DYESOL™

2012 Annual Report

For the year ended 30 June 2012

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Dyesol 2012 Annual Report

Contents

Cover: Billions of square meters of glass façade are produced each year for new office buildings. The market for carbon negative, Dye Solar Cell enabled glass façade is enormous.
Bottom image: A 2012 DSC enabled window installation using Dyesol materials & technology.

Dyesol: Global Leaders in Dye Solar Cell Technology

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 partners with leading multinational companies who possess significant market share and established routes-to-market.


J ZHENG
DYESOL
Global Leaders in Dye Solar Cell Technology
DYESOL
J ZHENG

Dyesol Limited
Corporate Directory

Directors

Mr Richard Caldwell	Executive Chairman
Mr Gordon Thompson	Executive Director
Mr Ian Neal	Non-Executive Director
Mrs Sylvia Tulloch	Non-Executive Director
Mr Gerry Grove-White	Non-Executive Director

Company Secretary

Mr Kim Hogg	Company Secretary

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Chairman's Letter

Dear Dyesol Shareholders,

The outlook for the commercialisation of our DSC technology remains bright, albeit in a solar landscape that has been profoundly affected by the global economic recession.

At the beginning of FY2012, Dyesol anticipated difficult trading conditions. The cumulative effect of economically stressed sovereign governments and simultaneous chronic oversupply of traditional polycrystalline silicon photovoltaic panels was known, but its impact was even greater than anticipated. Few, if any, solar industry participants have escaped the impact of these factors. Of course, this type of rationalisation is not a "black swan" event and is similar to the collapse, restructuring and subsequent rebirth of the telecommunications industry at the beginning of the decade. For the winners the spoils are great – for the losers, hardship and sometimes total ignominy or failure. This is a typical, neo-classical, free market cycle that brings about better business models, lower unit costs and filters out good technologies from bad. Moreover, it shouldn't be considered a reflection on the excellent opportunities in renewable energy per se and, in fact, photovoltaic sales volumes in recent months in the U.S. have lifted very strongly. Similarly, there have been encouraging forecasts for DSC and, more broadly, the Building Integrated Photovoltaics (BIPV) market which we hope to exploit in collaboration with our major commercialisation partners. Therefore, we can categorise FY2012 as a difficult year, a year of consolidation, and a year avoiding the market traps that have snared the likes Q-Cells, Solyndra and PV Crystalox.

At the board level we have used the demanding market conditions of FY2012 to instil further rigour into Company practices, both technical and management. This is a timely response to acknowledging the greater competition for risk capital and the drive towards providing a grid-competitive technology. As a pre-revenue company, this means tighter cost control, listening to the market and meeting expectations on delivery of important technical milestones. The management and staff have responded admirably to the challenge. It also means the continuation of fundamental board reform as we transition to a professionally managed, international company. The Notice of Meeting and Explanatory Memorandum for the 2012 AGM will provide further important details.

Generally, industrial DSC BIPV products are commercially viable based on an equation using efficiency, life and cost, generating a levelised cost of energy (LCOE). LCOE allows competing technologies to be compared with the cost of conventional fossil-fuel energy that they seek to replace. Whilst optimising these inputs has always been fundamental to the Dyesol Technology Road Map (TRM), the need has been accelerated with the disappearance of a stable and reliable feed-in tariff (FIT) structure in the global market place. That said, some markets such as Japan have substantially increased their renewable energy subsidies in recent months.

It is clear from the relatively timid behaviour of our partners that they, too, have been affected by the troubled market place. The sad tale of Solyndra is a salutary example of the dangers of poor business planning where up to US$1 billion of investment was destroyed. Tata, in particular, has taken the opportunity to promote solar as a strategic initiative, whilst rationalising and globalising the renewable technologies within their portfolio. Yet, it is business as usual at Shotton and Dyesol has made excellent progress towards the technical goals highlighted above since the formal conclusion of the Welsh Assembly Government supported collaborative project. As you will remember, that phase was principally focussed on successfully demonstrating that the coil-coated process could create DSC enabled steel roofing. We hope to see a more public exposition of the Tata solar commercialisation plans in the coming months. Although, as the exclusive materials supplier, we have no control over timing or the rate of commitment of capital.

The DyeTec Solar project in the USA also achieved important technical milestones during the year. With the proof-of-concept phase nearing completion, the JV has recently relocated to accommodate larger testing-validation and prototype development, the phase prior to demonstration of large-panel glass façades and product commercialisation. Importantly, prototype product and industrial strip cells have been subject to rigorous external testing in the USA and Singapore with the ready scalable strip cells achieving 7.5% - 9% efficiency.

Last, but not least, the Dyesol-Timo joint venture. Here, there is a relatively low level of committed Company resources. However, the progress is inexorable and we share the enthusiasm and enterprise of our Korean partner, Timo Technology. Glass tile product is currently in demonstration phase in government buildings and promises to be the first to take the step towards full-scale manufacture and domestic sales.

Of course, external validation is an essential step in satisfying commercialisation partners of the superior attributes of DSC over competing technologies, such as amorphous silicon, cadmium-telluride and CIGS (copper, indium, gallium, and (di)selenide). Tests conducted in North America demonstrate absolute performance, whilst comparative testing in Korea and Wales during the year have demonstrated that DSC works better in the real-world, often cloudy, light conditions of Northern Europe, North America and North-East Asia. The testing, typically performed with the assistance of universities and academic research institutes, has further exposed that often hyped name-plate efficiencies are rarely achieved in the real world where the opportunities for mass exploitation exist. It is in the real-world where we see DSC technology outperform competitors. Dyesol continues our conservative practice of using commercially representative, larger-sized DSCs for testing instead of lab-sized "spot-cells" or "hero-cells".

Dyesol has historically enjoyed the financial support of its large and diverse shareholder base. However, delays and uncertainty caused by the difficult trading conditions have justifiably stretched faith in the Company. Fortunately, with the solar industry now emerging from the abyss, less popular sources of funding, such as equity lines of credit, have been replaced with more conventional sources, which have allowed greater participation from existing shareholders. The Company continues to consider new funding opportunities with a particular emphasis on non-dilutive sources such as government grants and rebates, always with the best interests of existing shareholders in mind. It is disappointing that some government programmes remain opaque or inexplicably slow in their implementation. That said, FY2012 sees the introduction of an expanded Commonwealth Government R&D Rebate and we see this as superior to many other government programmes available to technology pioneers internationally.

So, what can we look forward to in the next year? There is no doubt that greater transparency will emerge as periods of review by multinational companies are followed by announcements and the implementation of business plans. It is also likely to be a frenetic time for technology advancement as key technical programmes begin to deliver new results to be leveraged into major projects.

Dyesol is dedicated to delivering on its global commercialisation plans during FY2013 and bringing to life its underperforming share price which, in addition to

Australia and Germany, is now traded on the rapidly emerging OTCQX market in the United States.

Finally, it's important that we take time during this difficult period to remember what all the excitement is about. Dye Solar Cell technology changes everything. It has a huge role to play in the burgeoning BIPV market. Photovoltaic technology that produces power indoors from diffuse, artificial light or in the low-light conditions of the heavily populated Northern Hemisphere – that's DSC. Photovoltaic technology that can be truly embedded into existing products, that uses non-toxic widely available materials, that offers great variety in terms of visual appearance and aesthetics – that's DSC. A 'value-add' green technology which reduces a building's carbon footprint – that's DSC. It's point-of-use, it's end-of-grid, it's the future and the future is here!

We thank you for your dedication, loyalty and support.

Yours faithfully,

Richard Caldwell

Chairman
Dyesol Limited

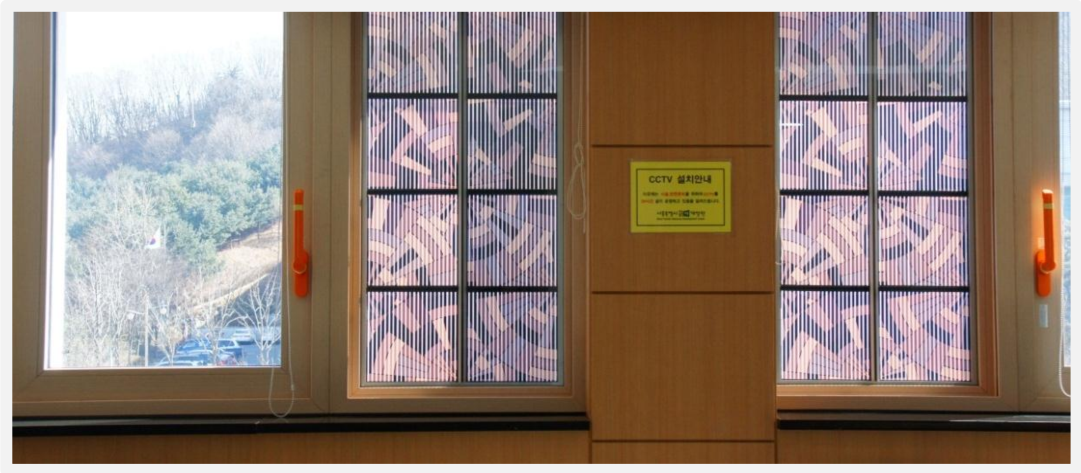
Operations Review

Summary

Dyesol made good progress this year advancing and validating our technology, streamlining operations, and being recognised with a number of innovation awards. It has been a challenging year financially, but the Company has pressed forward and continued our steady progress on our core R&D activities which directly support our major and collaborative projects. This R&D activity is mainly focussed on improving the materials and techniques that underpin the incorporation of our Dye Solar Cell photovoltaic enabling technology into products for the burgeoning Building Integrated Photovoltaic market. Dyesol's vision of being the world's leading supplier of Dye Solar Cell input materials (dyes, pastes, electrolytes) and technology know-how to leading multinational manufacturers is nearing fruition.

Industry and Market Conditions

During FY2012 the photovoltaic industry was under severe stress with a number of high profile companies either failing or having their market capitalisation slashed. There are emerging signs that the market is improving, with a 45% growth in the USA over the last quarter (116% year on year). In addition, the global photovoltaic market grew to 30GW in 2012, and the announcement of a long term feed in tariff in Japan will stimulate the demand for renewable energy products in a large solar market. Furthermore, technology stocks appear to be in a recovery phase with the Nasdaq Composite Index exceeding 3000 points for the first time in over a decade. During the year a growing number of industry analysts have forecast one of the highest growth areas in the building materials and photovoltaic sectors as the Building Integrated Photovoltaics (BIPV) market. This confirms Dyesol's vision and strategy of being the leading supplier of solar enabling DSC materials and technologies for a ‘green-alternative’ steel roofing product and a ‘green-alternative’ window and glass façade product.



DSC Technology Research and Development

The essential focus for moving Dyesol’s DSC technology from the laboratory to large scale commercial deployment centres around achieving three key objectives: 1) increasing performance, 2) improving long term durability, and 3) lowering cost.

The Golden Triangle:

Optimising DSC’s levelised cost of energy through optimum performance, stability/durability, and cost.

To a large degree these measures are interdependent and are influenced by the component materials used in the Dye Solar Cell, and the particular process and design constraints of the chosen application (e.g. glass façade, flexible plastic, steel roofing, etc). Our key task is the scaling-up production of suitable and optimum materials for the volumes required for commercial manufacture. Large scale deployment in the built environment requires the DSC durability to match the life of the building product. The performance and cost determine the levelised cost of energy which must be grid competitive or better.

Dyesol's Technology Roadmap is the Company's guiding technical document, meshing with the overall corporate business plan, and is used to focus the limited resources of the Company. Core materials research and development is under the technical leadership and supervision of R&D Manager, Dr Damion Milliken, while applied technical programs are focussed on product development in partnership with Tata and Pilkington. Dyesol has made particular effort during FY2012 on knowledge management to allow better sharing of information, improve communication across global operations, and increase regular and scheduled information sharing and inter-company progress updates. These improvements have had a substantial impact and significantly progressed work and improved project efficiency. Dyesol technical teams in particular, hold regular Skype teleconferences, usually at odd hours to accommodate participants from various time-zones, which ensure the Company is moving forward in an efficient and organised manner.

As a largely pre-revenue company, Dyesol leverages relationships and partnerships as much as possible and collaborates with other businesses, research institutes, and research consortia to multiply and extend use of in-house human and material resources. This collaborative and global approach has worked well for Dyesol, and continues to bear fruit for commercial exploitation in the Company's major projects.

During the year, Dyesol established the framework for a new 2-year collaboration with Singapore's Nanyang Technological University (NTU). The focus of the joint R&D effort centres around 'solid-state DSC' providing an alternative to liquid based electrolytes, which may offer advantages in certain product applications. NTU is the current world record holder for small 'spot cell' or 'hero cell' DSC efficiency registered by the United States' National Renewable Energy Laboratory.

Also during the year, Dyesol achieved a 15% increase in DSC efficiency performance, up from 6% to 8% for long term stable, industrial sized strip cells, and passed the stringent 1000 hour 85°C stress test, as required by IEC PV test standards. These achievements were due to improvements in materials, processes and designs as forecast earlier, and mark a continual progression in performance and durability improvement over time and as planned in the Technology Road Map. External validation of our product performance has commenced and will gain increasing importance over the coming year. Test results out of the USA and Singapore indicate strip cell performance in the range of 7.5 – 9%. An important point in this ongoing research into efficiency and product optimisation is that by using larger strip cells – instead of small 'spot cells' or 'hero cells' as others in the industry do – a valid representation of commercial product performance in the real-world is gained.

