

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	Dyesol Limited
ABN	92 111 723 883
Financial Period	Year ended 30 June 2010
Previous Corresponding Reporting Period	Year ended 30 June 2009

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	3,042	21%
Loss after related income tax benefit	(14,369)	45%
Net loss attributable to members of the parent entity	(14,369)	45%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer Part 9 for a commentary on the results for the year.

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statements of Comprehensive Income

	2010 (\$)	2009 (\$)
Revenue	3,042,021	2,519,654
Cost of sales	(2,209,965)	(1,899,819)
Gross profit	832,056	619,835
Other income from continuing operations	1,667,755	2,420,789
Technical Expenses	(5,854,859)	(4,853,414)
Administration and corporate expenses	(7,420,217)	(5,431,563)
Marketing expenses	(3,408,638)	(2,553,256)
Finance costs	(1,928)	(23,627)
Intellectual property expenses	(574,173)	(506,812)
Loss before income tax	(14,760,004)	(10,328,048)
Income tax benefit	390,998	413,300
Loss for the year	(14,369,006)	(9,914,748)
Other Comprehensive loss for the year, net of tax		
Foreign currency translation difference	(383,557)	(80,176)
Total comprehensive Income for the year	(14,752,563)	(9,994,924)
Loss for the year is attributable to		
Owners of Dyesol Limited	(14,369,119)	(9,914,764)
Non-controlling interest	113	16
	(14,369,006)	(9,914,748)
Total comprehensive loss for the year is attributable to:		
Owners of Dyesol Limited	(14,752,781)	(9,994,940)
Non-controlling interest	218	16
	(14,752,563)	(9,994,924)

Part 5 – Accumulated losses

	2010 (\$)	2009 (\$)
Accumulated losses at the beginning of the financial period	(24,752,269)	(14,837,505)
Loss for the financial period	(14,369,119)	(9,914,764)
Accumulated losses at the end of the financial period	(39,121,388)	(24,752,269)

Part 6 – Consolidated Statements of Financial Position

	2010 \$	2009 \$
CURRENT ASSETS		
Cash and cash equivalents	13,137,203	13,290,253
Trade and other receivables	1,812,122	2,203,382
Inventories	1,958,102	1,779,500
Other current assets	254,738	348,806
Total Current Assets	17,162,165	17,621,941
NON CURRENT ASSETS		
Property, plant and equipment	3,982,204	5,526,155
Intangible assets	7,985,300	6,228,646
Total Non Current Assets	11,967,504	11,754,801
TOTAL ASSETS	29,129,669	29,376,742
CURRENT LIABILITIES		
Trade and other payables	2,940,000	1,992,510
Interest-bearing liabilities	11,076	10,132
Provisions	202,166	359,222
Total Current Liabilities	3,153,242	2,361,864
NON CURRENT LIABILITIES		
Interest-bearing liabilities	464,437	12,146
Provisions	343,653	176,971
Deferred tax liability	749,207	825,452
Total Non Current Liabilities	1,557,297	1,014,569
TOTAL LIABILITIES	4,710,539	3,376,433
NET ASSETS	24,419,130	26,000,309
EQUITY		
Issued capital	61,483,094	49,125,087
Reserves	2,056,394	1,626,679
Accumulated losses	(39,121,388)	(24,752,269)
Capital and Reserves attributable to owners of Dyesol Limited	24,418,100	25,999,497
Non-controlling interest	1,030	812
	24,419,130	26,000,309

Part 7 – Consolidated Statements of Cash Flows

	2010 (\$)	2009 (\$)
Cash flows from operating activities		
Cash receipts from customers	2,006,935	3,245,176
Cash payments to suppliers and employees	(15,361,613)	(14,263,018)
Income tax rebate received	359,588	692,765
Interest received	228,147	612,767
Finance costs	(1,928)	(23,627)
Grant received	1,563,232	2,470,462
Net cash used in operating activities	(11,205,639)	(7,265,475)
Cash flows from investing activities		
Payments for plant and equipment	(692,188)	(3,441,807)
Payments for intellectual property	(100,000)	-
Payments for product development costs	(975,761)	(529,167)
Loans to directors	(300,000)	(1,400,625)
Loans repaid by directors	1,500,625	500,000
Net cash used in investing activities	(567,324)	(4,871,599)
Cash flows from financing activities		
Proceeds from borrowings	462,484	-
Repayment of borrowings	(10,871)	(10,650)
Proceeds from the issue of shares	12,000,000	11,325,392
Share issue costs	(628,593)	(498,749)
Net cash provided by financing activities	11,823,020	10,815,993
Net increase in cash held	50,057	(1,321,081)
Cash at the beginning of the year	13,290,253	14,667,768
Foreign currency loss on cash held	(203,107)	(56,434)
CASH AT THE END OF THE YEAR	13,137,203	13,290,253

