



1. Company details

Name of entity:	Phoslock Environmental Technologies Limited
ABN:	88 099 555 290
Reporting period:	For the half-year ended 30 June 2021
Previous period:	For the half-year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	36.6% to	1,326
Earnings Before Interest and Taxes ('EBIT')	down	9.9% to	(3,886)
Loss from ordinary activities after tax attributable to the owners of Phoslock Environmental Technologies Limited	down	96.5% to	(755)
Loss for the half-year attributable to the owners of Phoslock Environmental Technologies Limited	down	96.5% to	(755)

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 \$755,000 (30 June 2020: \$21,612,000).

Reconciliation of EBIT to profit after tax follow:

	Consolidated 30 Jun 2021 \$'000	30 Jun 2020 \$'000
Revenue	1,326	2,090
Net Operating Profit/(Loss) after Tax ('NPAT')	(755)	(21,612)
Add: income tax expense/(benefit)	-	(36)
Add: Finance costs	11	105
Add: Impairment of receivables/(reversals)	(536)	9,804
Add: Impairment of assets/(reversals)	(2,558)	7,536
Add: Share-based expense expense/(reversals)	-	(30)
Add: Foreign exchange losses/(gains)	79	(79)
Less: Interest revenue	(12)	-
Less: Gain on lease modifications	(115)	-
Underlying Earnings Before Interest and Taxes ('Underlying EBIT')*	<u>(3,886)</u>	<u>(4,312)</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 affect to the underlying performance of the business. The Company believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

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>4.54</u>	<u>4.66</u>

The net tangible assets calculation does not include rights-of-use assets of \$134,000 (31 December 2020: \$164,000) but include the lease liabilities of \$396,000 (31 December 2020: \$3,836,000).

4. Control gained over entities

Name of entities	Date control gained
Phoslock Inc.	6 January 2021 (incorporation date)

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.



11. Attachments

Details of attachments (if any):

The Preliminary Interim Report (Unreviewed) of Phoslock Environmental Technologies Limited for the half-year ended 30 June 2021 is attached.

12. Signed

As authorised by the Board of Directors

Signed 

Date: 31 August 2021

Lachlan McKinnon
Managing Director
Melbourne



Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Preliminary Interim Report (Unreviewed) - 30 June 2021

Phoslock Environmental Technologies Limited
Contents
30 June 2021



Operating and financial review	2
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9



Operating Commentary

Revenue for the period was \$1,326,000, which was down 37% on the \$2,090,000 generated in the prior corresponding period. The business continued to face headwinds during the first half of 2021 as a result of COVID-related impacts which contributed to project delays and the continued priority given by government authorities to manage COVID related health initiatives. The Company continued to execute on its diversification strategy and generated sales across North and South America, Europe and China.

Gross profit was \$744,000 for the six months (6 months to 30 June 2020: \$1,120,000). The gross profit margin was 56%, slightly up on the prior period's 54% as a result of lower settlement discounts provided to customers to stimulate early payment in the prior period and slightly lower project application costs.

Underlying Earnings Before Interest and Tax (EBIT) for the period was a loss of \$(3,886,000) compared to a loss of \$(4,312,000) in the prior corresponding period. Lower sales revenue and gross margin was offset with lower operating expenses in the period. Whilst operating expenses were lower in the reporting period, they remained relatively high as a result of expenditure on interim management and restructuring costs in China, ongoing legal expenses as a result of the fraud and mismanagement investigations and consultancy costs relating to reviews of the R&D program and the company's manufacturing/supply chain strategy. These reviews are expected to be completed within the 2021 financial year.

Net Profit after Tax (NPAT) for the six months amounted to a loss of \$(755,000). This compared to an NPAT loss of \$(21,612,000) in the prior corresponding period. As foreshadowed in Subsequent Events in the 2020 full year accounts, the reporting period included one-off non-cash adjustments to the right-of-use asset (leases) as a result of the Group signing a lease modification with its landlord in relation to the PETZ ('Zhejiang Phoslock Environmental Technologies Ltd (China)') factory. The modification reduced the lease term, square footage and overall cost and is part of the ongoing effort to right-size the business. The value of this adjustment was \$3,125,000.

The period also included the receipt of the Phase 1 payment (\$500,000) relating to works completed at Xingyun Lake in China. Given circumstances and uncertainties at the time, the receivable relating to the full payment for this work was impaired in the first half of the 2020 financial year. Although the part-payment was a positive outcome, payment for the balance of the project remains outstanding and the company is yet to receive written confirmation of the receivable from the customer, or acknowledgment that it is past due, despite several requests to that effect. Within the period, the business added to existing tax losses in Australia that will be utilised against forecast profits in future periods.