Intellectual Property

In addition to being one of only a handful of 'Pioneer Licensees' from Switzerland's École Polytechnique Fédérale de Lausanne (EPFL), Dyesol also holds its own suite of patents – the combination puts Dyesol in a very strong industry-leadership position.

Dyesol benefits from an investment of over 700 person-years in DSC technology, and has benefited and continues to benefit from a close connection to EPFL in Switzerland, where the original DSC invention was made, and major breakthroughs still originate from. Through our subsidiary, GreatCell Solar SA in Switzerland, Dyesol has an ongoing R&D liaison with EPFL. Dyesol has rights to commercialise EPFL advances in DSC and leverage developments directly into existing and future commercialisation projects.

As a measure of Dyesol's activity and success, the Company has registered or has been granted protection in some 13 jurisdictions spread across 5 patents families in the past year covering the following technological areas:

- scale-up from cells and modules to entire DSC panels;
- miniaturised DSC devices, e.g. for powering remote sensors;
- multifunctional means for electrical device contacts;

- electrochemical surface modification for enhanced device performance and higher device voltage in particular; and
- substrate preparation for reliable sealing.

A number of these patents are instrumental in the collaborations with Dyesol's major commercial partners or key enablers to some of the device manufacturing equipment sold by Dyesol. In other cases, they open or maintain access to future novel lines of products. As DSC technology moves more towards mass manufacture, much of the intellectual property arising out of Dyesol's development activities is in the form of know-how and trade secrets, such as processes used for the manufacture and formulation of materials and the processes used for the manufacture of cells and modules, which are not registered as patents and are instead tightly safe-guarded to prevent access by potential competitors.

Over the course of the last year, Dyesol has implemented an internal Knowledge Management protocol to bolster effective capture of both registrable and non-registrable IP, and to facilitate maximum exploitation potential from the Company's R&D.

Business and Corporate Developments

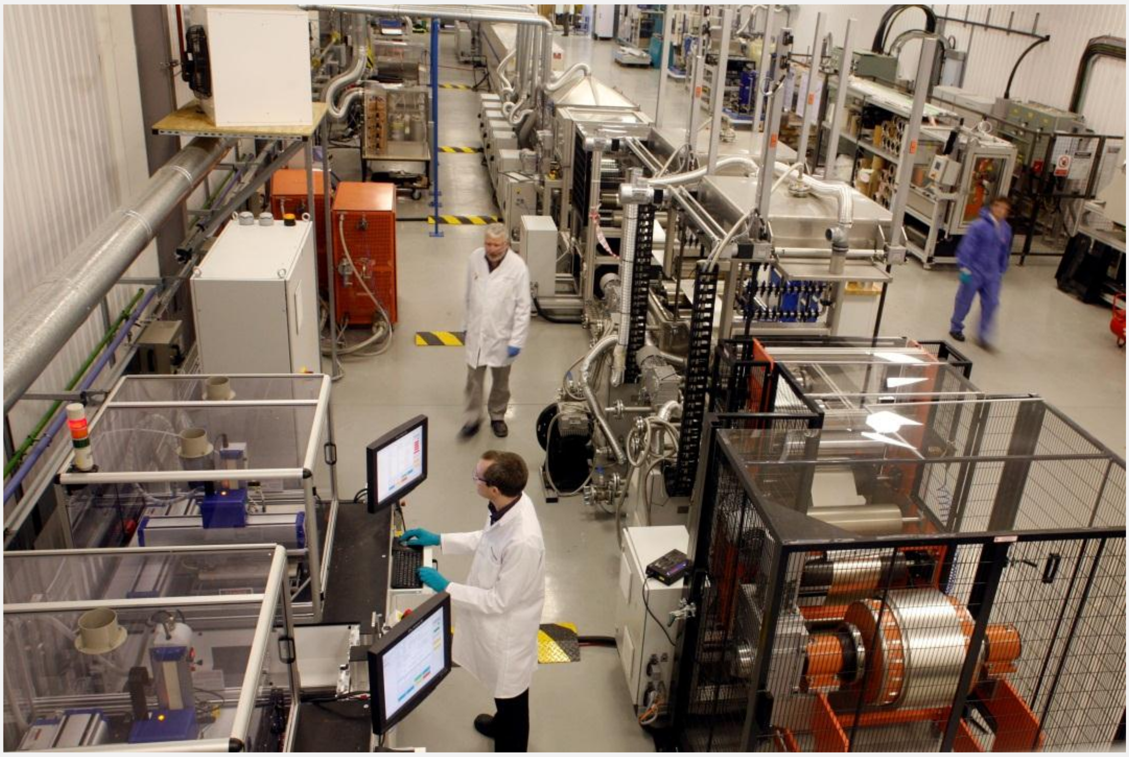
A major focus during the year has been cutting costs through restructuring and by improving productivity, while at the same time maintaining technology development through a highly coordinated Technology Road Map, which advances key projects, supports partner programs and positions the Company for next generation material development. Increasing stakeholder communication during the year has been a priority, with the introduction of regular informative newsletters and providing analysts and publications with the most up-to-date commercial, financial, product, market and technology data on the business. Importantly, we have provided industry context on the overall renewable energy scene and competitors.

During the year Dyesol restructured the sales process to streamline processes, improve our follow-through with smaller scale scientific research customers, and improve coordination with our overseas network of sales agents. This initiative is ongoing and we are already seeing developments and improvements in this area.

Manufacturing Collaborations

Dyesol's 'capital light' business model centres around collaboration with significant industrial partners – companies seeking to integrate Dyesol's clean-energy generating Dye Solar Cell (DSC) technology onto their existing products. Dyesol is the Dye Solar Cell materials (dyes, pastes, electrolytes) supplier and partner providing specialist DSC technology and know-how. This 'capital light' structure positions Dyesol to derive income from our core knowledge and expertise without the significant investment required in establishing manufacturing plants and elaborate routes to market.

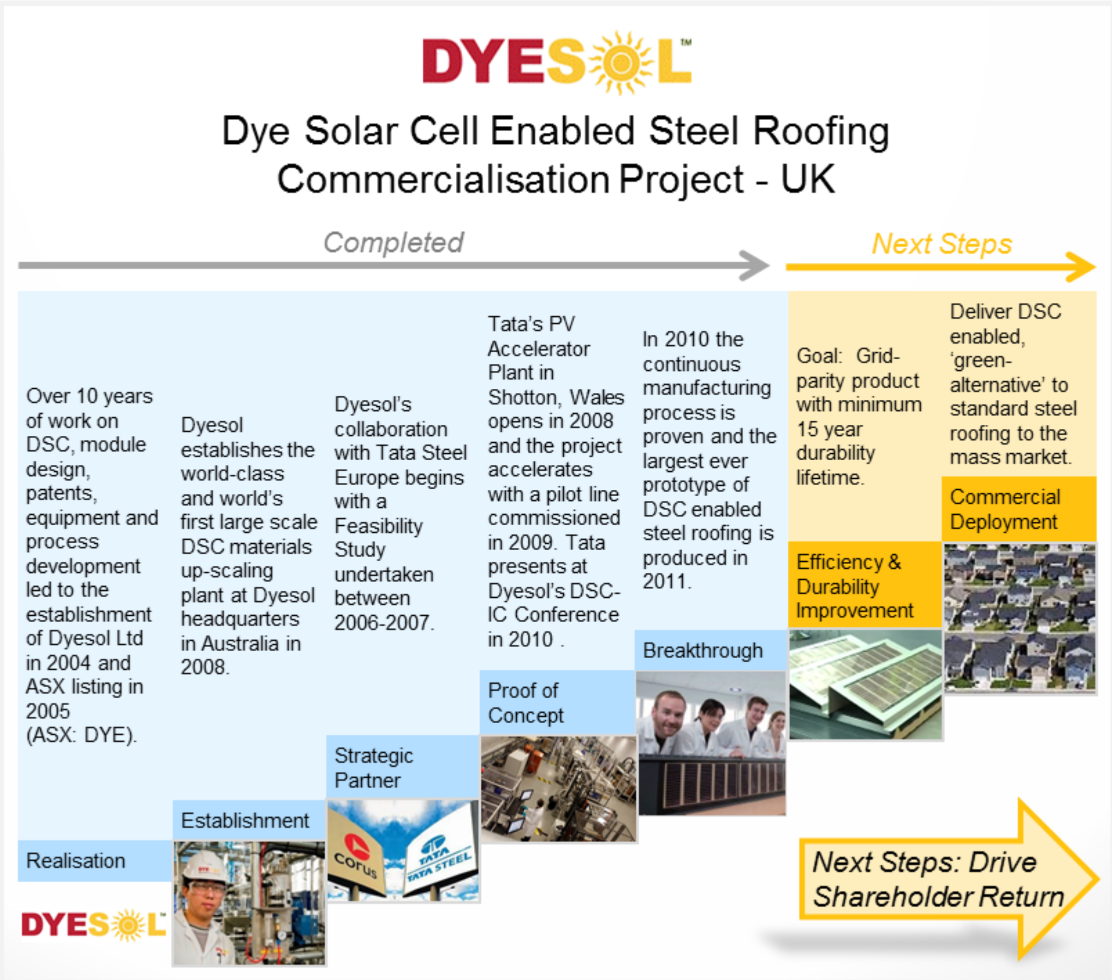
Dyesol has existing collaborations with prestigious and large industrial players in their field.



Tata Steel Europe Collaboration

Tata Steel Europe is the second largest steel producer in Europe and a part of the larger Tata Steel family – one of the world's largest steel producers. Their vision is to be a benchmark for the global steel industry through value creation and corporate citizenship. This vision is supported by a genuine commitment to innovation, sustainability, and a respect for the environment.

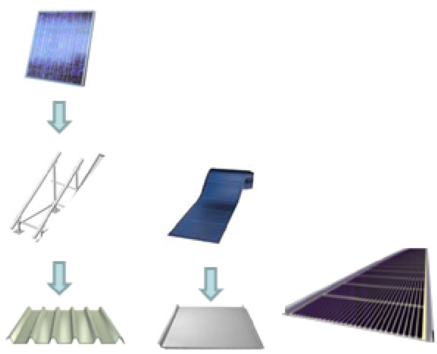
Tata Steel Europe's collaboration with Dyesol started in 2006 with Corus, which was subsequently bought by Tata Steel Europe in 2009. The objective of this collaboration is to value-add clean-energy generating DSC photovoltaic technology onto steel roofing material produced on a continuous roll-to-roll manufacturing line for the mass market.



In a world where the drive to save energy and carbon is getting stronger, by offering a 'green alternative' to standard steel-roofing material and taking a leadership role in the burgeoning sustainable energy sector, this traditional industry will have a clear advantage moving forward.

Tata Steel supplies one hundred million square meters of roofing and wall material annually. If 10% of that supply is offered with clean energy generating photovoltaic functionality embedded which gathers and delivers solar energy to reduce the building's carbon footprint at the point of use, that would represent something to the equivalent of one medium sized nuclear power plant year on year.

Benefits of Rooftop Building Integrated PV



Installation	PV		
	Frame	PV	
	Roof	Roof	PV Roof

Materials	Glass/Glass PV	Metal Carrier PV	PV Metal Roof
	Support Frame	Metal Roof	
	Metal Roof		

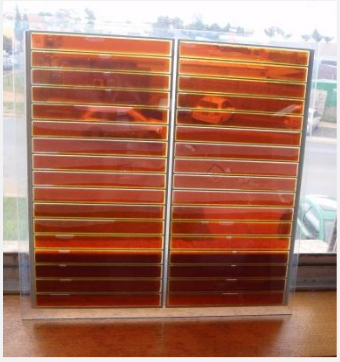
During FY2012, Dyesol and collaboration partner Tata Steel Europe successfully completed the project supported by the Welsh Assembly Government to demonstrate DSC on coil coated steel. The project involved completing a study of process capabilities – a precursor to volume production – and a comprehensive review of intellectual property relevant to DSC on metal applications. This flagship 3-year project has included technical progress, investment in local employment (staff increased from 15 scientists/engineers to over 40) and demonstrated the positive impact product innovation with sustainable energy can offer to the world as outlined in Tata Steel's strategic vision and presentation titled "Buildings as Power Stations".

On completion of the project in August 2011, Dyesol has continued work on refining the core component material set, including important advances in dyes and titania pastes and product encapsulation solutions. The team more than doubled the power output and eliminated use of higher cost silver conductor material. The team also constructed a 20 m^2 Dye Solar Cell enabled steel roofing array which demonstrated the capability of the manufacturing processes and product finishing steps.

These are all important steps in being able to develop grid competitive and durable product. This work has continued in the midst of a European steel industry crisis which has put considerable pressure across the supply chain. Steel is one of the sectors that has been hit the hardest by the economic crisis in Europe and has been strongly exposed to international competition. Currently, the economic slowdown and relatively weak demand for steel in Europe has resulted in overcapacity of standard materials.

This environment has been a contributing factor in the Tata development program not moving forward in the manner originally anticipated. However, remaining competitive in the global market means taking a long-term perspective and generating innovative value-add solutions customers will demand most – in particular as the world shifts to a low-carbon future.

