

19 March 2012

Company Announcements Office
Australian Securities Exchange

Shareholder Q & A

In response to recent questions and enquiries from shareholders relating to the Company's activities and progress, attached is a Company update in a "question-and-answer" format that seeks to elaborate further on the various issues raised.

Dyesol is presently conducting a Share Purchase Plan for its shareholders and hopes the release will provide additional confidence about the Company's future and its prospects.

Yours faithfully,



Richard Caldwell
Chairman

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Dear Concerned Investors,

Dyesol Shareholders Q&A - 19 March 2012

Thank you for your collective emails in last 48 hours or so. The directors of Dyesol see this as a welcome communication from Dyesol shareholders and as a sincere indication of your deep concern for the Company's future.

In our reply we will endeavour to answer your questions whilst remaining compliant with the Corporations Act and the ASX Listing rules. Notably, we cannot provide price sensitive information to a selective or restricted group of shareholders, however if we can clarify the Company's financial position and commercial prospects in relation to prior ASX releases we will endeavour to do so. As you have correctly pointed out, we are also restricted by the nature of our agreements with some of our multi-national partners.

I am writing to you as one of several shareholders who have been in discussions with each other and who are concerned with the lack of information Dyesol has given to us, the owners of the company, both historically and during this important period in which Dyesol is trying to raise much needed funding. I disagree with the SPP cleansing statement when it says that no information has been excluded from continuous disclosure that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and prospects of the Company. I realise the SPP Cleansing Statement is standard practice and standard wording. However I believe the company needed to release far more information to the market in order for Cleansing Statement to be genuine. I also realise there is some information investors such as myself would like to have which can not be released for commercially sensitive reasons. However I feel there is far more information that could be released to us than what has been. As an owner of the company I feel very uninformed about the actual financial position and prospects of the company and I have to guess about almost everything the company is involved in. I am writing to request more information gets released immediately to allow shareholders to make appropriate decisions in relation to the SPP.

Dyesol's Business Strategy is simple and consistent:

Dyesol is a global supplier of Dye Solar Cell (DSC) materials, technology and know-how. DSC is a photovoltaic technology enabling metal, glass and polymeric based products in the building, transport and electronics sectors to generate energy and improve energy efficiency. Dyesol preferably partners with leading multinational companies which possess significant market share and established routes-to-market.

We accept your criticism that we need to improve our shareholder communication and we have been working on an improved statement of project progress which will be reflected on our website and eNewsletter in the future.

The timing of my request for more information coincides with what I believe is a crucial time in the companies existence. If this SPP is not successful, and by that I mean significant shareholder take up, then the share price could take a further painful battering and make any future capital requirements extremely difficult to cover. If Austock take on several million shares as part of the underwriting because of a lack of investor take up, then I fear we would

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just be replacing a Springtree/Bergen overhang with an Austock overhang and that the recent share price plunge may not be at an end. There have been numerous reassuring messages fed to shareholders over the past 18 months with little real information to back them up. I feel that the best way to avoid a shortfall in what Dyesol needs to raise at the moment is to release some of the information you have, which has led to the reassuring messages given in the recent past.

We have included in an ASX announcement that the Austock underwriting is being sub-underwritten and any additional "overhang" is likely to be placed amongst Dyesol's existing shareholder base, which has been done with the aim of minimising any post SPP surplus.

The information I wish to be released to the market include:

- Most importantly; please release every detail about the project with Tata that is possible to give within the scope of the partnership confidentiality agreement. I am aware there is limited information that can be released, but many of the shareholders feel the company will live or die by the timing and extent of the Tata project and we know almost no concrete information about it. There must be more that can be released!

Commercial sensitivity and Tata's wishes need to be considered, but does the company have to allow the share price to be decimated and the viability of the Dyesol to be questioned to maintain such secrecy around the project? It does not appear that Tata is a friendly partner if it will allow Dyesol to struggle this much while not allowing anything useful to be released to the market. Unless the positive hints (without real information) Dyesol have been dropping about the status of the project are fabricated and are deliberately misleading shareholders (which I am not suggesting is what has happened), then it is an absolute disgrace that the company had to resort to such devastating funding arrangements as the SpringTree/Bergen arrangements and a SPP down at 18c while real information about the Tata project is kept hidden from current and potential investors.