Following the investigation of the Company's previously disclosed activities in China, the Company has launched legal actions to recover payment of outstanding amounts owing by a former substantial customer and related party, Beijing BHZQ Environmental Engineering Technology Co., Ltd (BHZQ). The outstanding amounts are for goods and services supplied by the Company's Chinese subsidiaries to BHZQ up until 2020. BHZQ has responded by making various counterclaims based on the quality of the goods and services. All of these matters have been listed for arbitration, except one which is to be adjudicated in the courts. A final determination is expected to be made by the end of 2021.

Cash Flows

Operating Cash Flow for the six months period was a cash outflow of \$(3,848,000) (6 months to 30 June 2020: outflow of \$8,387,000), representing an improvement of \$4,499,000 over the prior period.

Cash payments from customers for the six month period were \$2,822,000 (6 months to 30 June 2020: \$3,674,000). Cash payments to suppliers, consultants and employees for the six month period was \$6,275,000 (6 months to 30 June 2020: \$12,306,000). The decrease in cash outflow relates primarily to lower employee payments and lower manufacturing related activity. The prior period included higher spending in inventory levels as a result of the manufacturing plant building safety stocks as insurance against possible COVID-related shutdowns. The period also included higher tax payments as the company continued to resolve legacy tax issues identified in the accounting investigations.

Spending on new plant, equipment, and intangibles for the six months to 30 June 2021 totalled \$45,000. This was mainly for the Chinese manufacturing facilities and R&D related activity.



Financial position of the Group

Current assets of the Group as at 30 June 2021 were \$32,735,000, made up of cash (\$26,299,000); trade and other receivables (\$1,781,000) and inventories (\$4,007,000) and other assets (\$648,000).

Current liabilities of the Group as at 30 June 2021 were \$4,243,000 made up of trade / other payables, lease liabilities and employee liabilities.

The net assets of the Group were \$28,770,000 as of 30 June 2021, relatively unchanged from 31 December 2020 \$29,473,000. The operating cash outflow of \$3,848,000 over the period was largely offset by the revised lease adjustments.

The half year financial statements have been prepared on the 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, supported by the Group's cash position (as above) and net current asset position of \$28,522,000 as at 30 June 2021. At balance date, the Group had no external loan facilities.

Whilst the Group expects to utilise some of its available cash reserves to support its operating activities in the short term, and settle amounts relating to external advisor costs arising from the ongoing Board investigation, the Group's current cashflow forecasts indicate that the cash held by the Group will be sufficient to support its operating activities and pay creditors as and when they fall due for no less than 12 months from the date of this directors' report.

Significant changes in the state of affairs

On 17 September 2020 the Group requested a trading halt on the Australia Securities Exchange (ASX). On 21 September 2020 the Group was suspended from quotation under Listing Rule 27.2, pending the outcome of investigations associated with the Group's operations. The details of these matters are detailed in the "Board Investigation" section of the Annual report for 2020. This can be found at <https://www.phoslock.com.au/site/Investors/reports1/Annual-Reports>. As at the date of this Report the Group remains suspended from quotation.

The financial statements included within this half year report reflect the outcome of relevant investigations as they relate to the half year ended 30 June 2021 and comparative period.

There were no other 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.

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; and
- OSHA 18000 - Health and Safety Management Systems.

Phoslock® has been tested by the Chinese Research Academy of Environmental Sciences (CRAES) who has issued test certificates of compliance. 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 July 2019, Phoslock® was accredited by the Chinese Ministry of Water Resources (MWR) as an approved phosphorus absorption technology 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 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 entity. The Group will recognise a liability for these amounts if and when the contingent obligations are confirmed and can be reliably measured.

Other than in respect to the Group's Chinese operations, the Directors are not aware of any breaches of environmental regulations by the Group in any of the other regions in which the Group operates.

Extended reporting and lodgement deadlines

Phoslock Environmental Technologies Limited (PET) is relying on the reporting relief granted by ASIC under ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451, as amended by ASIC Corporations (Amendment) Instrument 2020/1080 and ASIC Corporations (Amendment) Instrument 2021/315), to extend the lodgement date for its audited half-year accounts, and other documents required to be lodged under section 320 of the Corporations Act 2001 (Cth), for the half-year ending 30 June 2021 (HY21). PET will immediately make a further announcement to the market if it becomes aware that there will be a material difference between its unaudited half-year accounts and its audited half-year accounts.