Dyetec Solar Joint Venture

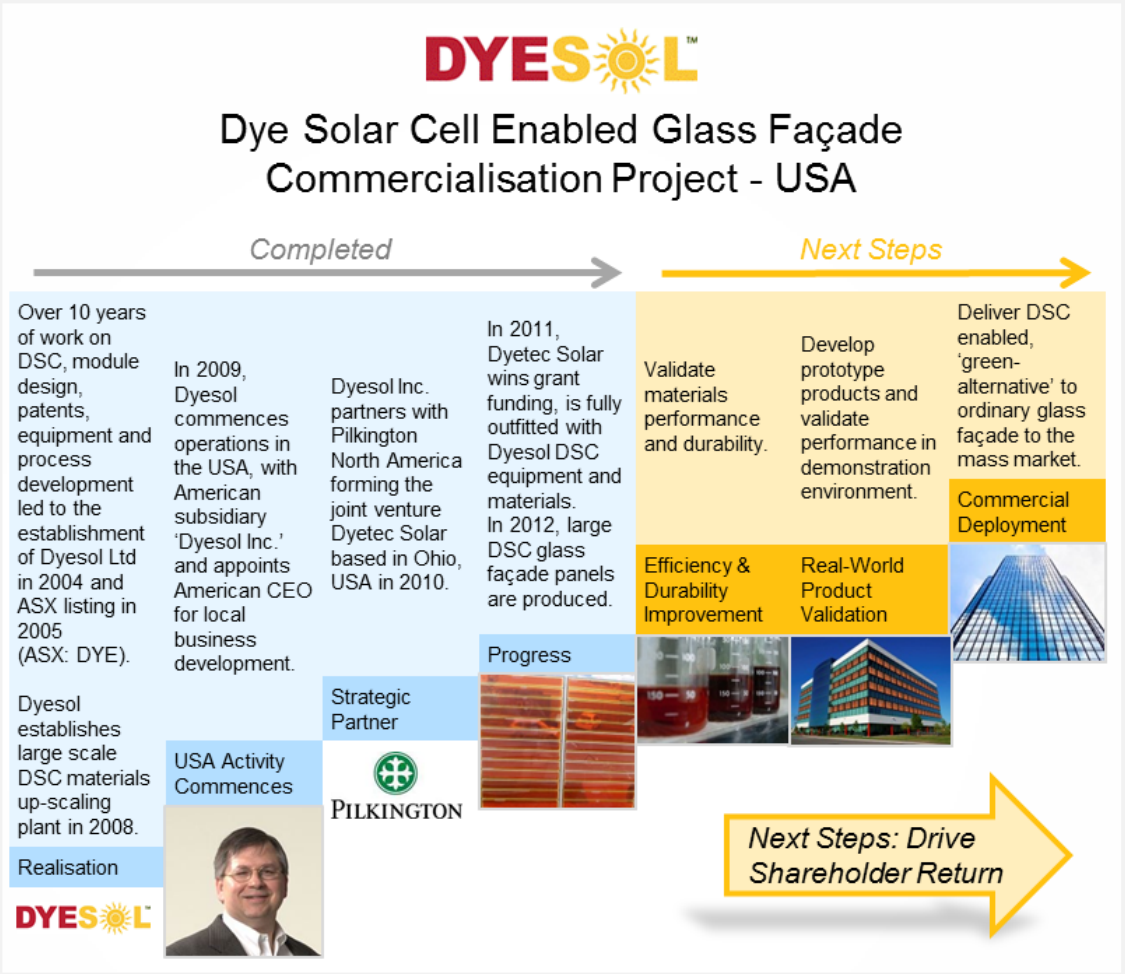


Dyesol's joint venture with Pilkington North America (PNA), called Dyetec Solar, is based in Ohio, USA and focuses on glass applications for DSC technology in the built environment.

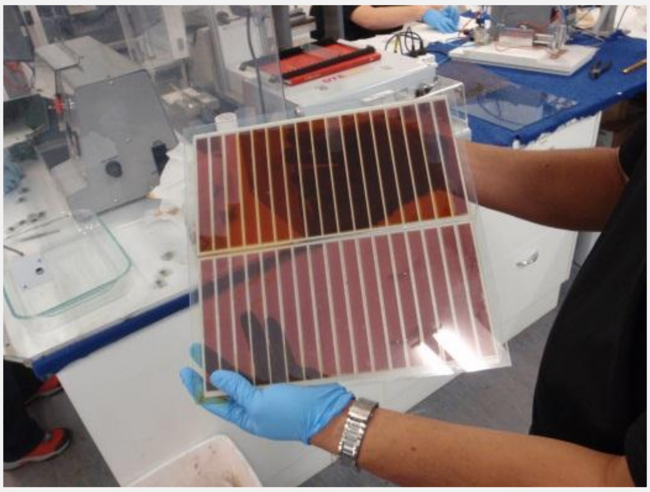
PNA is a part of the Nippon Sheet Glass (NSG) Group, which is one of the world's leading manufacturers of glass and glazing systems in three major business areas: Building Products, Automotive and Technical Glass. The mission of the NSG Group is to be the global leader in innovative high performance glass and glazing solutions, contributing to energy conservation and generation, working safely and ethically.

Dyesol commenced operations in the USA in mid-2009, establishing an American subsidiary called Dyesol Inc., and in early 2010 the subsidiary formed the joint venture Dyetec Solar with Pilkington North America. In 2011 Dyetec Solar secured a grant from the Ohio Third Frontier Fund. In the early part of FY2012, Dyesol designed, built and delivered a DSC equipment set to Dyetec Solar which was successfully installed and commissioned in July 2011. Subsequently, key Dyesol staff and resources were relocated to Ohio to support the collaboration and during the year the team's work has progressed well on delivering the goals of the program.

In March 2012, the Company announced progress from the US, with the North American team achieving a breakthrough in the size of glass DSC panel produced. A prototype DSC solar panel was produced exceeding 1.20 meters x 60 cm in size and represented the largest continuous substrate, single circuit series connected DSC device made to date. Two important findings from this advancement were that the actual size of the prototype was limited only by the available manufacturing equipment, and that large area BIPV glass panels can be produced in a typical manufacturing environment, rather than a tightly controlled laboratory or clean room. Dyetec Solar expects to produce larger DSC enabled glass panels for building façade once the material set and encapsulation technology is validated to provide 20 plus year durability and stability. Dyetec's next phase focuses on material set performance and validation.



Going forward, Dyetec Solar seeks non-dilutive grant funding to continue transforming the technology from the laboratory to the production floor, and developing long term testing and validation data necessary to support typical warranty coverage for façade and glazing products.



Dyesol-Timo Joint Venture

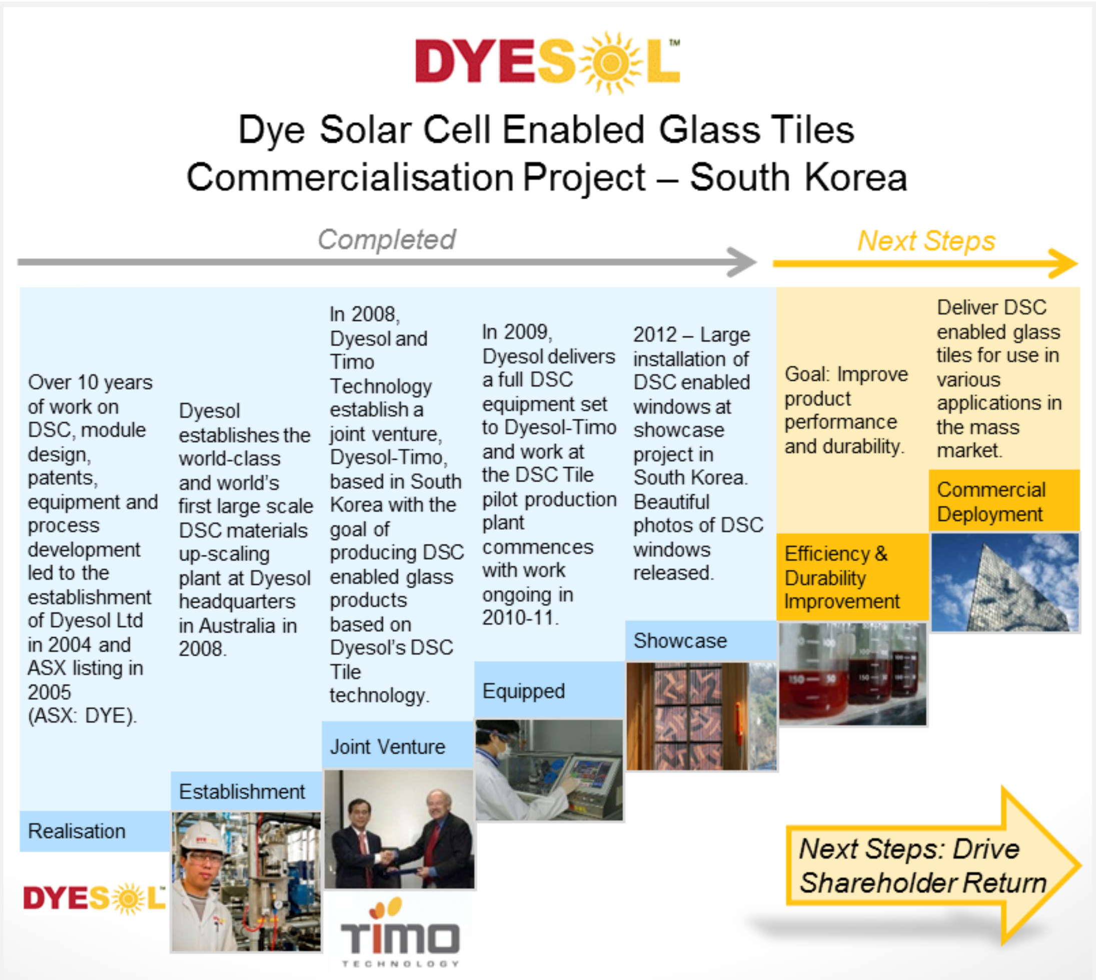
During the year Dyesol's Korean joint venture partner Timo Technologies provided DSC glass tiles to incorporate into windows for a sustainable office building in South Korea. This showcase project at Seoul City's Human Resources Development Centre office complex demonstrate that value-adding DSC green energy functionality into the built environment can be as beautiful as it is functional. The windows were manufactured and installed by Eagon Industrial Co. Ltd. and the DSC tiles were manufactured using Dyesol materials and technology. This project demonstrates the outstanding potential of DSC in the built environment.

The Company's joint venture in Korea, Dyesol-Timo, commenced in 2008 and during 2009 a Dyesol DSC prototype manufacturing equipment set was delivered and successfully installed. Following this installation, product development and testing has been funded by the joint venture and with support from the Korean Government.

An outdoor testing facility was established to provide data on performance and durability in real world solar conditions typical of many cities in Asia. The data obtained from this testing facility is invaluable in enabling Dyesol to improve its technology offering. Over the last year Dyesol-Timo has been the hub for the sale of Dyesol materials into Korea.

Asia – a region of rapidly growing demand for sustainable energy solutions and one that often sees polluted and cloudy skies – is particularly well suited to DSC technology. DSC outperforms competitors in low light conditions and its performance efficiency levels are less dependent on the angle of incidence of light. This means DSC can perform well (and better than competing technologies) when applied vertically to the sides of buildings – a great solution for dense urban environments with cloudy conditions.

Going forward into FY2013, Dyesol-Timo is investigating options that can accelerate commercialisation of the technology and lead to the mass manufacture of products like the beautiful DSC enabled windows demonstrated in Seoul.



Merck Bulk Materials Manufacturing Collaboration

Dyesol has a joint development program with Merck, one of the world leaders in the development and production of ionic liquids - a key material used in DSC electrolytes.

Under this collaboration, both partners contribute to the synthesis, formulation and testing of high stability scalable electrolyte formulations. Particular focus is given to alternative solvent evaluation for improved long term stability, particularly at elevated temperatures such as 85°C or above, where solar panels have to operate and pass international quality standards. Formulations using source materials of different purity are also produced, so as to better inform scale-up activities of the implications of using various material feedstocks of differing costs. These electrolyte formulations are tested for performance and also undergo accelerated testing to assess durability.

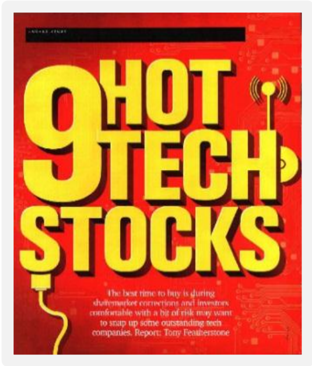
The material advances made under the collaboration are available to commercialisation activities undertaken by Dyesol.

Marketing and Promotion

Excellent progress was made this year in amplifying the Company's voice and visibility to the media and public, engaging with Government, and winning industry innovation awards. Substantial expenditure reduction and savings on marketing and promotion compared to previous years resulted from more focussed efforts and streamlined messaging.

Dyesol achieved good press coverage for Company news, advancements and announcements and was featured in tier one and specialist media outlets during the year, including: the Australian Financial Review, Business Review Weekly, The Canberra Times, Ethical Investor, PV Magazine, Electronics News, Renew Economy, Sustainability Matters, InterPV and Solar Novus Today. Dyesol was also included in the reports of industry analysts such as NanoMarkets (which named Dyesol as a 2012 “firm to watch”) and Pike Research – both examined the growing market for Building Integrated Photovoltaic solutions.

One media highlight during the year was in May 2012 when Dyesol was identified as one of only nine “Hot tech stocks” in a cover story in Business Review Weekly. This recommendation and endorsement of Dyesol’s potential is a welcomed and considered judgement which recognises the Company’s strong long-term growth potential, outstanding technology, and capital-light business model which reduces exposure to debt and manufacturing costs by remaining focused on core IP and material supply as the driver for long-term shareholder value creation.