Either the hints are misleading, or actual information being released to the market would have meant capital to have been raised at a much higher price and through much less damaging methods than what has been achieved by Dyesol recently. Maybe if Tata want to keep everything so secret, they should have given a loan to Dyesol to tie it over until the information could be released to the markets rather than sitting back and keeping Dyesol's owners in the dark while their investment went up in smoke.

Dyesol has a close working relationship with Tata Steel Europe, the principal sponsor of the DSC on steel project at Shotton, North Wales. The first major phase of the collaboration concluded in mid - 2011. Since then, progress towards full commercialisation has been maintained, with additional staffing and considerable business planning. Tata confirmed this intention with at least two formal announcements during 2011, the last joint announcement in November 2011. However, the well-publicised issues encountered by the global PV industry in 2010/11 have had an important impact on the proposed way forward. In essence, this hurdle to business was represented by a massive increase in production and consumption of solar PV during the troubled period in response to attractive government feed-in tariffs followed by a subsequent withdrawal of tariffs as governments failed to meet the fiscal burden. This phenomenon was particularly acute in Europe and has significantly destabilised the PV industry, both in terms of profitability and future investment. Some companies have failed, others like Dyesol we believe will emerge strongly in a new business scenario of distributed BIPV.

Yes, the uncertainty has undoubtedly affected the commercialisation plans of the Tata collaboration. It means some timing delay because the market entry product will no longer have strong reliance on feed-in tariffs or subsidies. Rather than a 5% efficiency entry product, the new plan is for an 8%, 15 year life product which will be grid competitive in the absence of feed-in tariffs. Importantly, (1) Tata responded to the changing economic circumstances with a dynamic and intelligent revision to its business plan, (2) Dyesol already has the core technology to deliver the revised and improved product and (3) BIPV emerges from the market chaos of 2010/11 in a very strong position with solar farms etc being exposed as being less competitive on nearly all measures. Soon, we will publish independently validated testing that demonstrates unequivocally that DSC performs better by approximately 30% and will be cheaper than competing solar technologies in the major markets we seek to immediately address - U.K., Europe, North America and East Asia. Dyesol fully supports the responsible actions of Tata, despite the obvious disappointment caused by delay to the commercialisation.

In addition, Tata Steel Europe, effectively the former British-Dutch controlled Corus, is a relatively new entity in Tata and one inevitable issue has been the integration of DSC into a global renewables strategy across a matrix of businesses which include chemicals, energy, auto and construction. Whilst positive in the long-term, such integration requires issues of geographic, industry and technology segmentation to be carefully addressed.

As you know, Tata is ultimately responsible for the investment decisions that will fund the commercialisation of DSC on steel. Nothing we see daily leads us to believe anything other than Tata will fulfil its obligation to commercialise this product globally. The Welsh government is also strongly behind the project as Wales actively seeks to lead the new carbon economy.

Is the May 2013 use it or (potentially) lose it clause still in place for Tata. Have talks been held with other Steel companies to encourage Tata to “use it” by or close to then? Has Tata actually given Dyesol a concrete commitment to go ahead if certain technical and cost specification milestones are achieved or could Dyesol do everything that has been asked of it and Tata just say, oh, we have decided not to go ahead? What are the actual hurdles that need to be addressed before Tata give 100% commitment? If grid parity is (or has been) achieved is there something else we are going to be told we have to wait for?

Our agreement with Tata is very robust, and if commercialisation does not occur within the timeframe, we have the right to seek other partners, but while Tata continues with the project, other partners can only be brought in with both Tata and Dyesol agreement. Other major building materials companies have approached both Dyesol and Tata and discussions about involvement and in what form have been ongoing for some time now. It is not at a stage where anything could be announced, however. Disclosure is not an easy judgement call. If the possibility of a partnership is announced too soon, that can be as much misleading to the market, as announcing too late. The presence of national government stakeholders adds to the complexity of this process, particularly in the strategically important energy sector.

