees	924,435	691,279
Finance costs		
Interest and finance charges paid/payable on lease liabilities	7,786	3,013
Net foreign exchange loss		
Net foreign exchange loss	96,349	293,219
Employee benefits expense		
Employee benefits expense excluding superannuation	679,829	757,955
Defined contribution superannuation expense	30,299	30,037
Total employee benefits expense	710,128	787,992

Note 7. Trade and other receivables

	Consolidated 30 Jun 2026 $	Consolidated 31 Dec 2025 $
Current assets		
Trade receivables	962,606	341,767
Less: Allowance for expected credit losses	(12,863)	(12,827)
	949,743	328,940
Other receivables	12,516	12,693
	962,259	341,633

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

	Carrying amount		Allowance for expected credit losses	
Consolidated	30 Jun 2026 $	31 Dec 2025 $	30 Jun 2026 $	31 Dec 2025 $
Not overdue	856,606	329,767	-	-
3 to 6 months overdue	103,000	8,000	-	-
Over 6 months overdue	3,000	4,000	12,863	12,827
	962,606	341,767	12,863	12,827

Note 8. Inventories

	Consolidated 30 Jun 2026 $	Consolidated 31 Dec 2025 $
Current assets		
Raw materials - at cost	621,677	870,659
Finished goods - at cost	1,990,284	1,871,901
Less: Provision for impairment	(236,037)	(363,180)
	1,754,247	1,508,721
	2,375,924	2,379,380

As at 30 June 2026, PWSC holds 63 tonnes of Phoslock® worth $50,727 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, 84 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 9. Trade and other payables

	Consolidated	
	30 Jun 2026	31 Dec 2025
	$	$
Current liabilities		
Trade payables	775,026	444,831
Accrued expenses	81,127	417,951
Other payables	94,695	(49,486)
	950,848	813,296

Note 10. Lease liabilities

	Consolidated	
	30 Jun 2026	31 Dec 2025
	$	$
Current liabilities		
Lease liability	216,923	474,914
Non-current liabilities		
Lease liability	224,693	214,167
	441,616	689,081

The decrease during the half-year resulted from the repayment of lease liabilities of $230,979.

Note 11. Dividends

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

Note 12. Contingent liabilities

The Group continues to assess regulatory, compliance and operational matters relating to its historical operations in China. These matters may give rise to future penalties, fines, legal costs or other obligations. As at the date of this financial report, no provision has been recognised because the existence and amount of any obligation cannot be reliably measured and remain dependent on the outcome of matters that are not wholly within the control of the Group. Should sufficient information become available to enable a reliable estimate of an obligation, the Group will recognise a provision in accordance with the applicable Australian Accounting Standards.

Regulatory authorities

As previously disclosed, following the identification of suspected fraud and governance issues involving former management, the Company voluntarily reported the matters to the Australian Federal Police ('AFP') and entered into an Investigation Cooperation Agreement ('ICA') with the AFP in November 2021. The ICA requires the Company to continue to cooperate with the AFP in relation to its investigation, which principally concerns allegations relating to foreign bribery and corruption. While the Company has not received any recent communication from the AFP, it understands that the investigation remains ongoing.

The Company has also responded to enquiries from the Australian Securities and Investments Commission ('ASIC') regarding PET and financial statements previously lodged with ASIC.

The outcome of these regulatory matters remains uncertain. Accordingly, the Group may be exposed to fines, penalties or other regulatory actions that could adversely affect its financial performance or financial position. As at 30 June 2026, no provision has been recognised because the outcome and any associated financial impact cannot be reliably estimated.

Note 12. Contingent liabilities (continued)

Legal proceedings

As previously announced, the Company has considered potential claims against certain former directors and officers arising from matters identified during its investigations, including former directors Zhigang Zhang and Rob Schuitema. Consistent with previous disclosures, the Company has deferred commencing proceedings while regulatory investigations continue, having regard to the potential use of information obtained through those investigations and the costs and benefits of pursuing such claims.

