



1. Company details

Name of entity:	Phoslock Environmental Technologies Limited
ABN:	88 099 555 290
Reporting period:	For the half-year ended 30 June 2020
Previous period:	For the half-year ended 30 June 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	87.4% to	1,232
Earnings Before Interest and Taxes ('EBIT')	down	399.8%	(5,141)
Loss from ordinary activities after tax attributable to the owners of Phoslock Environmental Technologies Limited	down	606.6% to	(5,101)
Loss for the half-year attributable to the owners of Phoslock Environmental Technologies Limited	down	606.6% to	(5,101)

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 \$5,101,000 (30 June 2019: profit of \$1,007,000).

Reconciliation of EBIT to profit after tax follow:

	Consolidated 30 Jun 2020 \$'000	30 Jun 2019 \$'000
Revenue	1,232	9,803
Earnings Before Interest and Taxes ('EBIT')*	(5,141)	1,715
Less: Finance costs	(105)	(19)
Add: Foreign exchange gains	79	13
Add: Share-based expense reversal	30	-
Earnings before tax	(5,137)	1,709
Less: income tax benefit/(expense)	36	(702)
	<u>(5,101)</u>	<u>1,007</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 non-specific non-cash items such as share-based expenses, foreign exchange gains/(losses) and finance costs.

Coronavirus (COVID-19) impacted the business though the reporting period via restrictions imposed in key markets to slow the spread of the virus. Restrictions in Beijing caused challenges in business development as key personnel could not visit strategically important clients and sites. China sales were delayed through the period as government officials reprioritised short term emergency resources away from project such as lake restoration towards immediate health resources. In Europe, several projects were impacted by COVID-19 related delays. In those instances, authorities with which PET has contracted remediation works have cited more pressing expenditure priorities associated with supporting local communities during the pandemic. While these projects have been delayed, none have been cancelled.

Refer to the 'Operating and financial review' for further details of operations and commentary on the results.



3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>7.96</u>	<u>5.14</u>

The net tangible assets calculation does not include rights-of-use assets of \$4,383,000 (31 December 2019: \$nil) but include the lease liabilities of \$4,132,000 (31 December 2019: \$678,000).

4. Control gained over entities

Name of entities	Date control gained
Phoslock Canada Inc.	20 February 2020
Zhejiang Phoslock Environmental Technologies Ltd	11 May 2020

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 are currently being reviewed by the auditors and an unmodified opinion is expected to be issued.



11. Attachments

Details of attachments (if any):

The Preliminary Interim Report (unreviewed) of Phoslock Environmental Technologies Limited for the half-year ended 30 June 2020 is attached.

12. Signed

As authorised by the Board of Directors

Signed  _____

Date: 26 August 2020

Lachlan McKinnon
Managing Director



Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Preliminary Interim Report (unreviewed) - 30 June 2020

Phoslock Environmental Technologies Limited
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30 June 2020



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Operating Results

Revenue for the period was \$1,232,000, down 87% on the \$9,803,000 generated in the prior corresponding period. The business faced considerable headwinds during the first half, including flooding in China and COVID-related impacts which contributed to project delays throughout the period.

Gross profit was \$611,000 for the six months (6 months to 30 June 2019: \$6,277,000). The gross profit margin was 50% for the six months (6 months to 30 June 2019: 64%). The gross profit margin decreased as a result of increased settlement discounts provided to customers to stimulate early payment and unfavourable movements in currency and raw materials.

EBIT (Earnings Before Interest/Finance Costs and Tax) for the period was a loss of \$(5,141,000) compared to a profit of \$1,715,000 in the prior corresponding period. Lower sales revenue and gross margin along with higher operating expenses contributed to the result. The increase in expenses is primarily as a result of higher employee costs, occupancy and professional fees. Employee costs included those associated with the smooth transition of the new Managing Director/CEO and Chief Financial Officer and the retirement of former managing director, Robert Schuitema. One-off severance payments to outgoing senior executives also contributed to the increase in the period.

NPAT (Net Operating Profit/(Loss) after Tax) for the group for the six months amounted to a profit/(loss) of \$(5,101,000); (6 months to 30 June 2019: \$1,007,000). Within the period, the business added to existing tax losses that will be utilised against forecast profits in future periods.

Balance Sheet

Current assets of the consolidated entity as at 30 June 2020 were \$55,508,000, made up of cash (\$35,245,000); trade and other receivables (\$14,841,000) and inventories (\$4,247,000) and other assets (\$1,175,000).