- If the full \$6m is raised, does the company envisage this is the last capital raising that will be required before significant revenue is achieved (or at least committed to which would allow further capital to be raised at much more favourable levels)? If not, what is the plan for

raising additional capital in the future? Will the company consult with shareholders before entering into any potentially damaging funding arrangements in the future?

Managing the Share Registry is an important, and not trivial, task for the Board. We were well advanced in developing a workable mix of shareholders (in both Australia and internationally) including ethical/cleantech funds, which in general were very supportive, when the GFC and solar market shakeout made fund raising particularly difficult. In the future, where possible, we will continue to seek less dilutive funding (government), and strategic investment. We believe Dyesol is well placed to attract both as needed.

Capital Requirements

As an ASX listed company, Dyesol does not make detailed commentary on its capital raising strategy and tactics. However, the Company has attempted to provide guidance in relation to working capital requirements and publishes related commentary on a quarterly basis. Historically, Dyesol has sought to partner wherever possible in order to relieve the burden of raising additional capital, providing that it doesn't jeopardise its strong intellectual property position or sacrifice an obvious commercial advantage. It will cost hundreds of millions of dollars, if not more, to fully commercialise the many opportunities for DSC, although a very significant amount of R&D expenditure has already occurred. Using its "capital light" model, Dyesol intends to use the balance sheets of its larger partners to both progress large scale materials production and the ultimate applications production principally for use in the built environment. What has undoubtedly occurred during the recent market turmoil - GFC and PV specific - is that the milestone based funding model has broken down and it needs to be fixed. Certainly, we do not expect investors to provide additional capital without clear progress which satisfies them that a return on investment is likely and justifies the attendant risk. In the future, technical and commercial progress needs to more closely align with investor expectations and better communicated.

- Any update on Pilkington ahead of the first technical milestone would be appreciated so we are informed during the SPP period.

The Pilkington project has been making very good technical progress and is on track to satisfy its current proof-of-concept completion date during the first half of calendar 2012. The next phase of product development by DyeTec Solar is expected to scale-up activity substantially and be assisted by government sourced funding. We intend to make Pilkington progress the subject of a separate ASX release as soon as possible.

- Who are actually buying dyes etc from Dyesol on a regular basis and of significant quantities? G24i? NEC? Sony? Samsung? Anybody?

As indicated in the Half Yearly report, revenue for the period was approximately \$1.1 million, about half being for materials sales, dyes, titania pastes etc, and half from equipment. It is not commercially appropriate to provide a customer list, but significant corporate research groups and our partners are purchasing increasing amounts of materials as they scale up from laboratory research to prototypes.

- TIMO JV - whatever happened to it? Is anything close being made/sold or close to being made/sold? If not when if ever will it be? DYE are majority JV partners in this so surely the

complete lack of recent information around Timo is not because of commercial sensitivity to the JV partner?

You are correct that Dyesol operations in South Korea has been via a joint venture with Timo Technologies. The JV known as Dyesol-Timo has established a prototype manufacturing facility capable of producing limited quantities of Dye Solar Cell Tiles (nominally 15cm x 15cm). Tiles are often referred to as modules in the literature. The prototype facility has been used for producing tiles for testing and evaluation, incorporating various designs, material sets and construction techniques. The testing regime is crucial in determining products that are suitable for larger scale manufacture and the areas of application. In addition, the JV has been undertaking Government funded R&D, and supporting sales activity in the Korean market including equipment installation.

Dyesol's preferred position is not the end (volume) manufacturer of DSC photovoltaic products, but as the supplier of specialist materials and know-how. This serves to minimise risk and capital expenditure. The same principle would generally apply to JV's.

The GFC has impacted many smaller technology companies in the region. Our partner Timo Technology has not been immune to this situation, but still expresses a strong interest in DSC technology and its commercialisation in the near term. Their strategy to achieve this should become clearer in the first half of this year.