Dyesol utilised multimedia during the year to reach out to investors and the public with senior management participating in nine audio/radio interviews and the Company or products seen on Australian and British news with three new video clips produced during the year:

1) in August 2011 new Director, Mr Gerald Grove-White,spoke with BRR Media and discussed the DSC on steel roofing collaboration with Tata Steel Europe,

2) in August 2011 Marc Thomas was interviewed about Dyesol’s USA based joint venture Dyetec Solar,

3) in October 2011 Australian Prime Minister Julia Gillard was seen touring Dyesol’s headquarters and laboratory facilities on Australia’s WIN News and other local TV stations,

4) in October 2011 Sylvia Tulloch and Marc Thomas spoke in an online investor webcast and answered questions in real-time in collaboration with Retail Investor Conferences.com,

5) in November 2011 Dyesol provided a full audio recording of the Annual General Meeting,

6) in December 2011 Richard Caldwell spoke to German investors via an online webcast,

7) in January 2012 Richard Caldwell was interviewed by the Australian Securities exchange for a Dyesol corporate profile video,

8) in March 2012 Richard Caldwell reported on Dyesol's technology outperforming in competitor testing,

9) in March 2012 Gordon Thompson spoke to Newcastle Radio Finance Talkback about the recent DSC window installation in Korea,

10) in March 2012 Gordon Thompson spoke to BRR Media about the recent DSC window installation in Korea,

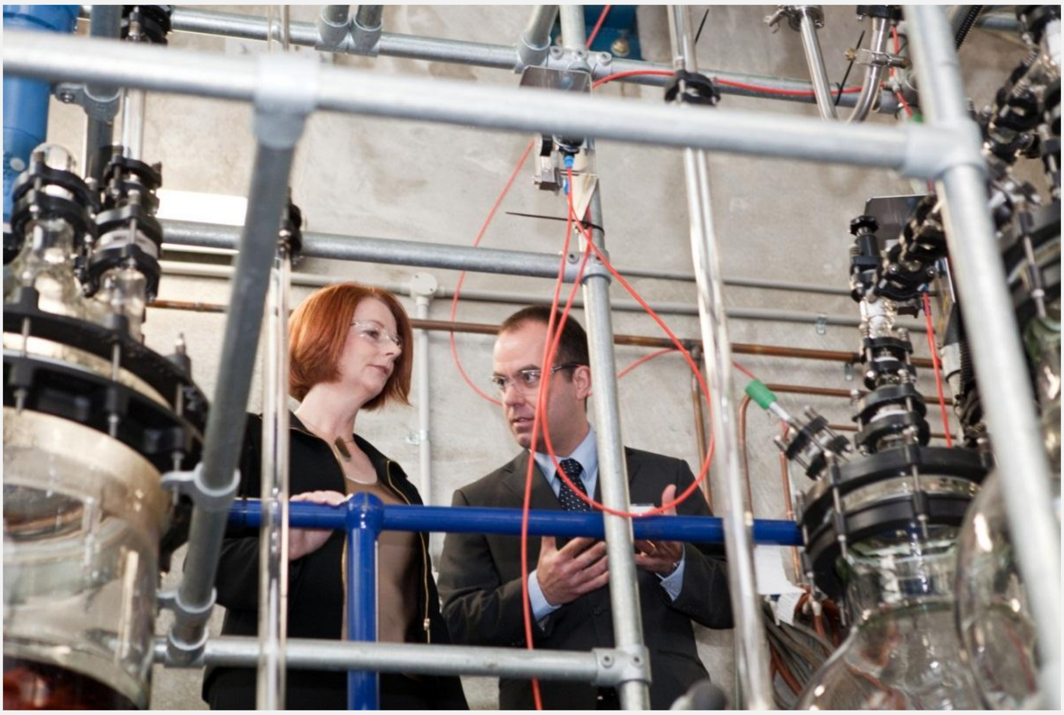
11) in March 2012 Richard Caldwell reported on Dyesol successful capital raising of $5 million,

12) in June 2012 Tata Steel Europe and the innovative solution of photovoltaic enabled steel roofing was featured on the UK's iTV News Wales Tonight programme, and

13-14) just after the end of the financial year Marc Thomas was interviewed by Renewable Energy World at the Intersolar North America Conference in early July 2012 and, in August 2012, he spoke to BRR Media about Dyesol's technology excelling in external testing.

These audio interviews and video clips are available on Dyesol's website.

Dyesol succeeded in reaching the "highest officer" in Australian government, with Prime Minister Julia Gillard spending the morning of October 20th, 2011 touring Dyesol's headquarters, laboratory and DSC materials up-scaling plant. This was a fantastic opportunity to introduce Australia's Prime Minister, the accompanying media pack, and entourage to the innovation and creativity coming from Dyesol's team of highly skilled scientists and engineers and introduce them to 'game-changing' Dye Solar Cell technology. The Prime Minister's visit was reported on Australian national and local TV news and large photos of the tour were printed in The Sydney Morning Herald, The Australian, and The Canberra Times. The Prime Minister's visit to Dyesol's headquarters was a real moment of excitement, enthusiasm and pride for Dyesol staff.



Dyesol also engaged with Australia's Department of Innovation, Industry, Science, Research and Tertiary Education by participating in an Enterprise Connect Business Review, from which the Company receiving outside advice on how to improve business processes.

FY2012 was also a year of awards and accolades for Dyesol, which are a welcome endorsement from our industry peers, a point of pride for Dyesol's dedicated staff, and have also provided an excellent opportunity to introduce the Company to new audiences who may not have heard about the exciting work we are engaged in with clean-energy, point-of-use Dye Solar Cell technology. In May 2012, Dyesol's innovation was recognised at the Manufacturers' Monthly Endeavour Awards. Dyesol won the Highly Commended Award

in the Most Innovative Manufacturing Company category. In addition, Dyesol was a finalist in the Global Integration Award category (which recognises international collaboration and supply chains) and Chemical Engineer, Jesse Ce Zheng, was a finalist in the Young Manufacturer of the Year Award (which recognises the outstanding contribution he has made to the Company).

Also during the year, the “Father of DSC” and Chairman of Dyesol’s Technical Advisory Board, Professor Michael Graetzel, was awarded the Albert Einstein World Award of Science by the World Cultural Council for his outstanding achievements in inventing and developing the Dye Solar Cell – regarded by many as the single most important breakthrough in the development of sustainable energy. This is a fantastic endorsement from this prestigious international body!

Just after the end of the financial year, in July 2012, Dyesol also won the inaugural Innovation Award from Australia’s Clean Energy Council. Received in front of 700 industry colleagues during the Clean Energy Week awards night gala dinner, the Council applauded Dyesol for “ground breaking development of Dye Solar Cell technology.” A great honour to round out the year and to kick start FY2013.

In December 2011, Dyesol responded to shareholder’s requests for more regular communication by starting a new bimonthly eNewsletter – offered in both English and German - with subsequent issues released in February, April, and June 2012. The eNewsletter has provided a good format for distributing and communicating lengthier news content than is suitable for ASX/press releases, and offers a more casual format for discussion of broader topics and company news/events. We have received very welcome positive feedback from many subscribers and will be continuing the initiative in the coming year. It has also been pleasing to see the organic growth of our subscriber database, with over 370 people joining our English and German contact lists since the eNewsletter launched in December.

To engage with our target audiences in-person and promote the Company and DSC technology, Dyesol accepted invitations to speak at targeted exhibitions, conferences, seminars and promotional events during the year. The Company was represented by senior management or by senior scientific staff at events in Australia, Asia, Europe and North America, including: Printed Electronics USA Conference, Energy Utility and Environment Conference, the World Renewable Energy Forum, Intersolar North America, PV Expo Japan, Durability of Thin Film Solar Cells EMPA workshop in Switzerland, and the 2012 EPFL Licensee Meeting held in South Korea. The Company also welcomed a number of important guests and groups on personal tours through the headquarters laboratory and manufacturing plant including investors, analysts, venture capitalists, and other strategic contacts.

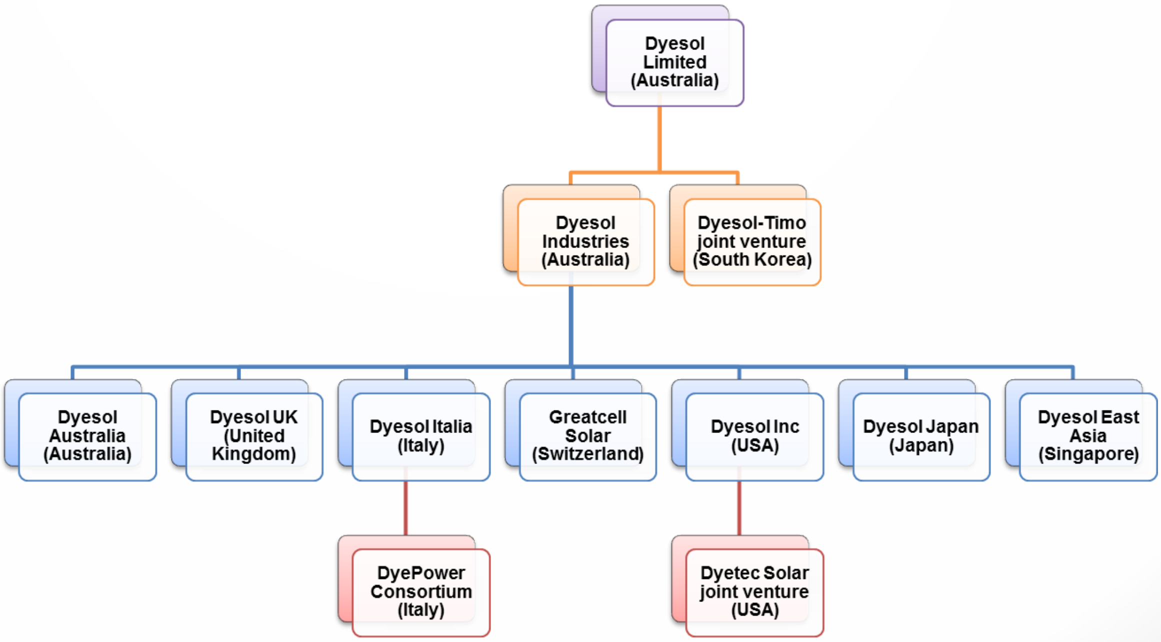
The event which drew by far the most attention to Dyesol and the Company's website during the year was the Company's announcement and release of photos on the installation of artistic DSC enabled windows in South Korea at the Seoul Human Resources Development Centre. 4,398 visitors came to the Dyesol website following the release of these images from the day of the release

and through the next 7 days. This exciting news helped to raise the Company profile and introduce our building integrated photovoltaic solution for windows to new audiences. The windows were manufactured by Eagon Industrial Co Ltd using DSC 'tiles' provided by Dyesol's joint venture partner Timo Technology Co Ltd and using Dyesol's high purity, high quality DSC materials, technology and know-how. The striking window installation demonstrated that Dyesol's DSC technology offers not just clean-energy generating photovoltaic functionality for the building envelope, but beautiful photovoltaic solutions that allow architects, designers and developers fantastic flexibility and creativity in design options that are well integrated into the whole building aesthetic.

Corporate Structure

Dyesol Limited is a global company and the parent to a group of companies which operate in specific geographic jurisdictions around the world, including: Australia, the United Kingdom, Italy, Switzerland, the United States of America, Japan, Singapore, and South Korea. The overall corporate structure is shown in the chart below:

Dyesol Group of Companies Organisation Chart:



Each company is incorporated within the country shown and is required to operate within the laws of the country of incorporation and applicable financial regulations and corporations law.

Each subsidiary is also required to comply with the legislative and regulatory framework that the parent company, Dyesol Limited, is required to operate within. In addition, each subsidiary is required to comply with the delegated authority, governance guidelines and policy framework of the Company, Dyesol Limited. In certain jurisdictions it is mandatory to have a resident Director on the Board.

The structure is regularly reviewed to ensure it meets the objectives for which each subsidiary was established. Changes to the operating environment within any particular region may result in operational or structural changes. This year the German subsidiary, Dyesol Automotive Bavaria, has been removed from the Organisation Chart as this subsidiary is currently not active. This is part of the ongoing operational review that identifies where savings can be made with little or no impact on company operations.

Dyesol Staff

Dyesol is an innovative technology company and employs a highly skilled technical and scientific team to lead the charge and drive technology development and commercialisation activities. The Company invests heavily in the core R&D work undertaken by the various specialist technical groups and supports their work at bringing next generation Dye Solar Cell technology to the mass market in collaboration with our manufacturing partners. This high calibre technical team is supported with well-equipped training rooms which are regularly used for in-house training

sessions, with well-equipped R&D facilities, and through support for continuing education through fee assistance, sponsorship of further study, study leave, and supported attendance at international scientific conferences for educational purposes.

The Executive Team led by the Executive Chairman, Richard Caldwell, and CEO, Gordon Thompson, is comprised of key management personnel, who work closely together to develop and implement Company strategies on behalf of the Board.

Dyesol has a comprehensive Operational, Health and Safety policy which supports a safe and healthy workplace for all staff, a Company Code of Conduct designed to support a positive, professional atmosphere at work and regulate the work environment.