Current liabilities of the consolidated entity as at 30 June 2020 were \$3,600,000 made up of trade / other payables, lease liabilities and employee liabilities.

Cash Flow

Operating Cash Flow for the six months period was a cash outflow of \$(8,387,000) (6 months to 30 June 2019: inflow of \$10,827,000).

Cash payments from customers for the six months period was \$3,674,000 (6 months to 30 June 2019: \$18,617,000). In the second half of FY19, the group entered into several long term contracts with Chinese Government agencies which provided for longer payment terms based on back ended periodic payments and performance milestones. This strategic decision had the one-time effect of growing working capital in the current year. The group expects to secure the majority of current receivables in late FY20/ early FY21. Cash payments to suppliers for the six months period was \$12,306,000 (6 months to 30 June 2019: \$7,213,000). The increased cash outflow relates to higher employee payments, lower payables and higher inventory levels as the manufacturing plant built safety stocks (in the COVID environment) to capitalise on forward demand.

New plant and equipment for the six months to 30 June 2020 totalled \$31,000. This was mainly for the Chinese manufacturing facilities.

Financial Position of the Group

The net assets of the consolidated entity were \$54,339,000 as of 30 June 2020, an improvement of \$24,405,000 from 31 December 2019. The increase in net assets is due primarily to the capital raising successfully undertaken during the reporting period. No new major plant and equipment was purchased during the financial period, however lease payments associated with the new manufacturing facility in China was incurred. As a result, cash and cash equivalents increased to \$35,245,000 as at 30 June 2020 (31 December 2019: \$14,959,000).

At balance date, the Group had no external loans facilities.

Capital Management

During the reporting period to 30 June 2020 the Company received a total of \$30,004,000 (before capital raising costs) in new equity via three tranches of capital raising activities i) 2020 Institutional Placement which issued 24,000,000 ordinary shares raising a total of \$12,000,000 before issue costs ii) 2020 Share Placement to ordinary shareholders: The Company issued 38,308,815 ordinary shares raising a total of \$15,154,000 before issue costs iii) 2020 Share Placement: The Company issued 5,700,000 ordinary shares to Directors and other key management personnel raising a total of \$2,850,000 before issue costs .



Environmental Issues

The consolidated entity's operations are subject to environmental regulation of the territories in which it operates. Details of the consolidated entity's performance in relation to environmental regulations is 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. In Australia, Phoslock® is imported from a manufacturing operation in China that has received NICNAS certification. The certification is renewed annually.

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

In January 2019, the Company's existing Changxing factory received the following accreditation from TÜV Rheinland, a German engineering accreditation agency:

- ISO 9001 – certification stating that the company's Quality Control and Documentation of all procedures meets international standards set by ISO – International Standards Organisation for Quality Management Systems;
- ISO 14000 – Environmental Management Standards Certification;
- OSHA 18000 - Health and Safety Management Systems.

Phoslock® has been certified by the Chinese Research Academy of Environmental Sciences (CRAES). Phoslock® is classified as a general environmental substance. It is neither hazardous nor harmful to the environment. Phoslock® has low risk to the hydro-ecological system.

In June 2019 Phoslock® was accredited by the Chinese Ministry of Water Resources (MWR) as an approved phosphorus absorption product in the Ministry's official gazette. MWR administers over 100,000 lakes and drinking water reservoirs in China.

In Europe, the product is legally imported and sold under REACH regulation for the region.

Phoslock® has been certified by IBAMA (the Brazilian Ministry for the Environment) for import, sale and use in Brazil.

Internationally, the Group is committed to comply with all local regulatory authority requirements.

The Directors are not aware of any breaches of environmental regulations by the consolidated entity in any of the regions in which the Group operates.

Phoslock Environmental Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020



		Consolidated	
	Note	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Revenue			
Sales revenue		1,232	9,803
Cost of sales		(621)	(3,526)
Gross profit		<u>611</u>	<u>6,277</u>
Other income	3	155	321
Interest revenue calculated using the effective interest method		44	45
Expenses			
Distribution		(64)	(99)
Marketing		(217)	(250)
Occupancy		(93)	(50)
Director, listing and professional fees		(1,010)	(1,668)
Administration		(4,488)	(2,848)
Share-based expense reversal		30	-
Finance costs	4	<u>(105)</u>	<u>(19)</u>
Profit/(loss) before income tax (expense)/benefit		(5,137)	1,709
Income tax (expense)/benefit		<u>36</u>	<u>(702)</u>
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		(5,101)	1,007
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>374</u>	<u>105</u>
Other comprehensive income for the half-year, net of tax		<u>374</u>	<u>105</u>
Total comprehensive income for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		<u>(4,727)</u>	<u>1,112</u>
		Cents	Cents
Basic earnings per share	10	(0.87)	0.20
Diluted earnings per share	10	(0.87)	0.20