- There was Japanese funding you won last year. The last we heard was that a decision had to be made to accept or forgo it by 31 Dec 11. What was the decision? If it is going ahead, when? What does Dyesol need to do? What will the costs be to Dyesol over and above what the grant will cover? What should it achieve for us? If Dyesol is not going ahead with it is it lack of funds to hold up Dyesol's end of the agreement that prevented accepting the grant and running a potentially productive and beneficial project with an offer of a significant grant to partially fund it and how has Dyesol allowed itself to get to the point where funds are not available to even take on partially government funded projects?

Japan is a key business sector for Dyesol. The particular project would require Dyesol to expend significant funds in the next 6 months to meet the government timeline. Hence, we are evaluating alternatives that would maintain our leading position while reducing early cash burn.

- US Funding - what are you actually applying for from the US govt? What \$ value could it be and what are the chances of actually receiving it?

All Dyesol group companies seek to obtain grants as non-equity funding from governments for projects generally within that government's region. At any time, such applications are being drafted somewhere in the Dyesol group. We don't announce each application, only successful ones, otherwise it would be truly confusing for the market. Our UK operation has benefitted from considerable funding from the Welsh Government and our Korean JV has received funding to support both employment and project R&D funding from the Korean Government. As has been announced, Dytec Solar is nearing the end of the project phase which was awarded nearly \$1million from the Ohio State Third Frontier Fund for a 9 month project. That project is achieving its milestones so we are well positioned to be successful with subsequent applications.

- What funding can you apply for through the Australian Government and when could it be available.

In relation to alternate sources of capital for technology companies like Dyesol, 2012 and beyond look increasingly promising. Governments are becoming alert to the need for provision of financial assistance when equity capital markets are weak and unable to perform their role as a pool of risk capital. Dyesol has actively responded to the initiatives announced by the Australian Federal Government in 2011 and is well positioned to consider any offer of assistance. We believe Dyesol is an attractive target of assistance because it can augment related materials suppliers in which Australia has been a world leader and has the scale of product to create new jobs, address the challenges of global climate change and generate substantial tax revenues.

1 R&D

R&D in Australian companies attracts support through the R&D Tax Incentive scheme. Dyesol has benefitted from this scheme for many years, and in the first quarter of this year received over \$700K as a cash payment. This scheme has had a number of iterations, and this year a series of major improvements to the scheme will benefit Dyesol, so that we forecast a payment of at least \$2 million in last quarter of this year. In general, all our activities which meet the definition of R&D, will be funded 45% by this scheme, including some international activities. International activities must receive approval to be included, and we have just submitted the documentation in support of our UK, US and Japanese collaborations.

2 Other

Following passing of the Clean Energy Future legislation, the Government has been putting programmes in place. The status is as follows:

- *\$10 billion Clean Energy Finance Corporation. A decision has been announced a week ago to locate this proposed new body in Sydney. At this stage, the CEFC Board has not been appointed, and it is likely that first investments will be during 2013. Dyesol has been a participant in discussions about the CEFC, and believes that Dyesol will fit the criteria for investment for the CEFC.*
- *\$3.2 billion Australian Renewable Energy Agency for research, development and commercialisation of renewable energy. This is comprises existing funding programmes, brought together for better management. For a range of reasons, there are no programmes for which Dyesol is eligible which are better for Dyesol than the R&D Tax Incentive which we currently access.*
- *\$200 million Clean Technology Innovation Program is forecast to be launched in mid 2012. It may include funding for post R&D commercialisation phases which would be applicable for Dyesol – we will know more soon. As with all co-funded programmes, companies need to supply some 50% of funds.*
- *The \$800 million Clean Technology Innovation Program is a competitive grant program for companies with a large carbon footprint. Dyesol is not eligible.*

In summary, there are quite good prospects for funding in 2013, which may be equity or non-equity linked, but no detailed guidelines or application processes are available yet for program for which Dyesol will be eligible.