Environmental Policy

As a renewable energy company, Dyesol endorses environmentally friendly practices for day-to-day business operations including recycling, collection and reuse of rainwater during drought periods, reuse of external packaging material (boxes/crates) where possible, considerate use of lighting and electronic devices, and coordinated use of higher energy using machinery (such as furnaces). Dyesol's commitment and engagement on sustainability issues will be presented in the Company's 2012 Sustainability Report.

Financial Review

Financing and Equity (Refer to Consolidated Statements of Changes in Equity, Notes 17 and 24)

Dyesol commenced the year with 153,894,736 ordinary shares on issue and completed it with 196,044,602 shares on issue, an increase of 42,149,866 shares. As at June 30 2012, Dyesol had paid-up capital of $76,127,923 and a market capitalisation of $21,564,906 based on a closing price of 11 cents per share.

The principal contributor to the increase in issued capital was the issue of 27,637,778 shares at 18 cents to raise $4,974,800 from existing, sophisticated, and institutional investors. A total of 6,997,458 shares were issued to the SpringTree Special Opportunities Fund, LP for the monthly tranche receipts and redemption of convertible security. 6,901,025 shares in total were issued to Bergen Global Opportunity Fund, LP as collateral shares, monthly tranche receipts and redemption of the convertible security. Both the SpringTree and the Bergen equity line of credits (ELC) have been cancelled during the year. The cancellation of this ELC and the associated monthly share draw-downs have been achieved at zero cost to the Company. Under the Company's Employee Share Ownership Plan (ESOP) 613,605 share rights also vested, converting from share rights to ordinary shares.

Dyesol issued 500,000 out-of-the-money (OTM) options during the year to one key management personnel and 200,000 performance rights to a Director in recognition of service to the Company and as ongoing financial incentive.

Expenditure on Operations and Investments (Refer to Consolidated Statements of Cash Flows)

The financial position of Dyesol and the situation existing within financial markets generally required Dyesol to review a range of larger commitment projects and activities. It was considered that proceeding with the Japanese Ministry of Economy, Trade and Industry (METI) project beyond the initial design phase would be of considerable risk for Dyesol due to the capital investment required. The project will conclude with the objective of establishing a validation facility not being achieved.

Net cash operating activities usage for FY2012 of $10.1 million was marginally lower than in FY2011 which was $10.97 million. This was achieved despite a significant fall in the R&D rebates from $1.03 million (2009 and 2010 financial years) in the previous year to $729,843 (financial year 2011). The subsidy from the Welsh Assembly Government finished during the year and together with diminished receipts from another overseas R&D grant, resulted in a total grant income decrease of $1.541 million during the year. Customer receipts also decreased by $432,044 from last year due to the difficult global economy.

Despite the significant income reductions, the net cash operating usage was lower by 7.9% compared to the previous year. This highlights that the Company's strategy of lowering expenditure, increasing productivity and streamlining operations across the Company are working effectively. The Company will continue to embark upon new cost saving measures and preserve cash position within limits without significantly affecting critical R&D activities and operations.

During the year the Board terminated the services of Dr Gavin Tulloch in his role as the Director of Technology as it was considered that he was failing to achieve his objectives as determined by the board and the duties could be more effectively and economically carried out by other staff. This decision was disputed by Dr Tulloch and a number of claims were made against Dyesol. These claims are considered to have little merit and will be defended vigorously. In order to settle the dispute an offer which was considered to be both fair and reasonable was made in good faith. The offer was rejected and the matter remains unresolved.

Assets and Liabilities (see Consolidated Statements of Financial Position and Notes 8 to 16 inclusive)

The Company's balance sheet finished the financial year with total net assets of $14.81 million, an increase of $972,500. The current liabilities decreased by $2.10 million, which was assisted by the cancellation of the equity-related loans during the year. Trade and other receivables increased by $2.38 million due mainly to the receivable accrual of $2.95 million for the 2012 R&D Tax Incentive (refer Note 8). Although cash reserves were lower, sitting at $2.51 million at the end of the reporting period, the Company is actively reviewing a number of alternatives both short and long term to enable the Company to have adequate working capital to continue operations and be able to achieve its technological and commercial objectives.

A loan made to Tulloch Management Pty. Ltd. (TMPL) and benefitting Gavin and Sylvia Tulloch, both Directors at the time, fell due at 31 March 2012 and was not repaid. No offer of repayment was received and recovery action against TMPL was initiated which resulted in TMPL being placed in liquidation. Further action is being considered to recover the outstanding loan amount including accrued interest.

Profit and Loss (Refer to Consolidated Statements of Comprehensive Income, Notes 2 and 3)

The significant decrease in financial net loss – down by 49% to $8.88 million – is attributable to a number of factors. The major contributors were the 2012 R&D Tax Incentive accrual of $2.95 million, a smaller Dyesol employee share ownership plan (ESOP) share based payment expense of $601,000 (FY2011: $2 million), and lower Group wages and salaries cost by $408,981. Although the $2.95 million R&D Tax Incentive was not received in FY2012, it was included in the financial statements for the period in accordance with accounting standards and the audit review. The financials also included the $729,843 R&D Tax Incentive of FY2011 received during the year which was not accrued in the previous reporting period because at the time of lodging the 2011 financial statements there was insufficient evidence to reliably value the R&D Tax Incentive.

Corporate development expenditure and administration cost reductions were achieved through a decrease in depreciation expense (reduced by $736,092) and lower foreign exchange losses (reduced by $564,911). A tighter focus on new business development resulted in lower marketing expenditure (reduced by $750,086) and intellectual property costs decreased by $142,384. An increase of sales revenue to $1.84 million from $1.41 million also assisted in the reduction in the net loss compared to the previous year. Lower non-cash expense items included the SpringTree and Bergen monthly tranches and convertible security fair value derivative valuation for a net total adjustment $85,925 (FY2011: $363,032) upon cancellation of their equity line of credits.


DYESOL
MAIN POWER
EMERGENCY STOP
TIMED PURGE
MANUAL PURGE
TEMP. ERROR
TEMP. RESET
PUMP ON
PRESSURE CONTROL
TANK 1
TANK 2
TANK 3
ACCESSORY
DRAIN POINT ACCESS

The directors of Dyesol Limited present their report on the consolidated entity (Group), consisting of Dyesol Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2012.

DIRECTORS

The directors of the Company at any time during the year and to the date of this report are:

Mr Richard Caldwell (BEc, LLB, F Fin)

Executive Chairman - *appointed 20 October 2009*

Mr Caldwell, aged 50, as the Executive Chairman of the Board of Directors for Dyesol Limited, takes the executive responsibility for finance, mergers and acquisitions, investor relations, capital raising and also assists with substantial contract negotiations.

Richard has a strong background in advising many successful high-tech Australian companies and assisting with public listing – particularly in the technology, biotechnology, and telecommunications sectors. He also brings solid experience in the oil and gas, resources, and infrastructure sectors.

Before joining Dyesol, Richard had a twenty-five year career in finance. He was Head of Corporate Finance and Equity Capital Markets at StoneBridge, Head of Equity and Capital Markets at Burdett Buckeridge and Young, and held a number of senior management positions at Citibank in Sydney and JP Morgan in London.

Richard is a founding director of AiMedics Pty Ltd, a biomedical devices spin-off from the University of Technology, Sydney which recently received TGA approval for its diabetes related blood glucose warning device. Mr Caldwell holds a Bachelor of Laws and a Bachelor of Economics from Sydney University. He also has a Post Graduate Diploma in Finance from Finsia. Recently he was appointed as chairman of the Ascham School Foundation.

Mr Gordon Thompson (BE (Hons), M.EngSc, FIE (Aust), MAICD)

Executive Director - *appointed 9 November 2004*

Mr Thompson, aged 65, as acting CEO, takes responsibility for the overall management and operations of the Company, developing and implementing strategy, assisting with major contract negotiations, and ensures the company resources are effectively utilised in achieving the key outcomes for technology development and commercialisation. In collaboration with the Board of Directors, Gordon is responsible for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

Gordon brings an extensive background and experience in renewable energy and water resources sectors and international business development. He was the founding Managing Director of the United Nations sponsored International Centre for the Application of Solar Energy and Chairman of the Sustainable Energy Industry Association of Australia, a Director of the Business Council for Sustainable Energy and Chairman of the Australian Indonesian Business Council (WA Chapter).

Mr Thompson assisted in publicly listing Dyesol at its inception and brings great depth of experience in business development, international business activities, business strategy and corporate management. He had a long and diverse leadership career at Melbourne Water Company establishing new teams, new business units, international operations, and managing complex and large-scale water systems. Gordon brings detailed knowledge of the Australian and international renewable energy market and an extensive national and international network in the government and private sector.

Mr Thompson was also a Director at C@, an ASX listed optical company, where he assisted the Board guiding the Company through a critical transition phase.

Gordon holds a Masters of Engineering Science from Monash University, is a Fellow of the Institution of Engineers Australia, a Member of the Australian Institute of Company Directors and is affiliated with a number of other industry bodies.

Mr Ian Neal (B Com, SF Fin)

Non-Executive Director - *appointed 8 September 2006*

Mr Neal, aged 55, as a Non-Executive Director of Dyesol Limited shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

In addition to his work with Dyesol, Mr Neal is a Chairman for The Executive Connection and works with CEOs and entrepreneurs to help them maximize the value of their businesses.

Mr Neal was a co–founder and Managing Director of Nanyang Ventures Pty Ltd, which had a total of $140 million under management, invested in 27 companies across a range of industries from high technology to advanced manufacturing. Companies backed by Nanyang ranged from start up to $50 million in revenue.

Mr Neal has a strong background in financial markets, moving up the ranks from equities analyst through various executive banking positions until establishing Nanyang Ventures in 1993 with his partners.

Directors (cont'd)

Mr Neal is a Life Member of the Financial Services Institute of Australasia and is a past National President of the former Securities Institute. Ian holds a Bachelor of Commerce with Merit from the University of NSW (double major in Business Finance and Accountancy) and a Diploma from the Securities Institute of Australia.

Mrs Sylvia Tulloch (BSc, MSc)

Non-Executive Director *– appointed 20 October 2009*

Sylvia Tulloch, aged 60, was the founding Managing Director of Dyesol, responsible for the business strategy and plan. She was formerly Executive Director of STI (now Dyesol Industries and a wholly-owned subsidiary of Dyesol) from 2001 to 2004, and Joint Managing Director of Sustainable Technologies Australia from 1994 to 2000. She is the named inventor of several of Dyesol's patents.

Sylvia is a materials scientist with over twenty years experience in establishment and management of high technology business, and a particular interest in the commercialisation process. She holds a MSc degree from the University of NSW. She was formerly President of the Sustainable Energy Industries Association of Australia, Chair of the Renewable Energy Action Agenda Implementation Group and on the committee guiding the Australian Renewable Energy Technology Roadmap, and a Director of the Australian Business Council for Sustainable Energy and from 2009 to 2012, a member of the Future Manufacturing Industries Innovation Council, which provided advice to the Australian Minister for Industry.

Earlier roles included Chairman of ASX listed EcoQuest Limited, CEO of a window manufacturer and business manager of the Australian subsidiary of an advanced technology multinational electronics company.

She is now Director of several unlisted companies, including Uniflow Power, commercialising next generation steam engines for electricity generation, and Perimeter Security Industries, commercialising fibre optic security systems, and a member of the Clean Technology Investment Committee, an independent expert committee assisting Innovation Australia deliver the $1 billion Clean Technology Investment programs.

Gerry Grove-White, BSc (Hons) Mechanical Engineering

Non-Executive Director *– appointed 10 August 2011*

Mr Grove-White, aged 62, as a Non-Executive Director of Dyesol Limited shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

Mr Grove-White brings over 4 years' international experience in power generation (gas, oil, coal, nuclear, wind, hydro and geothermal). His experience includes extensive project management and financing of IPPs, in addition to a wide range of operational engineering experience.

In addition to his work with Dyesol, he is a Non-Executive Director of Adani Mining, and is also advising E.ON International.

Mr Grove-White was the Managing Director of Geodynamics -an Australian geothermal company and has also held a number of senior management roles around the world, including Managing Director of Eraring Energy and COO of Tata Power (India's largest private generator).

Mr Grove-White also worked for PowerGen for 12 years during which time he was Country Director for PowerGen's business in India. PowerGen India successfully developed, financed, constructed and subsequently operated a 700MW CCGT in Gujaret, along with developing a number of other IPP's. In addition to his time in India, he managed PowerGen's European generating and mining assets in Germany, Hungary, and Portugal.

Gerry has a Bachelor of Science (Honours) in Mechanical Engineering from City University, London. He is a Member of the Institution of Mechanical Engineers, a Chartered Engineer, and has a Certified Diploma in Accountancy and Finance. In 1993 he attended the London Business School's Senior Executive Programme.

Dr Gavin Tulloch (BSc (Hons), PhD, CIEA, FAICD)

Executive Director ***–*** *appointed 26 October 2010, resigned 7 September 2012*

Dr Gavin Tulloch, aged 64, founded Sustainable Technologies International, the forerunner of Dyesol, and began work on the industrialisation of DSC in Australia in 1994. Gavin holds a PhD from UNSW in the field of semiconducting oxides. He is principal or co-author of many patents. He is a Fellow of the Australian Institute of Company Directors.

Ms Nicola Young (BSc, LLB (Hons) (Syd), MBA (Harvard)

Non-Executive Director *– appointed 7 March 2011, resigned 18 November 2011*

Nicola Young, aged 49, is a senior consultant to the Apostle Carnegie Opportunities Fund No. 1, a private equity and venture capital fund and is Head of Life Sciences Investment and Advisory at the Carnegie Innovation Fund. Nicola holds a Bachelor of Science and LLB from the University of Sydney, and an MBA from Harvard Business School.