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 2020



	Note	Consolidated 30 Jun 2020 \$'000	31 Dec 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		35,245	14,959
Trade and other receivables		14,841	17,149
Inventories		4,247	2,342
Income tax refund due		157	-
Other assets		1,018	972
Total current assets		<u>55,508</u>	<u>35,422</u>
Non-current assets			
Property, plant and equipment		1,642	1,761
Right-of-use assets	5	4,383	699
Intangibles		199	196
Total non-current assets		<u>6,224</u>	<u>2,656</u>
Total assets		<u>61,732</u>	<u>38,078</u>
Liabilities			
Current liabilities			
Trade and other payables		2,900	6,477
Lease liabilities		439	352
Income tax		-	334
Employee benefits		261	549
Total current liabilities		<u>3,600</u>	<u>7,712</u>
Non-current liabilities			
Lease liabilities		3,693	326
Other liabilities		100	106
Total non-current liabilities		<u>3,793</u>	<u>432</u>
Total liabilities		<u>7,393</u>	<u>8,144</u>
Net assets		<u>54,339</u>	<u>29,934</u>
Equity			
Issued capital	6	92,549	63,387
Reserves		906	562
Accumulated losses		(39,116)	(34,015)
Total equity		<u>54,339</u>	<u>29,934</u>

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 2020



Consolidated	Issued capital \$'000	Option reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2019	59,901	5,198	808	(41,911)	23,996
Profit after income tax expense for the half-year	-	-	-	1,007	1,007
Other comprehensive income for the half-year, net of tax	-	-	105	-	105
Total comprehensive income for the half-year	-	-	105	1,007	1,112
<i>Transactions with owners in their capacity as owners:</i>					
Options exercised	2,362	-	-	-	2,362
Balance at 30 June 2019	<u>62,263</u>	<u>5,198</u>	<u>913</u>	<u>(40,904)</u>	<u>27,470</u>

Consolidated	Issued capital \$'000	Option reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2020	63,387	30	532	(34,015)	29,934
Loss after income tax benefit for the half-year	-	-	-	(5,101)	(5,101)
Other comprehensive income for the half-year, net of tax	-	-	374	-	374
Total comprehensive income for the half-year	-	-	374	(5,101)	(4,727)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 6)	29,162	-	-	-	29,162
Option reversal	-	(30)	-	-	(30)
Balance at 30 June 2020	<u>92,549</u>	<u>-</u>	<u>906</u>	<u>(39,116)</u>	<u>54,339</u>

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 2020



	Note	Consolidated 30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,674	18,617
Payments to suppliers and employees (inclusive of GST)		(12,306)	(7,213)
Government grants and incentives received		489	-
Interest received		30	45
Interest and other finance costs paid		-	(19)
Income taxes paid		(274)	(603)
		<u>(8,387)</u>	<u>10,827</u>
Net cash from/(used in) operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(21)	(27)
Payments for intangibles		(10)	(36)
		<u>(31)</u>	<u>(63)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	6	30,004	-
Proceeds from exercise of options		-	2,362
Share issue transaction costs		(842)	-
Repayment of lease liabilities		(904)	(101)
		<u>28,258</u>	<u>2,261</u>
Net cash from financing activities			
Net increase in cash and cash equivalents		19,840	13,025
Cash and cash equivalents at the beginning of the financial half-year		14,959	4,878
Effects of exchange rate changes on cash and cash equivalents		446	(11)
		<u>35,245</u>	<u>17,892</u>
Cash and cash equivalents at the end of the financial half-year			

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



Note 1. 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 Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBIT (earnings before interest and taxes). 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 segment based on the segment's overall proportion of revenue generation within the Group. The Board believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment receivables, payables and loans

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

Major customers

During the half-year ended 30 June 2020, approximately 78% of the Group's external revenue was derived from sales to three customers (30 June 2019: approximately 43.2% of the Group's external revenue was derived from sales to the Group's largest customer).