- What is the current status of Surevolt and Auto?

Whilst glass facade and steel roofing projects are strongly positioned for global commercialisation, the automobile initiative has been lowered in priority and Dyesol has recently communicated this to the market. When the Company first entered discussions with a global auto producer it had legitimate expectations of reaching a commercially viable product development agreement. However, subsequent negotiation proved difficult because of changing government policy, changing industrial goals and, most importantly, the inability to fast-track the development to profitable business for Dyesol. In hindsight, auto, whilst exciting, is a small opportunity relative to addressing the enormous surface area presented by walls and roofs in buildings, which consume well in-excess of 50% of the world's electricity. At the present time the Company is reappraising its auto strategy.

Dyesol will only work on PV module (as distinct from material) development projects where we have a partner with routes to market for the DSC PV modules. We do not have an identified partner for military versions of Surevolt since the Australian DOD did not take our project to the prototype stage (we understand that this was due to other priorities for the military budget). Non military versions have applications in consumer electronics, and we have developing relationships in this sector in Europe and East Asia, but no deals are done.

- Is the 5th DSC-IC conference still being planned? Can the company afford to be the main cost bearer from running it or could Dyesol still achieve significant exposure by participating in a more industry driven event?

For the first 3 DSC-IC conferences, Dyesol was the organiser, principal sponsor and bore the financial risk. For the 4th, we handed over the organisation and risk management to a professional conference organiser, IntertechPira, so revenue and costs are not on Dyesol's books. There have been timing issues (to ensure the attendance of key participants such as Michael Graetzel and to fit in a sensible position in the annual conference schedule) which have delayed DSC-IC 5.

- Can you publish a more recent Top 20 shareholder list so we can take into account what major shareholders have been doing when deciding what to do with the SPP? Also it would be nice if Dyesol could update this more frequently in the future. Some companies do this monthly, Dyesol does it annually.

Dyesol has a share register comprising principally of directors, founders and employees (20%), financial institutions (15%), Australian retail (40%) and European retail (25%) shareholders. We publish our top 20 shareholders annually, however if it is helpful we will endeavour to publish it more regularly through our website. There is not clear visibility, however, because of the common usage of nominee shareholdings. We note that directors have also indicated their intentions in relation to the SPP in the Offer documentation.

- Can you release some revenue and expense (cash burn) forecasts to show how soon the cost savings you are striving for will kick in and allow investors to see how long the cash raised from the SPP will last?

It is not common practice for emerging growth companies to release revenue and expenditure forecasts. Moreover, the Dyesol directors do not believe they have reasonable grounds on which to make such forecasts. However, as the Company releases an Appendix 4C quarterly the results of its recent cost reduction initiatives will be very visible to the Dyesol shareholders.

- If Tata said tomorrow it was all systems go, is Dyesol ready or do we still need more chemical supplier agreements to fall into place in order to produce the quantities of ingredients Tata will require. If so how close are we to those agreements?

It is our responsibility to be ready to supply our partners. Therefore, we have capacity in place for at least the first year of commissioning/production. We are not at risk of inability to supply, so we are holding off some commercial arrangements to get the best deals, which may be before or during that first year.

- Is Dyesol still looking at achieving revenue of approximately \$50 per square meter of product produced? Is that before or after chemical suppliers like Merck take their cut? Could revenue to DYE be only a fraction of that if other firms are actually producing the ingredients?

Our commercial strategy is to be the supplier of the DSC materials. This means that the revenue comes to Dyesol, typically through exclusive materials supply agreements. Cost of manufacture may be internal initially, but increasingly will be a single line of sub-contract payments. It is Dyesol's longer term intention to control a profitable material supply chain avoiding the need for large capital investment through strategic contract manufacturing partnerships.

- What are the details of the management reshuffle?

The company is considering various options to streamline operations and lower the cost of doing business, and this will invariably result in further organisational and management changes. As these are finalised any changes to the role of key management personnel will be announced.

Yours faithfully,

The Directors of Dyesol