Directorships In Other Listed Entities

Directorships of other listed entities held by directors of the Company during the three years immediately before the end of the year are as follows:

Director	Company	Period of directorship From	To
Mr I Neal	Intrapower Limited	May 2007	September 2011
	Prime Media Limited	June 2008	Present
	Pearl Health Care Limited	October 2008	February 2012
Mr G Thompson	C@ Limited	August 2006	October 2010
Mrs Sylvia Tulloch	EcoQuest Limited	September 2009	May 2012
Mr G Grove-White	Geodynamics Limited	August 2007	June 2010

Company Secretary

Mr Kim Hogg (B Com), aged 53, was appointed to the position of company secretary on 9 November 2004. He has worked in the private sector for more than fifteen years as a principal of an accounting practice providing specialist services to clients seeking to raise capital and list on ASX. He has predominantly been involved in the preparation of prospectuses and in compliance work as company secretary for both listed and unlisted entities, and is currently secretary of several ASX-listed companies.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2012:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings+	
Director	A	B	A	B	A	B
Mr R Caldwell	13	13	-	1	2	2
Dr G Tulloch	13	9	-	-	-	-
Mr G Thompson	13	13	3	3	2	2
Mr I Neal	13	13	3	3	2	2
Mrs S Tulloch	13	12	-	-	-	-
Ms N Young	4	4	-	-	-	-
Mr G Grove-White	11	11	-	-	-	-

A - number of meetings held during the time the Director held office during the year

B - number of meetings attended

+ held remotely

The Remuneration Committee members are comprised of Mr G. Thompson (chairman), Mr R. Caldwell and Mr I. Neal.

Directors' Interests

The relevant interest of each director held directly, indirectly or beneficially in the shares and options issued by the Company at the date of this report is as follows:

Director	Ordinary shares	Options
Mr R Caldwell (1)	2,880,000	3,000,000
Dr G Tulloch/Mrs S Tulloch (2)	20,004,190	-
Mr G Thompson (3)	2,274,015	1,000,000
Mr I Neal	200,000	1,000,000
Mr G Grove-White	30,425	-

Directors' Interests (cont'd)

1. 530,000 shares are held by Richard Caldwell, the trustee of the Frith Superannuation Fund, of which Richard Caldwell is the sole beneficiary.
2. 17,841,690 shares are held by GTST Holdings Pty Ltd of which Gavin Tulloch and Sylvia Tulloch are directors and shareholders, as trustee for The Tulloch Family Trust of which Gavin Tulloch and Sylvia Tulloch are beneficiaries. 2,162,500 are held by Declast Pty Ltd of which Gavin Tulloch and Sylvia Tulloch are directors and shareholders, as trustee for The Tulloch Family Superannuation Fund, of which Gavin Tulloch and Sylvia Tulloch are beneficiaries.
3. Includes 1,634,265 shares held indirectly by Mr Thompson as a joint trustee and a beneficiary of the Thompson Family Superannuation Fund. 639,750 shares are held directly by Mr Thompson.

Principal Activities

During the year, the principal activities of the Company consisted of the industrialisation and commercialisation of Dye Solar Cell (DSC) technology, through the provision of a range of products and services including materials, consulting, R&D, collaborative product development, licensing, training, and turnkey manufacturing and laboratory facilities.

Results

The result of the consolidated entity for the year ended 30 June 2012 was a loss after income tax of $ 8,878,004 [2011: $17,284,551].

Operating and Financial Review

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations on pages 8 - 35 of this Annual Report.

Significant Changes in the State of Affairs

Nil.

Dividends

No dividend has been declared or paid by the Company to the date of this report.

Events Subsequent to the End of Reporting Period

- In September 2012, the Company procured a bridging loan facility to draw down up to $750,000 with security over selected assets of the Company. Interest accrues daily at 10.0 % per annum until the repayment date. The repayment date is the earlier of either 30 November 2012 or 2 business days after receipt by the Company of a R&D tax rebate (refer Note 1y), or as mutually agreed. The facility has been provided by an entity associated with Mr. Richard Caldwell, a director of the Company. The establishment of the facility is for working capital purposes and also as a precaution given the uncertainty of precise timing around the expected receipt of a R&D tax rebate. The Company continues to investigate strategic investment opportunities.
- Dr. Gavin Tulloch has resigned from the Dyesol Limited Board of Directors effective 7 September 2012.

Likely Developments

Information about likely developments in the operations of the Company is contained in the Operations and Corporate Review.

Environmental Regulation

The consolidated entity is subject to significant environmental regulation, in particular with respect to its manufacturing activities. The Board through its Senior Management Committee, monitors its environmental performance obligations. The consolidated entity has complied with all environmental regulations. Dyesol Australia Pty Ltd, the Dyesol subsidiary in which most manufacturing is undertaken, has established an Occupational Health and Safety Committee.

Share Options

During and since the end of the financial year 500,000 share options and 200,000 performance share rights were granted to the following directors and to the key management personnel of the Company as part of their remuneration:

Options

Directors and key management personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
M Thomas	500,000	Dyesol Limited	500,000

Performance rights

Directors and key management personnel	Number of share rights granted	Issuing entity	Number of ordinary shares under rights
G Grove-White	200,000	Dyesol Limited	200,000

Unissued ordinary shares

At the date of this report, unissued ordinary shares of the Company under option and share rights were:

Options

Expiry Date	Exercise Price	Number of Options
31 December 2012	$1.16	714,000
27 November 2012	$1.10	2,000,000
27 November 2013	$1.20	1,000,000
30 November 2013	$1.00	2,000,000
22 December 2013	$0.89	500,000
4 August 2014	$0.70	500,000
29 April 2015	$0.925	2,500,000

Rights (Dyesol Limited Employee Option Scheme)

Grant Date	Exercise Price	Vesting Date	Number of Rights
22 June 2010	-	1 July 2012	867,948
23 December 2010	-	1 July 2012	5,000
18 May 2011	-	1 July 2012	5,000

Performance rights (Dyesol Performance Right Plan)

Grant Date	Exercise Price	Vesting Date	Number of Rights
21 November 2011	-	21 November 2013	200,000

Rights exercised/vested

The following ordinary shares of Dyesol Limited were issued during or since the end of the financial year as a result of exercise/vesting of rights granted under the Dyesol Limited Employee Incentive Option Plan:

Date Rights Granted	Date Shares Issued	Issue Price of Shares	Number of Shares Issued
22 June 2010	24 August 2011	-	571,686
18 May 2011	24 August 2011	-	5,000
5 October 2011	5 October 2011	-	14,767
5 October 2011	5 October 2011	-	22,152

No amounts are unpaid on these shares.

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify current and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit Services

The Company appointed Grant Thornton Audit Pty Ltd as auditors of the Company effective 4 May 2012, upon resignation of the previous auditor BDO Audit (NSW-VIC) Pty Ltd. The appointment will be ratified at the 2012 Annual General Meeting. The Directors are satisfied that the replacement auditor, Grant Thornton Audit Pty Ltd, has the capacity to conduct the audit in an appropriate manner and so as to enable the entity to meet its reporting obligations under the Corporations Act 2001 and, where applicable, ASX listing rules; and that the replacement auditor has confirmed that they are not disqualified from acting and that the appointment will not constitute a breach of the auditor independence requirements in the Corporations Act or professional standards.

During the year BDO Audit (NSW-VIC) Pty Ltd, and Grant Thornton Audit Pty Ltd have both performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. On the advice of the Audit Committee, the directors are satisfied that the provision of non audit services as set out below did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the related practices of the BDO Audit (NSW-VIC) Pty Ltd, the previous auditor of the Company, and Grant Thornton Audit Pty Ltd for non-audit services provided during the year are set out below. No amount was paid to BDO Audit (NSW-VIC) Pty Ltd for non-audit services during the year.

	2012 $	**2011 $**
Services other than statutory audit provided by an associated firm of BDO Audit (NSW-VIC) Pty Ltd:		
- tax compliance	18,412	35,310
Services other than statutory audit provided by a network firm of BDO Audit (NSW- VIC) PTY Ltd:		
- tax compliance	5,750	18,530
Services other than statutory audit provided by an associated firm of Grant Thornton Audit Pty Ltd:		
- tax compliance	20,100	-

Remuneration Report - Audited

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

For the purposes of this report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The key management personnel for the consolidated entity during the year were:

Mr R Caldwell	Executive Chairman
Dr G Tulloch	Executive Director (resigned 7 September 2012)
Ms S Tulloch	Non-executive Director
Mr G Thompson	Executive Director
Mr I Neal	Non-executive Director
Ms N Young	Non-executive Director (resigned 18 November 2011)
Mr G Grove-White	Non-executive Director (appointed 10 August 2011)
Mr K L Niu	Chief Financial Officer
Mr M Thomas	CEO Dyesol Inc.
Dr A King	Director Dyesol UK Ltd
Mr C Moore	Manager, Steel
Mr D Milliken	R&D Manager
Mr D Bundy	GM – Operations (Facilities/ Production) & Services- Dyesol Australia Pty Ltd
Mr K Hogg	Company Secretary

The Company currently has an Acting CEO and will recruit a permanent CEO when its business plan for technology commercialisation and the business plans of its partners are finalised.

REMUNERATION COMMITTEE

The directors have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices. If necessary, the committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

PRINCIPLES OF REMUNERATION

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The Committee has engaged independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities (refer page 43 below).

The structures take into account the capability and experience of the key management personnel, as well as the key management personnel's ability to control the performance of their division.

Compensation packages can include a mix of fixed compensation and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The consolidated entity does not have any scheme relating to retirement benefits for its key management personnel, other than payment of statutory superannuation contributions.

REMUNERATION STRUCTURE

The structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of members. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2011 Annual General Meeting, is not to exceed $400,000 per annum. Directors' fees cover all main board activities and membership of committees. Non-executive directors do not receive performance related compensation, nor do they receive any retirement benefits, other than statutory superannuation.

REMUNERATION STRUCTURE (CONT'D)

Executive remuneration

Remuneration for executives is set out in employment and business service agreements.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual and overall performance of the consolidated entity.

Equity-based compensation (long-term incentives)

Equity-based long-term incentives may be provided to key management personnel via the Dyesol Limited Employee Option Scheme ("Scheme") and the Dyesol Performance Right Plan ("Plan") (refer to Note 24 to the financial statements). The incentives under the Scheme are provided as options or share rights over ordinary shares of the Company and may be provided to key management personnel based on their position within the Group. Vesting conditions may be imposed on any options granted, in accordance with the Scheme's terms and conditions. Such incentives are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth.

Dyesol Performance Right Plan ("Plan") replaces the current Dyesol Limited Employee Option Scheme ("Scheme") as the Company ceases making new grants under the Scheme. However, the rights, entitlements and obligations of existing participants in the Scheme will continue on the same basis as before the introduction of the Plan.

The Plan is designed to:

- assist with the attraction and retention of directors, executives, senior managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and shareholder interests.

Use of remuneration consultants

The Company Remuneration Committee employed the services of CRA Plan Managers Pty Ltd to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentive plan design.

Under the terms of the engagement, CRA Plan Managers Pty Ltd provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $25,908 for these services.

CRA Plan Managers Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the group's key management personnel.

CRA Plan Managers Pty Ltd was engaged by, and reported directly to, the chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority on behalf of the board.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

In addition to providing remuneration recommendations, CRA Plan Managers Pty Ltd also provided recommendations and design of a detailed Dyesol Limited Performance Rights Plan. For these services CRA Plan Managers Pty Ltd was paid a total of $8,605.

Consequences of performance on shareholder wealth

At this stage of the Group's development, the prime focus remains on the commercialisation of the Group's technology and expansion of activities to new markets and regions. The Group is yet to reach profitability, with main drivers towards wealth creation being business partnerships, contract R&D, licensing, and sale of equipment and materials. The link between financial results and share price movements has therefore yet to be established. Consequently, the policy towards remuneration has not addressed criteria based on profitability, but rather on project outcomes and developments in the Group's technology base.

REMUNERATION REPORT - AUDITED (CONT'D)

The following table sets out summary information about the Group's loss and movement in share price for the last 5 years:

	2007/08	2008/09	2009/10	2010/11	2011/12
Net Loss for the year	$7,621,167	$9,914,748	$14,372,212	$17,284,551	$8,878,004
Dividends paid	nil	nil	nil	nil	nil
Change in share price	($0.34)	($0.13)	$0.16	($0.57)	($0.37)
Share price at beginning of the period	$1.36	$1.02	$0.89	$1.05	$0.48
Share price at end of the period	$1.02	$0.89	$1.05	$0.48	$0.11
Loss per share	7.39 cents	8.54 cents	11.04 cents	11.92 cents	4.83 cents

SERVICE AGREEMENTS

Of the Group's key management personnel (listed earlier in this Report), Mr I Neal, Mr G Grove-White, Ms Nicola Young and Ms Sylvia Tulloch are non-executive directors of the Company and derived fees for their role. The services of Ms S Tulloch and Mr G Thompson are engaged through business services agreements which are in progress of completion. All other key management personnel have entered into contracts of employment which outline the components of compensation paid to the key management personnel. The contracts are usually reviewed on an annual basis.

Details of remuneration paid to each key management person are shown later in this Report. In addition to those remuneration details, the following additional comments are provided in relation to the respective engagements.