Part 8 – Consolidated Statements of Changes in Equity

	Issued capital	Accumulated losses	Equity-settled benefit	Reserves Contingent equity consideration on purchase of subsidiary	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2008	36,298,092	(14,837,505)	1,706,855	1,153,900	-	24,321,342	796	24,322,138
Total comprehensive income for the year								
Loss for the year	-	(9,914,764)	-	-	-	(9,914,764)	16	(9,914,748)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	-	(80,176)	(80,176)	-	(80,176)
Total comprehensive income for the year	-	(9,914,764)	-	-	(80,176)	(9,994,940)	16	(9,994,924)
Transaction with owners, in their capacity as owners								
Issue of shares	11,325,392	-	-	-	-	11,325,392	-	11,325,392
Shares issued as consideration for acquisitions	1,953,900	-	-	(1,153,900)	-	800,000	-	800,000
Issue of shares as share based payment	46,453	-	-	-	-	46,453	-	46,453
Transaction costs from issue of shares	(498,750)	-	-	-	-	(498,750)	-	(498,750)
Total transactions with owners	12,826,995	-	-	(1,153,900)	-	11,673,095	-	11,673,095
At 30 June 2009	49,125,087	(24,752,269)	1,706,855	-	(80,176)	25,999,497	812	26,000,309

Part 8 – Consolidated Statements of Changes in Equity (Continue)

	Issued capital	Accumulated losses	Equity-settled benefit	Reserves Contingent equity consideration on purchase of subsidiary	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Total comprehensive income for the year								
Loss for the year	-	(14,369,119)	-	-	-	(14,369,119)	113	(14,369,006)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	-	(383,662)	(383,662)	105	(383,557)
Total comprehensive income for the year	-	(14,369,119)	-	-	(383,662)	(14,752,781)	218	(14,752,563)
Transaction with owners, in their capacity as owners								
Issue of shares	12,000,000	-	-	-	-	12,000,000	-	12,000,000
Shares issued as consideration for acquisitions	1,020,000	-	-	-	-	1,020,000	-	1,020,000
Options issued as share based payment	-	-	813,377	-	-	813,377	-	813,377
Transaction costs from issue of shares	(661,993)	-	-	-	-	(661,993)	-	(661,993)
Total transactions with owners	12,358,007	-	813,377	-	-	13,171,384	-	13,171,384
At 30 June 2010	61,483,094	(39,121,388)	2,520,232	-	(463,838)	24,418,100	1,030	24,419,130

Part 9 – Commentary on Results

Dyesol enjoyed a successful year of business development which the Board expects will translate into significant revenue as we enter a period of focussed commercialisation. The establishment of DyeTec Solar, a joint venture between Pilkington N.A and Dyesol, is the clearest expression of this effort and is similar in potential to the Corus project. Addressing the BIPV market is central to the company's business strategy and we believe the quality of the partnerships will allow for successful commercialisation of the company's proprietary DSC technology and provide access to the global market place.

Beyond facades and roofing, the company has also foreshadowed possible projects in the transport and consumer electronics sectors. We are currently assessing attractive opportunities there and hope to confirm at least one of these transactions within the first half of FY2011. The reinforced business development activities are reflected in the increased loss for 2009/10. Its importance and magnitude are expected to decrease, however, as the implementation of the project-based strategy matures. Corporate costs should, therefore, decline significantly in FY2011.

During FY2010, Dyesol has maintained its sales growth by another 21% increase in revenue. The increase in operating loss to \$14.4m was caused mainly by the non-cash items of depreciation and amortization (\$2.3M), share-based non-cash expense (\$813K), and the anticipated reduced UK grant rate from 1st May. The company also has considerable exposure to the Euro, British Pound and US Dollar. The company currency risk management policy means that it typically holds half of its cash in foreign currency. Whilst this translated into a loss of \$719K during the year, the current strength of the Australian dollar means it is becoming cheaper to operate internationally and we consider it an important competitive advantage and net benefit. International operating costs continue to fall in Australian dollar terms.

Cash at year end was \$13.1m with a strong balance sheet of a surplus of \$14m of current assets over current liabilities. The net cash usage of just over \$11.5m is in line with the company's expectations with over \$1.6m investments in further capital equipments and capitalized projects; Dyesol is well aligned with its key business objectives of strategic R&D alliances internationally to serve the 3rd generation solar market. Prudent cost management and project activity-based budgetary tools are now implemented to make Dyesol focus under the leadership of its new CEO, Clemens Betzel who joined Dyesol July 1, 2010.

During the year Dyesol shareholders expressed their confidence in investing a further \$12m to enable the company to meet its next goals to commercialization. Dyesol with its new restructured management team is poised for more sustainable revenue growth, tighter cost control and achievements in core R&D in the near future.