Phoslock Environmental Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021



	Note	Consolidated 30 Jun 2021 \$'000	30 Jun 2020 \$'000
Revenue			
Sales revenue		1,326	2,090
Cost of sales		(582)	(970)
Gross profit		<u>744</u>	<u>1,120</u>
Other income	3	640	150
Interest revenue calculated using the effective interest method		12	44
Expenses			
Distribution		(49)	(64)
Marketing		(78)	(217)
Occupancy		(6)	(93)
Director, listing and professional fees		(2,940)	(1,025)
Administration		(2,161)	(4,148)
Impairment of receivables		536	(9,804)
Impairment of assets/(reversals of impairment)	4	2,558	(7,536)
Share-based expense reversal		-	30
Finance costs	4	(11)	(105)
Loss before income tax benefit		(755)	(21,648)
Income tax benefit		-	36
Loss after income tax benefit for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		(755)	(21,612)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		52	1,145
Other comprehensive income for the half-year, net of tax		52	1,145
Total comprehensive income for the half-year attributable to the owners of Phoslock Environmental Technologies Limited		<u>(703)</u>	<u>(20,467)</u>
		Cents	Cents
Basic earnings per share	10	(0.12)	(3.69)
Diluted earnings per share	10	(0.12)	(3.69)

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 2021



	Note	Consolidated 30 Jun 2021 \$'000	31 Dec 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		26,299	30,441
Trade and other receivables		1,781	2,726
Inventories		4,007	3,959
Other assets		648	450
Total current assets		<u>32,735</u>	<u>37,576</u>
Non-current assets			
Property, plant and equipment		36	73
Right-of-use assets		134	165
Intangibles		243	209
Total non-current assets		<u>413</u>	<u>447</u>
Total assets		<u>33,148</u>	<u>38,023</u>
Liabilities			
Current liabilities			
Trade and other payables		3,612	3,815
Lease liabilities	5	261	544
Income tax		149	603
Employee benefits		221	296
Total current liabilities		<u>4,243</u>	<u>5,258</u>
Non-current liabilities			
Lease liabilities	5	135	3,292
Total non-current liabilities		<u>135</u>	<u>3,292</u>
Total liabilities		<u>4,378</u>	<u>8,550</u>
Net assets		<u>28,770</u>	<u>29,473</u>
Equity			
Issued capital	6	92,459	92,459
Reserves		1,037	985
Accumulated losses		(64,726)	(63,971)
Total equity		<u>28,770</u>	<u>29,473</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 2021



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	577	(38,237)	25,757
Loss after income tax benefit for the half-year	-	-	-	(21,612)	(21,612)
Other comprehensive income for the half-year, net of tax	-	-	1,145	-	1,145
Total comprehensive income for the half-year	-	-	1,145	(21,612)	(20,467)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	29,162	-	-	-	29,162
Lapsed option reversal	-	(30)	-	-	(30)
Balance at 30 June 2020	<u>92,549</u>	<u>-</u>	<u>1,722</u>	<u>(59,849)</u>	<u>34,422</u>

Consolidated	Issued capital \$'000	Option reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2021	92,459	-	985	(63,971)	29,473
Loss after income tax expense for the half-year	-	-	-	(755)	(755)
Other comprehensive income for the half-year, net of tax	-	-	52	-	52
Total comprehensive income for the half-year	-	-	52	(755)	(703)
Balance at 30 June 2021	<u>92,459</u>	<u>-</u>	<u>1,037</u>	<u>(64,726)</u>	<u>28,770</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 2021



	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,822	3,674
Payments to suppliers and employees (inclusive of GST)	(6,275)	(12,306)
Government grants and incentives received	129	489
Interest received	12	30
Interest and other finance costs paid	(11)	-
Income taxes paid	(525)	(274)
	<u>(3,848)</u>	<u>(8,387)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(3)	(21)
Payments for intangibles	(44)	(10)
Proceeds from disposal of property, plant and equipment	2	-
	<u>(45)</u>	<u>(31)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	-	30,004
Share issue transaction costs	-	(842)
Repayment of lease liabilities	(315)	(904)
	<u>(315)</u>	<u>28,258</u>
Net cash from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	(4,208)	19,840
Cash and cash equivalents at the beginning of the financial half-year	30,441	14,959
Effects of exchange rate changes on cash and cash equivalents	66	446
	<u>26,299</u>	<u>35,245</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 2021, approximately 82% of the Group's external revenue was derived from sales to 3 customers (30 June 2020: approximately 46% of the Group's external revenue was derived from sales to three customers).