Non-executive directors

As noted earlier, total directors' fees for all non-executive directors as determined by shareholders are not to exceed $400,000 per annum. At the present time, the fees paid to non-executive directors (excluding consultancy fees) amount to $162,487 per annum. Directors' fees cover all main Board activities and membership of committees. Non-executive directors currently do not receive performance-related compensation. The total remuneration pool for non-executive directors will be the subject of a vote by shareholders at the 2012 Annual General Meeting.

Business service agreements

Dr Gavin Tulloch ceased in his role as Director of Technology on 31 March 2012. An interim arrangement was in place which provided a base fee of €12,500 Euro per month plus other benefits. In addition a fee of $50,000 per annum (excluding GST) was paid for his services as an executive director.

The Group has an arrangement that it pays a consultancy fee of $1,000 per day (excluding GST) for the provision of agreed services to Tulloch Associates Pty Ltd (an entity controlled by Ms Sylvia Tulloch (non-executive director of the Group). In addition a fee of $50,000 per annum (excluding GST) was paid for her services as an executive director.

The Group has an existing business services agreement with Mr Gordon Thompson. The agreement covers the provision of business services to the Group for a consulting fee of $1,000 (excluding GST) per 8 hour day. The original agreement is still in effect pending current negotiations on the terms of retention for Mr Gordon Thompson. In addition, Mr Gordon Thompson receives $50,000 per annum (excluding GST) for his services provided as an executive director.

Employment contracts

Employment agreements have been entered into with all key management personnel, other than those engaged through business service agreements as itemised above. The agreements contain the usual terms and conditions found in such contracts. In addition, the following comments are made in relation to those contracts having performance conditions attached and how the terms of the contracts may affect compensation in future periods.

The Group has entered into an employment agreement with Mr Richard Caldwell to act as Executive Chairman effective from 20 October 2009, which has been extended. The agreement specifies the duties and obligations to be fulfilled by Mr Caldwell that is capable of termination on 3 months written notice. The Group has the right to terminate the contract immediately by paying three months salary in lieu of such notice. The agreement provides for a consulting fee of $1,000 per day plus superannuation, a performance bonus subject to achievement of predefined targets as set out in his contract and the grant of 3,000,000 share options with different exercise and vesting dates upon appointment as Executive Chairman. In addition, Mr Richard Caldwell receives $60,000 per annum for his services provided as Chairman of the Group.

The Group has entered into a service contract with its Chief Financial Officer, Mr Kian L. Niu that is capable of termination on three months' notice. The Group has the right to terminate the contract immediately by paying three months' salary in lieu of such notice. The agreement provides for a base salary of $180,000 per annum (excluding superannuation), a performance bonus subject to meeting predetermined conditions as set out in the contract, an annual performance review and a redundancy package of six months salary if the position within the company is made redundant.

SERVICE AGREEMENTS (CONT'D)

The Group has entered into a service contract with its CEO, Dyesol Inc., Mr Marc Thomas. The agreement is for a period of 2 years from the date of signing that is capable of termination with 6 months written notice. The agreement provides for a total remuneration cost of USD $240,000 per annum inclusive of applicable superannuation, healthcare and other benefits and a performance bonus of share options subject to the achievement of predefined targets as set out in the contract. It is the intention of the Company to issue to Mr Marc Thomas a minimum of 1,000,000 options if milestones and other terms and conditions that the Board determines in its sole discretion are reached. In addition, on signing the agreement Mr Marc Thomas was granted 120,000 restricted share rights with different vesting dates subject to continuous employment with the Company. Mr Marc Thomas was also paid an 'away allowance' of USD $44,000 and USD $12,500 for relocation during the year.

The Group also makes payments for goods and services received from companies related to certain key management personnel. Such payments are not considered to be remuneration of key management personnel and are disclosed in Note 25 to the financial statements.

(a) DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration including entitlements such as accrued leave to each key management person of the consolidated entity for the year are:

2012	Short-Term Employment Benefits		Long-Term Benefits	Post-employment Benefits	Share Based Payments		TOTAL	Proportion of Remuneration that consists of options, rights or shares	Proportion of Remuneration that is performance based
	Salary & fees $	Non-monetary benefits $	Long Service Leave $	Superannuation benefits $	Options/ Rights # $	Shares # $	$	%	%
Directors									
Non-executive									
Mr I Neal (5)	50,000	-	-	-	-	-	50,000	-	-
Mrs S Tulloch (2)	172,350	10,073	-	-	-	-	182,423	-	-
Ms N Young (6)	16,667	-	-	-	-	-	16,667	-	-
Mr. G. Grove-White (7)	45,820	-	-	-	20,411	-	66,231	31	31
Executive									
Mr R Caldwell (1)	192,524	-	-	17,327	-	-	209,851	-	-
Mr G Thompson (4)	226,000	-	-	-	-	-	226,000	-	-
Dr G Tulloch (3)	219,152	-	-	-	-	-	219,152	-	-
Other Key Management Personnel									
Executive									
Mr K L Niu # #	193,341	-	-	16,200	47,250	-	256,791	18	18
Mr M Thomas ^	304,093	-	-	-	20,710	-	324,803	6	6
Dr A King # #	165,527	-	-	-	39,874	-	205,401	19	19
Mr C Moore # #	91,960	-	-	-	26,582	-	118,542	22	22
Mr D Milliken # #	112,405	-	-	9,908	19,936	-	142,249	14	14
Mr D Bundy # #	168,596	-	-	14,850	28,350	-	211,796	13	13
Mr K Hogg	48,000	-	-	-	-	-	48,000	-	-
Total	2,006,435	10,073	-	58,285	203,113	-	2,277,906		

(a) DETAILS OF REMUNERATION (CONT'D)

**** The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act 2001 and the Corporations Regulations 2001.*

^ Included a share based payment of $20,710 for 500,000 options issued to M Thomas on 24 August 2011. The options issued to M Thomas were based on the delivery of a funded DyeTec Solar Inc. project within a 6 month time frame from signing his employment agreement, and provided that he remains as an employee as at the vesting dates.

 # Refer to page 48 for further details of the terms and conditions of options, rights and shares.

 # # The rights issued to K Niu, A King, C Moore, D Milliken, D Bundy were all based on each individual achievement of cost centre project objectives set for the previous year, and provided that they remain as employees as at the vesting dates.

Notes in relation to the table of remuneration:

1) Includes director fees, salary and consultancy fees.
2) Includes consultancy fees $122,350.
3) Includes consultancy fees $146,856 and allowances $22,296. Resigned 7 September 2012.
4) Includes consultancy fee $176,000.
5) Directors fees only.
6) Director fees only. Resigned 18 November 2011.
7) Director fees only. Appointed Director 10 August 2011.

(a) DETAILS OF REMUNERATION (CONT'D)

 # Details of the terms and conditions of options, rights and shares granted to key management personnel and executives as compensation during the reporting period are as follows:

2012	No. options/ rights granted	No. shares granted	Grant date	No. options/ rights vested	No. shares	Fair value per option/ right at grant date	Fair value per share at grant date	Exercise price	Amount paid or payable	Expiry date	Date exercisable	% Vested in current year	% Forfeited in current year	% Available for vesting in future years	Value of options/rights /shares at grant date *
Director															
Performance rights															
Mr. G. Grove-White	200,000	-	21/11/11	-	-	$0.335	-	-	-	-	21/11/13	-	-	-	$67,000
Other Key Management Personnel															
Options															
Mr M Thomas	500,000	-	04/08/11	500,000	-	$0.041	-	$0.70	-	04/08/14	24/08/11	100	-	-	$20,710

(a) DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration including entitlements such as accrued leave to each key management person of the consolidated entity for the year are:

2011	Short-Term Employment Benefits		Long-Term Benefits	Post-employment Benefits	Share Based Payments		TOTAL	Proportion of Remuneration that consists of options, rights or shares	Proportion of Remuneration that is performance based
	Salary & fees $	Non-monetary benefits $	Long Service Leave $	Superannuation benefits $	Options/ Rights # $	Shares # $	$	%	%
Directors									
Non-executive									
Mr I Neal (5)	47,333	-	-	-	122,010	-	169,343	72	-
Mr G Thompson (4)	166,833	-	-	-	122,010	-	288,843	42	-
Mrs S Tulloch (2)	199,983	10,073	-	-	-	-	210,056	-	-
Ms N Young (6)	36,333	-	-	-	-	-	36,333	-	-
Executive									
Mr R Caldwell (1)	285,424	-	-	25,348	266,358	-	577,130	46	-
Dr G Tulloch (3)	318,510	-	-	-	-	-	318,510	-	-
Other Key Management Personnel									
Executive									
Mr Clemens Betzel (7)	560,796	-	-	-		144,833	705,629	21^^	5
Mr K L Niu	178,107	-	-	15,910	112,290	-	306,307	37^	10
Mr M Thomas ***	250,763	-	-	-	86,672**	-	337,435	26*	23
Dr A King***# #	193,404	-	-	-	26,582	-	219,986	12	12
Mr C Moore***# #	101,165	-	-	-	17,722	-	118,887	15	15
Mr D Milliken***# #	64,468	5,578	-	-	13,291	-	83,337	16	16
Mr D Bundy (8) # #	55,656	-	-	5,625	18,900	-	80,181	-	24
Mr K Hogg	48,000	-	-	-	-	-	48,000	-	-
Total	2,506,775	15,651	-	46,883	785,835	144,833	3,499,977		

(a) DETAILS OF REMUNERATION (CONT'D)

**** The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act 2001 and the Corporations Regulations 2001. They include the five highest remunerated executives of the Company and the Group for the year, and are listed in the table on page 42.*

^The rights issued to K L Niu were based on his relocation agreement and provided that he remains as an employee as at the vesting dates. The options were issued with no performance conditions as set out in K L Niu's employment agreement with the Company

** The options issued to M Thomas were based on the delivery of a funded DyeTec Solar Inc. project within a 6 month time frame from signing his employment agreement, and provided that he remains as an employee as at the vesting dates. The rights issued to M Thomas were upon appointment as CEO Dyesol Inc. with no performance conditions and provided that he remains as an executive throughout the vesting periods as set out in M Thomas's employment agreement with the Company.*

***Included a share based payment accrual of $8,240 for 500,000 options issued to M Thomas on 24 August 2011 and a share based payment accrual of $3,552 for 16,000 share rights not yet granted as at the end of the reporting period.*

^^ 200,000 shares with a share based payment of $112,000 were issued to C Betzel upon appointment as CEO Dyesol Limited with no performance conditions as set out in C Betzel's employment agreement with the Company. Another 42,094 shares with a share based payment of $32,833 was issued to C Betzel on completion of his consulting services prior to his appointment as CEO Dyesol Limited.

 # Refer to page 51 for further details of the terms and conditions of options, rights and shares.

 # # The rights issued to A King, C Moore, D Milliken and D Bundy were all based on each individual achievement of cost centre project objectives set for the previous year, and provided that they remain as employees as at the vesting dates.

Notes in relation to the table of remuneration:

1) Includes director fees, salary and consultancy fees. The fair value of the options is calculated at the date of contract entered using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account. Refer to Note 25 for the assumptions used in determining the fair value of options on grant date. The options were issued to R Caldwell in previous year upon appointment as Executive Chairman with no performance conditions and provided that R Caldwell remains as an executive director throughout the vesting periods as set out in R Caldwell's contract of employment.
2) Includes consultancy fees $152,650.
3) Includes consultancy fees $268,473 and allowances $16,704.
4) Includes consultancy fee $119,500. The fair value of the options is calculated at the date of contract entered using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account. Refer to Note 25 for the assumptions used in determining the fair value of options on grant date. The options were granted to G Thompson during the year in recognition of the contribution that G Thompson has made to the Company's development following shareholders approval at the 2010 Annual General Meeting.
5) Directors fees only. The fair value of the options is calculated at the date of contract entered using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account. Refer to Note 25 for the assumptions used in determining the fair value of options on grant date. The options were granted to I Neal during the year in recognition of the contribution that I Neal has made to the Company's development following shareholders approval at the 2010 Annual General Meeting.
6) Director fees only. Appointed as non-executive director on 7 March 2011.
7) Resigned as CEO on 11 March 2011.
8) Resigned as Chief Operating Officer on 1 December 2010 and remains as Operations Manager, Dyesol Australia Pty Ltd.