Operating segment information

Consolidated - 30 Jun 2020	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
Revenue						
Sales to external customers	-	74	500	658	-	1,232
Intersegment sales	176	96	17	-	(289)	-
Total revenue	176	170	517	658	(289)	1,232
EBIT	(3,157)	(114)	282	(2,254)	102	(5,141)
Share-based expense reversal						30
Finance costs						(105)
Foreign exchange gain						79
Loss before income tax benefit						(5,137)
Income tax benefit						36
Loss after income tax benefit						(5,101)
Assets						
Segment assets	50,966	491	-	30,106	(19,831)	61,732
Total assets						61,732
Liabilities						
Segment liabilities	1,776	1,263	-	7,515	(3,161)	7,393
Total liabilities						7,393



Note 1. Operating segments (continued)

Consolidated - 30 Jun 2019	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
Revenue						
Sales to external customers	18	526	763	8,424	-	9,731
Intersegment sales	620	-	8	369	(997)	-
Total sales revenue	638	526	771	8,793	(997)	9,731
Other revenue	-	72	-	-	-	72
Total revenue	638	598	771	8,793	(997)	9,803
EBIT						
Finance costs	(976)	80	(28)	2,613	26	1,715
Foreign exchange gain						(19)
Profit before income tax expense						13
Income tax expense						1,709
Profit after income tax expense						(702)
						1,007
Consolidated - 31 Dec 2019						
Assets						
Segment assets	24,201	600	-	30,675	(17,398)	38,078
Total assets						38,078
Liabilities						
Segment liabilities	1,372	1,284	-	8,003	(2,515)	8,144
Total liabilities						8,144

Note 2. Revenue

Disaggregation of revenue

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

	Consolidated	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000
<i>Geographical regions</i>		
Australia/NZ	-	18
Europe/UK	74	598
US/Canada/Brazil	500	763
China	658	8,424
	<u>1,232</u>	<u>9,803</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	1,232	9,731
Services transferred at a point in time	-	72
	<u>1,232</u>	<u>9,803</u>

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 3. Other income

	Consolidated	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Net foreign exchange gain	79	13
Net gain on disposal of property, plant and equipment	1	-
Research and development grants	-	287
Government grants (COVID-19)	43	-
Other income	32	21
	<hr/>	<hr/>
Other income	155	321
	<hr/> <hr/>	<hr/> <hr/>

Government grants (COVID-19)

During the COVID-19 pandemic, the Group has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The JobKeeper payment scheme in its current form runs for the fortnights from 30 March until 28 September 2020 and has now been extended until 28 March 2021. The Group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

Note 4. Expenses

	Consolidated	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	126	1
Land and buildings right-of-use assets	426	142
Office equipment right-of-use assets	4	58
	<hr/>	<hr/>
Total depreciation	556	201
<i>Amortisation</i>		
Patents and trademarks	3	1
	<hr/>	<hr/>
Total depreciation and amortisation	559	202
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	105	19
	<hr/>	<hr/>
<i>Leases</i>		
Short-term lease payments	100	50
	<hr/>	<hr/>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	132	87
	<hr/>	<hr/>



Note 5. Non-current assets - right-of-use assets

	Consolidated	
	30 Jun 2020 \$'000	31 Dec 2019 \$'000
Land and buildings - right-of-use	4,730	998
Less: Accumulated depreciation	(368)	(309)
	4,362	689
Office equipment - right-of-use	28	14
Less: Accumulated depreciation	(7)	(4)
	21	10
	4,383	699

The Group leases land and buildings for its office and factory facilities under agreements of between 3 to 10 years with, an options to extend. On renewal, the terms of the leases are renegotiated.

The Group also leases office equipment under contract of 4 years.

Reconciliations

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

Consolidated	Land and buildings right-of-use \$'000	Office equipment right-of-use \$'000	Total \$'000
Balance at 1 January 2020	689	10	699
Additions	4,099	15	4,114
Depreciation expense	(426)	(4)	(430)
Balance at 30 June 2020	4,362	21	4,383

Note 6. Equity - issued capital

	Consolidated			
	30 Jun 2020 Shares	31 Dec 2019 Shares	30 Jun 2020 \$'000	31 Dec 2019 \$'000
Ordinary shares - fully paid	625,000,509	564,991,694	92,549	63,387

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2020	564,991,694		63,387
Issuance of shares institutional placement	17 April 2020	24,000,000	\$0.50	12,000
Issuance of shares share purchase plan	7 May 2020	30,308,815	\$0.50	15,154
Issuance of shares to key management personnel	3 June 2020	5,700,000	\$0.50	2,850
Transaction costs		-	\$0.00	(842)
Balance	30 June 2020	625,000,509		92,549



Note 6. Equity - issued capital (continued)

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.