Note 1. Operating segments (continued)

Operating segment information

Consolidated - 30 Jun 2021	Australia/NZ \$'000	Europe/UK \$'000	US/Canada/ Brazil \$'000	China \$'000	Eliminations \$'000	Total \$'000
Revenue						
Sales to external customers	14	177	710	425	-	1,326
Intersegment sales	82	10	102	993	(1,187)	-
Total revenue	96	187	812	1,418	(1,187)	1,326
EBIT						
	(3,707)	(47)	172	34	(338)	(3,886)
Interest revenue						12
Foreign exchange loss						(79)
Gain on lease modifications						115
Reversal of impairment of receivables						536
Reversal of impairment of assets						2,558
Finance costs						(11)
Loss before income tax expense						(755)
Income tax expense						-
Loss after income tax expense						(755)
Assets						
Segment assets	46,724	603	126	8,808	(23,113)	33,148
Total assets						33,148
Liabilities						
Segment liabilities	4,839	118	74	3,099	(3,752)	4,378
Total liabilities						4,378



Note 1. Operating segments (continued)

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	1,516	-	2,090
Intersegment sales	176	96	17	-	(289)	-
Total revenue	176	170	517	1,516	(289)	2,090
EBIT						
	(3,157)	(114)	282	(1,425)	102	(4,312)
Foreign exchange gain						79
Share-based expense reversal						30
Impairment of receivables						(9,804)
Impairment of assets						(7,536)
Finance costs						(105)
Loss before income tax benefit						(21,648)
Income tax benefit						36
Loss after income tax benefit						(21,612)
Consolidated - 31 Dec 2020						
Assets						
Segment assets	79,951	815	-	8,976	(51,719)	38,023
Total assets						38,023
Liabilities						
Segment liabilities	34,647	1,555	-	6,583	(34,235)	8,550
Total liabilities						8,550

Note 2. Revenue

Disaggregation of revenue

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

	Consolidated	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000
<i>Geographical regions</i>		
Australia/NZ	14	-
Europe/UK	177	74
US/Canada/Brazil	710	500
China	425	1,516
	<u>1,326</u>	<u>2,090</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,326</u>	<u>2,090</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 2021	30 Jun 2020
	\$'000	\$'000
Net foreign exchange gain	-	79
Net gain on disposal of property, plant and equipment	-	1
Gain on lease modifications	115	-
Government grants (COVID-19)	-	43
Other income	525	27
	<hr/>	<hr/>
Other income	<u>640</u>	<u>150</u>

Gain on lease modifications

Refer to note 5 for more information.

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 2021 30 Jun 2020
\$'000 \$'000

Loss before income tax includes the following specific expenses:

Depreciation

Office equipment	39	126
Land and buildings right-of-use assets	76	426
Office equipment right-of-use assets	-	4
	115	556

Amortisation

Patents and trademarks	-	3
	115	559

Impairment of assets/(reversals)

Inventories	567	2,067
Plant and equipment	-	1,417
Rights-of-use assets	(3,125)	4,052
	(2,558)	7,536

Finance costs

Interest and finance charges paid/payable on lease liabilities	11	105
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Net foreign exchange loss

Net foreign exchange loss	79	-
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Leases

Short-term lease payments	6	100
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Superannuation expense

Defined contribution superannuation expense	65	132
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Payroll tax expense

Reversal of payroll tax expense*	(649)	-
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* At 31 December 2020, the Group recognised an estimate for the Australian payroll tax liability expected to arise in connection with the vesting of options issued to employees. During the current period, the Group received additional information which clarified the tax status of relevant individuals and resulted in a reduction in the expected liability of \$649,224, which has been recognised within profit or loss in the current period.



Note 5. Lease liabilities

	Consolidated	
	30 Jun 2021 \$'000	31 Dec 2020 \$'000
<i>Current liabilities</i>		
Lease liability	261	544
<i>Non-current liabilities</i>		
Lease liability	135	3,292
	<u>396</u>	<u>3,836</u>

On 11 January 2021, the Group signed a lease modification with its landlord in relation to the PETZ ('Zhejiang Phoslock Environmental Technologies Ltd (China)') factory which reduced the lease term, square footage and overall cost. This is part of the ongoing effort to right size the business as a result of the investigation findings and current trading conditions. This resulted to recognition of gain on lease modifications presented as other income in the statement of profit or loss amounting to \$3,241,000 for the half year ended 30 June 2021 (note 3).

Note 6. Issued capital

	Consolidated			
	30 Jun 2021 Shares	31 Dec 2020 Shares	30 Jun 2021 \$'000	31 Dec 2020 \$'000
Ordinary shares - fully paid	<u>625,000,509</u>	<u>625,000,509</u>	<u>92,459</u>	<u>92,459</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.