Part 10 – Revenue and Expenses

The loss before income tax includes the following items of revenue and expense:

	2010 \$	2009 \$
(a) Revenue from continuing operations		
Rendering of services	378,692	325,376
Sale of goods	2,663,329	2,194,278
	<u>3,042,021</u>	<u>2,519,654</u>
Other income		
Interest revenue	168,473	466,084
Government grant	1,419,528	1,950,002
Net gain/loss on disposal of equipment	-	(2,510)
Other revenue	79,754	7,213
	<u>1,667,755</u>	<u>2,420,789</u>
Total revenue from continuing operations	<u>4,709,776</u>	<u>4,940,443</u>
(b) Depreciation and amortisation expenses		
Amortisation of intangible assets	248,740	246,231
Depreciation expense	2,066,951	1,676,958
	<u>2,315,691</u>	<u>1,923,189</u>
(c) Finance costs		
Interest expense	<u>1,928</u>	<u>23,627</u>
(d) Employee benefits expense		
Wages and salaries costs	5,273,376	4,890,898
Equity-settled share-based payments	813,377	-
Superannuation costs	335,679	344,358
Redundancy payment	5,667	-
(Decrease)/increase in liability for annual leave	(7,056)	51,814
Increase/(decrease) in liability for long service leave	16,684	(9,302)
	<u>6,437,727</u>	<u>5,277,768</u>

Part 11 – Notes to the Statement of Cash Flows

	2010 \$	2009 \$
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	<u>13,137,203</u>	<u>13,290,253</u>

Part 11 – Notes to the Statement of Cash Flows (continued)

	2010 \$	2009 \$
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss for the period	(14,369,006)	(9,914,748)
Add non-cash items:		
- Depreciation	2,066,951	1,673,303
- Amortisation	248,740	246,231
- Equity settled share-based payments	813,377	46,453
- Unrealised exchange losses	(6,405)	(23,742)
- Loss on sale of assets	-	2,510
Operating loss before changes in assets and liabilities	(11,246,343)	(7,969,993)
Changes in assets and liabilities during the period:		
(Increase)/ decrease in trade and other receivables	(809,365)	676,343
Decrease/(increase) in other current assets	94,068	(75,934)
Increase in inventories	(178,602)	(819,578)
Increase in trade and other payables	1,001,222	942,157
Increase in provisions	9,626	42,509
Decrease in deferred tax liability	(76,245)	(60,979)
Net cash used in operating activities	(11,205,639)	(7,265,475)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Earnings per Share

	2010	2009
Basic loss per ordinary share	(11.03 cents)	(8.54 cents)
Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.		
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic loss per share	130,234,536	116,163,487

Part 14 – Net Tangible Assets per Security

	2010	2009
Net tangible asset backing per ordinary security	11.50 Cents	15.22 Cents

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	N/A
Date control gained or lost	N/A
Contribution of the controlled entity to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	N/A
Profit (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	N/A

Part 16 – Issued Securities

	2010 (\$)	2009 (\$)
Share capital		
142,875,632 (2009: 129,875,632) fully paid ordinary shares	61,483,094	49,125,087
<i>The following movements in issued capital occurred during the year:</i>		
	Number of Ordinary Fully Paid Shares	Issued Capital (\$)
Balance at beginning of year	129,875,632	49,125,087
Placement of shares for cash at \$1.00	12,000,000	12,000,000
Issue of shares in relation to acquisition of subsidiaries	1,000,000	1,020,000
Transaction costs of share issues	-	(661,993)
Balance at the end of year	142,875,632	61,483,094

	2010 Number	2009 Number
Options		
Options exercisable	4,314,000	1,814,000
<i>The following movements in the number of options occurred during the financial period:</i>		
Balance at the beginning of year	1,814,000	11,422,330
Issue of options to employees, directors and consultants for nil consideration	3,000,000	50,000
Options exercised	-	(9,524,213)
Options lapsed	(500,000)	(134,117)
Balance at the end of year	4,314,000	1,814,000
Other Options		
During the year the Company granted the following options over unissued ordinary shares:		
– 2,000,000 options exercisable at \$1.10 each on or before 27 November 2012.		
– 1,000,000 options exercisable at \$1.20 each on or before 27 November 2013		
During the year the following options over unissued ordinary shares lapsed:		
– 500,000 options exercisable at \$1.24 each on or before 28 February 2010		
No options were exercised during the year.		

At balance date, unissued ordinary shares of the Company under option are:

- 600,000 options exercisable at \$1.25 each on or before 15 November 2010;
- 714,000 options exercisable at \$1.16 each on or before 31 December 2012;
- 2,000,000 options exercisable at \$1.10 each on or before 27 November 2012;
- 1,000,000 options exercisable at \$1.20 each on or before 27 November 2013.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Part 17 – Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not Applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not Applicable