In November 2024, a representative proceeding was commenced in the Federal Court of Australia against Phoslock Environmental Technology Ltd (the Company). The proceeding, commenced by Banton Group, also names Laurence Stephen Freedman AM (former Chairman), Robert Paul Schuitema (former Managing Director) and KPMG (the Company's former auditor) as respondents.

The proceeding is brought on behalf of persons who acquired fully paid ordinary shares in the Company between 11 October 2018 and 17 September 2020, held shares throughout that period, or maintained an economic interest through equity swap arrangements during the relevant period.

The mediation conducted on 11 June 2026 in relation to the class action proceedings was terminated without resolution. Accordingly, the parties' current settlement discussions have concluded and the proceedings will continue in accordance with the directions of the Court. The Company continues to deny the allegations and intends to defend the proceeding.

The court proceedings remain at an early stage and there remains significant uncertainty regarding their ultimate outcome, including the likelihood, timing and amount of any potential liability. As the action is against the three parties jointly in totality, accordingly, the Company is unable to reliably estimate any resulting outflow of economic benefits, and no provision has been recognised in respect of the proceedings as at 30 June 2026. The Company will continue to monitor developments and reassess the accounting treatment as further information becomes available.

The continuation of the proceedings following the unsuccessful mediation may result in significant additional legal and other costs, including costs associated with defending claims brought against the Company and costs in respect of indemnified parties, as applicable. These costs, together with any potential liability arising from an adverse outcome or settlement, may place further pressure on the Company's available financial resources and cash flows.

The Directors have considered the potential financial and operational implications of the proceedings continuing to trial and are closely monitoring the Company's financial position, cash flow requirements and ability to meet its obligations as they fall due. In the event that the proceedings result in significant additional costs or an adverse outcome requiring a material payment, the Company may need to obtain additional funding, realise assets, reduce or defer expenditure, or pursue other measures to maintain adequate liquidity.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, depending on the ultimate outcome and financial impact of the proceedings and the Company's ability to secure sufficient funding or otherwise manage its cash flows.

Notwithstanding this uncertainty, the Directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis, having regard to the Company's current financial position, its expected cash flows and the actions available to the Company to manage its funding and liquidity requirements.

The Directors will continue to closely monitor the proceedings and the Company's financial position and will reassess the Company's going concern position as further information becomes available.

Note 13. Related party transactions

Parent entity
Phoslock Environmental Technologies Limited is the parent entity.

Transactions with related parties
There were no transactions with related parties during the current and previous financial half-year.

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.

Note 13. Related party transactions (continued)

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

Note 14. Earnings per share

	Consolidated	
	30 Jun 2026 $	30 Jun 2025 $
Loss after income tax attributable to the owners of Phoslock Environmental Technologies Limited	(858,547)	(1,057,787)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	624,390,509	624,390,509
Weighted average number of ordinary shares used in calculating diluted earnings per share	624,390,509	624,390,509
	Cents	Cents
Basic loss per share	(0.14)	(0.17)
Diluted loss per share	(0.14)	(0.17)

Note 15. Events after the reporting period

No matter or circumstance has arisen since 30 June 2026 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Fred Bart
Chairman

28 August 2026
Sydney

SW Accountants & Advisors

Take the lead

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED

Conclusion

We have reviewed the half-year financial report of Phoslock Environmental Technologies Limited (the Company and its subsidiaries (the Group)) which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Phoslock Environmental Technologies Limited does not comply with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the half-year ended on that date, and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial report, which describes significant uncertainties relating to ongoing legal actions taken against the Group. As stated in Note 2, the outcome of these matters and any associated financial impacts cannot presently be reliably estimated and, accordingly, no provision has been recognised as at 30 June 2026. These events and conditions, together with the other matters set out in Note 2 and Note 11, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors' for the Financial Report

The directors of Phoslock Environmental Technologies Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2026 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

SW

SW Audit
Chartered Accountants

Nick Michael
Partner

Melbourne, 28 August 2026