Note 7. Dividends

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



Note 8. Contingent liabilities

The Group is continuing to assess certain regulatory compliance and operational matters connected with its Chinese operations which may result in penalties or the Group incurring additional costs associated with rectification activities. These include income tax and other associated tax matters as well as environmental matters. 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 entity. The Group will recognise a liability for these amounts if and when the possible obligations are confirmed and can be reliably measured.

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 comparatives. These adjustments may result in penalties or interest in future periods. As at the date of this report, other than items detailed in this interim 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 9. Related party transactions

Parent entity

Phoslock Environmental Technologies Limited is the parent entity.

Transactions with related parties related to fraud

In the prior half-year period, the Group identified that previous members of Key Management Personnel ('KMP') (Mr Zhigang Zhang - resigned 30 September 2020, Mr Ningping Ma- resigned 30 September 2020 and Mr Tingshan Liu- resigned 31 December 2020) had relationships with the following entities that rendered them to be related parties of the Group up to the date of the resignation of these KMPs, which had not been disclosed:

Entity	Relationship
Beijing Hualijia Environmental Engineering Technology Co., Ltd ('BHEET')	100% directly owned by Mr Zhang
Beijing BHZQ Environmental Engineering Technology Co., Ltd ('BHZQ')	27.19% indirectly owned by Mr Zhang 2.81% indirectly owned by Mr Ma Both are directors of BHZQ
Beijing Kelin Haohua Environmental Technology Development Co., Ltd ('BKHETD')	80% directly owned by Mr Zhang 15% directly owned by Mr Liu Both are directors of BKHETD

The following are the transactions with the above related entities:

Transactions	Entity	Half year ended 30 June 2021* \$	Half year ended 30 June 2020 \$
Sales of aeration machines (Xinfeng River project)	BHZQ	-	191,120
Purchase of consulting service (Car rental service)	BHEET	-	4,895
Purchase of consulting service (Venue hire service)	BHEET	-	6,118
Service fee of bacteria agent expansion	BHEET	-	209,976



Note 9. Related party transactions (continued)

* There are no more transactions with the above related parties as they are no longer KMP during the half-year 30 June 2021.

Receivable from and payable to related parties related to fraud

The following receivable from and payable to the above related parties.

	30 June 2021		31 December 2020	
	Trade and other receivables	Trade and other payables	Trade and other receivables	Trade and other payables
	\$	\$	\$	\$
BHEET**	-	-	1,591	202,566
BHZQ*	-	-	-	-
	-	-	1,591	202,566

* Represents value of receivables after provision for expected credit loss had been fully written-off as of 30 June 2021.

** There was a trade and other receivables of \$1,647 as of 30 June 2021 but no longer disclosed as no longer related party as at 30 June 2021.

There are no more transactions in relation to above related parties as of 30 June 2021.

Transactions with related parties not fraud related

The following transactions occurred with related parties:

	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$	\$
Payment for services provided by relatives of key management personnel:		
Margaret Schuitema - part-time employment**	-	91,509
Yolanda Winks - part-time employment***	-	20,001
Venus Ho - part-time employment****	-	11,253
Payment for services provided by companies related to key management personnel:		
Payment for rent - Link Traders (Aus) Pty Ltd*	21,873	57,216
Payment for investor relations fees - Serenity Holdings Pty Ltd*	66,756	67,579

* related party of Laurence Freedman, no longer related party as at 30 June 2021.

** related party of Robert Schuitema, no longer a related party as at 30 June 2021.

*** related party of Andrew Winks

**** related party of Chris Hui, no longer a related party as at 30 June 2021.

Receivable from and payable to related parties

Other than the receivable and payable to related party which were fraud related presented above, 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 outside of China were made on normal commercial terms and conditions and at market rates.

Board investigations

The Board investigation is still on going and there are no further updates to disclose in the half-year period 30 June 2021. The details of these matters are detailed in the "Board Investigation" section of the Annual report for 2020. This can be found at <https://www.phoslock.com.au/site/Investors/reports1/Annual-Reports>



Note 10. Earnings per share

	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
Loss after income tax attributable to the owners of Phoslock Environmental Technologies Limited	<u>(755)</u>	<u>(21,612)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>625,000,509</u>	<u>584,917,983</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>625,000,509</u>	<u>584,917,983</u>
	Cents	Cents
Basic earnings per share	(0.12)	(3.69)
Diluted earnings per share	(0.12)	(3.69)

Note 11. Events after the reporting period

Since 30 June 2021, the Group's operations have continued to be impacted by the COVID-19 pandemic and related Government actions imposed in key markets to slow the spread of the virus. As the global outbreak of COVID-19 continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's business activities

No other matter or circumstance has arisen since 30 June 2021 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.