Note 7. Equity - dividends

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

Note 8. Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 and 31 December 2019.

Note 9. Related party transactions

Parent entity

Phoslock Environmental Technologies Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 Jun 2020	30 Jun 2019
	\$	\$
Payment for services provided by relatives of key management personnel:		
Margaret Schuitema - part-time employment**	91,509	65,365
Martin Schuitema - part-time employment**	-	12,223
Yolanda Winks - part-time employment***	20,001	26,146
Venus Ho - part-time employment****	11,253	17,967
Payment for services provided by companies related to key management personnel:		
Payment for rent - Link Traders (Aus) Pty Ltd*	57,216	57,948
Payment for investor relations fees - Serenity Holdings Pty Ltd*	67,579	74,730

* related party of Laurence Freedman

** related party of Robert Schuitema

*** related party of Andrew Winks

**** related party of Chris Hui

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.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.



Note 10. Earnings per share

	Consolidated	
	30 Jun 2020	30 Jun 2019
	\$'000	\$'000
Profit/(loss) after income tax attributable to the owners of Phoslock Environmental Technologies Limited	<u>(5,101)</u>	<u>1,007</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	584,917,983	501,416,773
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>-</u>	<u>8,410,025</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>584,917,983</u>	<u>509,826,798</u>
	Cents	Cents
Basic earnings per share	(0.87)	0.20
Diluted earnings per share	(0.87)	0.20



Note 11. Share-based payments

The following share option plans are outstanding as of 30 June 2020. The Group recognised \$nil share-based payment expense as management believe that the vesting conditions will not be achieved.

Share option plan	Grant date	Number of options	Exercise price	Vesting conditions	SBP expense
Options granted to CEO	27 Nov 2019	1,500,000	\$1.25	-PET Group record sales more than \$120,000,000 for the period from 1 January 2020 to 31 December 2021 -Remain employed beyond the vesting date.	\$30,000 reversals
Options granted to CEO	27 Nov 2019	1,500,000	\$1.35	-PET Group record sales more than \$200,000,000 for the period from 1 January 2020 to 31 December 2022 -Remain employed beyond the vesting date.	\$nil
Options to PET Chinese employees	23 Mar 2020	20,000,000	\$1.00	-From 1 January 2020 to 31 December 2020 PET China record sales of: (a) more than \$40,000,000 (entitled to 3,000,000 options) (b) more than \$50,000,000 but less than or equal to \$60,000,000 (additional 4,000,000 options) (c) more than \$60,000,000 but less than or equal to \$70,000,000 (additional 3,000,000 options) (d) more than \$70,000,000 but less than or equal to \$80,000,000 (additional 3,000,000 options) (e) more than \$80,000,000 (additional 7,000,000 options) -Remain employed beyond the vesting date	\$nil
Options to PET International employees	24 Mar 2020 25 Mar 2020 9 Apr 2020	4,150,000 800,000 50,000	\$1.00	-From 1 January 2020 to 31 December 2020 PET International record sales of: (a) more than \$15,000,000 but less than or equal to \$20,000,000 (entitled to 1,500,000 options) (b) more than \$20,000,000 but less than or equal to \$25,000,000 (additional 1,500,000 options) (c) more than \$25,000,000 (additional 2,000,000 options) -Remain employed beyond the vesting date	\$nil

While these are issued, based on current forecasts the performance hurdle will not be achieved.



Note 11. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

	Number of options 30 Jun 2020	Weighted average exercise price 30 Jun 2020
Outstanding at the beginning of the financial half-year	28,000,000	\$1.03
Vesting conditions not met/lapsed*	<u>(1,000,000)</u>	\$1.00
Outstanding at the end of the financial half-year	<u><u>27,000,000</u></u>	\$1.03
Exercisable at the end of the financial half-year	<u><u>-</u></u>	\$0.00

* employees ceasing employment during the period

Note 12. Events after the reporting period

The Group has been significantly impacted by the COVID-19 pandemic up to 30 June 2020. As the situation is unpredictable, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Notwithstanding the uncertainty, the directors are satisfied that the Group will remain going concern on the basis of significant cash reserves.

No other matter or circumstance has arisen since 30 June 2020 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.