



Company announcement

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New Product Development

Significant Progress and Potential Step-Change in Product Performance

The Company has made significant progress in recent months in the development of a new family of improved clay-based phosphorus (P)-binding products, with lanthanum concentrations ranging from 10% to 25%.

A patent application has been submitted, providing an important step towards protecting the Company's intellectual property and the potential commercial opportunity arising from these products.

Laboratory testing at pilot scale has produced highly encouraging results. Each product has demonstrated phosphorus-binding performance close to its theoretical maximum, confirming the direct relationship between lanthanum concentration and phosphorus-binding capacity.

For example, the 20% lanthanum product has demonstrated approximately four times the phosphorus-binding capacity of Phoslock, which contains 5% lanthanum.

At the same time, all products tested have demonstrated acceptably low release of free lanthanum ions into the treated water. The combination of substantially increased phosphorus-binding capacity with controlled lanthanum release is a key feature of the new product family.

Manufacturing Validation

An important milestone was achieved in April when the Company successfully produced a 2-tonne test batch of the 10% product using its existing commercial manufacturing plant.

Laboratory testing of the production material demonstrated phosphorus-binding and free-lanthanum characteristics consistent with the pilot-scale product. This provides important early evidence that the new products can be manufactured using the Company's existing production infrastructure, requiring only minor modifications.



A further 2-tonne production run of the 10% product is planned for September, followed by a 2-tonne production run of the 20% product.

The ability to manufacture the new products using the existing plant has potentially significant strategic importance. It could allow the Company to introduce higher-performance products without the need for a major new manufacturing facility, while also providing scope to increase production capacity as commercial demand develops.

Transition to Field Testing and Commercialisation

The development program is now progressing from laboratory and production-scale validation towards bulk field testing.

Testing of the 10% product in ponds is about to commence, including a 1-tonne sample that has been sent to the USA for testing under the supervision of Orion.

In China, an application of the 10% product to a fishpond in Shanghai is planned for September. Sampling and analytical work will be conducted by an independent research team, providing an important level of external validation.

Successful field testing would represent a significant further milestone in the development program and move the products closer to commercial deployment.

While successful commercialisation is not guaranteed, the Company believes that, if the remaining development and testing programs are successful, first commercial sales could potentially occur in 2027.

Potential to Transform the Company's Economics

The potential significance of these products extends well beyond an incremental improvement in product performance.

A substantially higher phosphorus-binding capacity has the potential to change the economics of phosphorus removal for both customers and the Company.

Subject to successful commercialisation and the Company's product pricing strategy, a number of potentially significant outcomes could occur simultaneously:

- **Much lower dosage requirements:** substantially less product would be required to capture a given quantity of phosphorus.
- **Lower product volumes per project:** the quantity of product required to treat an individual lake or waterbody could fall sharply.
- **Lower logistics and application costs:** reduced product volumes could materially reduce transportation, handling and application costs per unit of phosphorus captured.
- **Higher-value product:** although manufacturing cost per tonne is expected to increase, the substantially greater phosphorus-binding capacity could support a significantly higher selling price per tonne.



- **Improved margins:** the potential increase in selling price could exceed the increase in manufacturing cost, providing scope for materially higher gross margins.
- **Higher profitability:** the combination of higher margins and potentially increased market penetration could result in significant increases in gross profit and annual profit.
- **Greater customer value:** customers could potentially achieve substantially lower costs for each unit of phosphorus captured.
- **Stronger competitive position:** a materially lower cost of phosphorus removal could strengthen the Company's competitive position and reduce competitive pressure.
- **Increased market share:** improved product economics could enable the Company to pursue applications and markets that are less commercially attractive using lower-capacity products.
- **Extended manufacturing capacity:** higher phosphorus-binding efficiency could defer the need for major expansion of manufacturing capacity.

A Potential Step-Change for PET

The strategic opportunity is potentially considerable.

The new products have the potential to deliver substantially more phosphorus-binding capacity per tonne of product, while reducing the quantity of material that customers need to purchase, transport and apply.

This creates the possibility of a particularly attractive economic outcome: lower total treatment costs for customers while simultaneously increasing the value and profitability of the Company's products.

Importantly, the potential benefits are not dependent on a single factor. They could arise from the combination of improved product performance, lower dosage rates, reduced logistics and application costs, premium product pricing, improved margins and increased market penetration.

The Company is now moving from product development and laboratory validation into larger-scale production and field testing. These next stages will be critical in demonstrating whether the laboratory performance can be replicated consistently under commercial and real-world conditions.

There can be no assurance that the development, testing or commercialisation program will be successful. However, if the current results are confirmed through field testing and the products are successfully commercialised, the new product family could represent a significant step-change in the Company's competitive position, profitability and long-term growth prospects.

The Company believes these products have the potential to transform the economics of phosphorus capture — for its customers and for Phoslock — and, ultimately, to transform the Company's long-term future.



This announcement has been approved by the Chairman.

Mr Fred Bart
Chairman

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About PET. Phoslock Environmental Technologies Limited (ASX: PET) specialises in water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs. PET is headquartered in Sydney, has an office and factory in Changxing, China and employees in Europe and the USA. The Company is represented by licensees, distributors and agents in numerous countries including HydroScience in Brazil and the Orion Companies in the USA. PET's main manufactured product is Phoslock®, a lanthanum modified bentonite (LMB) that permanently binds excess phosphorus in the water column and sediments and thus prevents the formation of cyanobacteria. Phoslock is certified for use in drinking water in North America, Europe, Brazil, Australia, and China.

www.petwatersolutions.com