(a) DETAILS OF REMUNERATION (CONT'D)

 # Details of the terms and conditions of options, rights and shares granted to key management personnel and executives as compensation during the reporting period are as follows:

2011	No. options/ rights granted	No. shares granted	Grant date	No. options/ rights vested	No. shares	Fair value per option/ right at grant date	Fair value per share at grant date	Exercise price	Amount paid or payable	Expiry date	Date exercisable	% Vested in current year	% Forfeited in current year	% Available for vesting in future years	Value of options/rights /shares at grant date *
Director															
Options															
Mr G Thompson	1,000,000	-	29/11/10	1,000,000	-	$0.12	-	$1.00	-	30/11/13	29/11/10	100	-	-	$122,010
Mr I Neal	1,000,000	-	29/11/10	1,000,000	-	$0.12	-	$1.00	-	30/11/13	29/11/10	100	-	-	$122,010
	2,000,000			2,000,000											$244,020
Other Key Management Personnel															
Options															
Mr K L Niu	500,000	-	23/12/10	500,000	-	$0.16	-	$0.89	-	22/12/13	23/12/10	100	-	-	$80,790
Rights															
Mr M Thomas	104,000	-	27/01/11	104,000	-	$0.72	-	-	-	-	27/01/11	100	-	-	$74,880
Shares															
Mr C Betzel	-	42,094	02/11/10	-	42,094	-	$0.78	-	-	-	02/11/10	100	-	-	$32,833
Mr C Betzel	-	200,000	15/03/11	-	200,000	-	$0.56	-	-	-	15/03/11	100	-	-	$112,000
		242,094			242,094										$144,833

(b) Equity instruments issued on exercise of remuneration rights

Details of equity instruments issued during the period to key management personnel and executives as a result of rights vested that had previously been granted as compensation are as follows:

2012	Number of shares issued on vesting of rights	Number of rights vested	Amount paid per share	Amount unpaid per share
Name				
Key management personnel				
Mr K L Niu	45,000	45,000	-	-
Dr A King	37,975	37,975	-	-
Mr C Moore	25,316	25,316	-	-
Mr D Milliken	18,987	18,987	-	-
Mr D Bundy	27,000	27,000	-	-
	154,278	154,278	-	-

(c) Value of options and rights held by key management personnel and executives

Details of the value of options and rights granted, exercised, vested and lapsed during the year to key management personnel and executives as part of their remuneration are summarised below:

	Value of options/rights issued at grant date * $	***Value of options exercised during the year ** $***	***Value of rights vested during the year ** $***	***Value of options lapsed during the year*** $***
Directors				
Rights				
Mr. G. Grove-White	67,000	-	-	-
Other key management personnel				
Options				
Mr M Thomas	20,710	-	-	-
Rights				
Mr K L Niu	-	-	21,038	-
Mr M Thomas	-	-	-	-
Dr A King	-	-	17,753	-
Mr C Moore	-	-	11,835	-
Mr D Milliken	-	-	8,876	-
Mr D Bundy	-	-	12,623	-

In accordance with the company's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director.

** The value of options granted during the period differs to the expense recognised as part of each key management persons' or executives' remuneration in (c) above because this value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment.*

*** The value of options exercised at exercise date has been determined as the intrinsic value of the options at exercise date, i.e. the excess of the market value at exercise date over the strike price of the option.*

**** Options lapsed due to vesting conditions not being satisfied. The value of options at date of lapse is determined assuming that the vesting condition has been satisfied.*

END OF AUDITED REMUNERATION REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 103.

Dated at Sydney, New South Wales this 28th day of September 2012.

Signed in accordance with a resolution of the directors:

Richard Caldwell
Chairman

Consolidated Statements Of Comprehensive Income for the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from sale of goods and services	2	1,839,836	1,413,302
Cost of sales		(1,078,733)	(1,007,982)
Gross profit		761,103	405,320
Interest revenue	2	61,628	161,786
Other income	2	1,367,170	1,172,428
Technical expenses	3	(6,569,267)	(8,036,272)
Administration and corporate expenses		(6,139,787)	(8,732,894)
Marketing expenses		(1,616,695)	(2,366,781)
Borrowing costs	3	(75,210)	(71,264)
Intellectual property expenses		(426,274)	(568,658)
Loss before income tax benefit		(12,637,332)	(18,036,335)
Income tax benefit	5	3,759,328	751,784
Net loss for the year		(8,878,004)	(17,284,551)
Other comprehensive loss			
Foreign currency translation difference		(30,141)	(516,797)
Tax effect		-	-
Total comprehensive loss for the year		(8,908,145)	(17,801,348)
Loss is attributable to:			
Owners of Dyesol Limited		(8,880,872)	(17,284,604)
Non-controlling interest		2,868	53
		(8,878,004)	(17,284,551)
Total comprehensive loss for the year is attributable to:			
Owners of Dyesol Limited		(8,910,773)	(17,801,459)
Non-controlling interest		2,628	111
		(8,908,145)	(17,801,348)
Basic and diluted loss per share	6	(4.83 cents)	(11.92 cents)

The Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statements Of Financial Position
for the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	7	2,510,305	6,293,440
Trade and other receivables	8	3,450,290	1,072,240
Inventories	9	1,399,869	1,616,814
Other current assets	10	309,468	349,105
Total current assets		7,669,932	9,331,599
Non-current assets			
Property, plant and equipment	11	2,022,958	2,868,517
Intangible assets	12	9,640,061	8,491,256
Total non-current assets		11,663,019	11,359,773
Total assets		19,332,951	20,691,372
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,144,243	3,103,407
Borrowings	14	1,170,437	1,150,847
Other financial liabilities	15	-	1,163,032
Provisions	16	224,771	216,269
Total current liabilities		3,539,451	5,633,555
Non-current liabilities			
Other Payables	13	-	184,727
Provisions	16	386,085	361,100
Deferred tax liability	5(e)	590,954	668,049
Total non-current liabilities		977,039	1,213,876
Total liabilities		4,516,490	6,847,431
Net assets		**14,816,461**	**13,843,941**
EQUITY			
Contributed equity	17	76,127,923	66,848,603
Other reserves	18	3,974,838	3,403,395
Accumulated losses		(65,290,070)	(56,409,198)
Capital and reserves attributable to owners of Dyesol Limited		**14,812,691**	**13,842,800**
Non-controlling interest	19	3,770	1,141
Total equity		**14,816,461**	**13,843,941**

The Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

	Note	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Cash receipts from customers		1,465,376	1,897,420
Cash payments to suppliers and employees		(13,016,390)	(16,157,087)
R&D tax rebate received		729,843	1,029,626
Interest received		34,494	160,188
Interest paid		(40,038)	(20,784)
Grants received		715,007	2,121,601
Net cash used in operating activities	22	(10,111,708)	(10,969,036)
Cash flows from investing activities			
Payments for plant and equipment		(394,785)	(887,494)
Proceeds from sale of plant and equipment		-	163
Payments for product development costs		(1,316,441)	(1,089,135)
Payments for intellectual property		-	(50,000)
Loans to related parties		-	(320,286)
Loans repaid by related parties		-	20,286
Net cash used in investing activities		(1,711,226)	(2,326,466)
Cash flows from financing activities			
Proceeds from borrowings		1,166,372	1,543,842
Repayment of borrowings		(776,802)	(11,860)
Proceeds from the issue of shares		7,726,060	5,500,000
Proceeds from joint venture interests		300,000	-
Share issue costs		(332,564)	(323,475)
Net cash provided by financing activities		8,083,066	6,708,507
Net increase in cash and cash equivalents		(3,739,868)	(6,586,995)
Net foreign exchange differences		(43,267)	(256,768)
Cash and cash equivalents at beginning of period		6,293,440	13,137,203
Cash and cash equivalents at end of period	7	**2,510,305**	**6,293,440**

The Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED ENTITY

	Contributed Equity	Accumulated losses	Reserves: Equity-settled benefit	Reserves: Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	$	$	$	$	$	$	$
	61,483,094	**(39,124,594)**	**2,520,232**	**(460,634)**	**24,418,098**	**1,030**	**24,419,128**
Total comprehensive income for the year							
Loss for the year	-	(17,284,604)	-	-	(17,284,604)	53	(17,284,551)
Other comprehensive income							
Foreign currency translation reserve differences	-	-	-	(516,855)	(516,855)	58	(516,797)
Total comprehensive income for the year	-	(17,284,604)	-	(516,855)	(17,801,459)	111	(17,801,348)
Transaction with owners, in their capacity as owners							
Contributions of equity, net of transaction costs	5,203,426	-	-	-	5,203,426	-	5,203,426
Issue of shares as a share based payments	162,083	-	(162,083)	-	-	-	-
Share-based payment expense	-	-	2,022,735	-	2,022,735	-	2,022,735
Total transactions with owners	5,365,509	-	1,860,652	-	7,226,161	-	7,226,161
At 30 June 2011	**66,848,603**	**(56,409,198)**	**4,380,884**	**(977,489)**	**13,842,800**	**1,141**	**13,843,941**
Total comprehensive income for the year							
Loss for the year	-	(8,880,872)	-	-	(8,880,872)	2,868	(8,878,004)
Other comprehensive income							
Foreign currency translation reserve differences	-	-	-	(29,902)	(29,902)	(239)	(30,141)
Total comprehensive income for the year	-	(8,880,872)	-	(29,902)	(8,910,774)	2,629	(8,908,145)
Transaction with owners, in their capacity as owners							
Contributions of equity, net of transaction costs	9,279,320	-	-	-	9,279,320	-	9,279,320
Issue of shares as a share based payments	-	-	-	-	-	-	-
Share-based payment expense	-	-	601,345	-	601,345	-	601,345
Total transactions with owners	9,279,320	-	601,345	-	9,880,665	-	9,880,665
At 30 June 2012	**76,127,923**	**(65,290,070)**	**4,982,229**	**(1,007,391)**	**14,812,691**	**3,770**	**14,816,461**

The Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of Dyesol Limited for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 28 September 2012 and covers the consolidated entity consisting of Dyesol Limited and its subsidiaries as required by the Corporations Act 2001. Dyesol Limited is a for-profit entity for the purpose of preparing the financial statements.

Dyesol Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies applied by the consolidated entity in this year financial statements are the same as those applied in its financial statements as at and for the year ended 30 June 2011.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1 (y).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going Concern

The Group incurred an operating loss after income tax for the year of $8,878,004 (2011: $17,284,551) and an operating net cash outflow of $10,111,708 (2011: $10,969,036) for the year ended 30 June 2012. Cash held at bank as at 30 June 2012 was $2,510,305 (30 June 2011: $6,293,440), of which $185,518 relates to cash held in joint ventures.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. In order for Dyesol to continue as a going concern and further progress the development of its technology and intellectual property, and in particular the continuing successful development of DSC on coil coated steel, additional capital will be required. Dyesol has previously raised capital when required and the Directors expect the company will be successful in raising the required additional capital in future.

The Directors have initiated the following strategies to secure the going concern status and have determined that these accounts should be prepared on a going concern basis as these strategies are expected to be successful:

(a) Research and Development Tax Credit

The Company expects to receive a refundable research and development tax credit amounting to $2.951 million prior to 31 October 2012 and has recognised this asset at 30 June 2012.

Innovation Australia has approved the registration of the research and development (R&D) activities of the Company for the accounting period from 1 July 2011 to 30 June 2012 and in the 2012 tax year the company has determined it incurred qualifying research and development expenditure (i.e. notional R&D deductions) of approximately $6.6 million, of which 45% is refundable. The Company has lodged its income tax return in August 2012 with the relevant Australian Taxation Office R&D Tax Incentive Schedule.

(b) Loan facility

In September 2012, the Company procured a bridging loan facility to draw down up to $750,000 with security over selected assets of the Company. Interest accrues daily at 10.0 % per annum until the repayment date. The repayment date is the earlier of either 30 November 2012 or 2 business days after receipt by the Company of a R&D tax rebate (refer Note 1y), or as mutually agreed. The facility has been provided by an entity associated with Mr. Richard Caldwell, a director of the Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Continued reduction of the cost base

The Company has embarked upon cost saving measures and continues to preserve cash position within limits without significantly affecting critical R&D activities and operations.

In addition to the initiatives set out above, the Board of Directors continues to look at the long term investment options to provide the working capital to implement its technology pathway to commercialization, and believes that the Company will be successful in developing the business to achieve a cash flow positive phase. Until this is achieved additional funding will continue to be required from investors. Based on the factors above the Directors have prepared this financial report on a going concern basis. Accordingly the financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Accounting Policies

(a) Principles of Consolidation

Subsidiaries

A subsidiary entity is any entity over which Dyesol Limited has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

A list of subsidiaries is contained in Note 26 to the financial statements. All subsidiaries have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation unless the transactions provide evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies, to the extent possible given compliance with local regulations, with those policies applied by the parent entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Dyesol Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Jointly controlled entities

Jointly controlled entities are accounted for by means of the proportionate consolidation method whereby the Group's share of the assets, liabilities, income, expenses and cash flows of the jointly controlled entities are included on a line by line basis in the consolidated financial statements from the date on which the jointly controlled entities commence until the date on which the jointly controlled entities cease.

Details of the jointly controlled entities are set out in Note 29.

Changes in ownership interest

Transactions with non-controlling interests that increase or decrease the group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the group. An adjustment is made between the carrying amount of the group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Dyesol Limited.

Where the group loses control of a subsidiary but retains significant influence, joint control, or an available-for-sale investment, the retained interest is remeasured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. This fair value is the initial carrying amount for the retained investment in the associate, jointly controlled entity or available-for-sale financial asset. If no ownership interest is retained, or if any remaining investment is classified as available-for-sale, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the group had directly disposed of the related assets or liabilities and may be recognised in profit or loss. To the extent that the group retains significant influence or joint control, balances of other comprehensive income relating to the associate or jointly controlled entity will only be reclassified from other comprehensive income to profit or loss to the extent of the reduced ownership interest so that the balance of other comprehensive represents the group's proportionate share of other comprehensive income of the associate/jointly controlled entity.

(b) Income tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The company applies for registration of R&D expenses which meet R&D Tax Concession requirements with the Department of Innovation, and calculates the R&D tax credit owing based on that registration when it submits the annual tax return. Although the $2,951,443 R&D Tax Incentive for financial year ending 30 June 2012 was not received during the year, it was included in the reporting period in accordance with accounting standards. The cash rebate is recognised as R&D tax rebate (refer Note 5). The result for the year also included $729,843 R&D Tax Incentive cash rebate received during the year, which was not accrued in the previous reporting period because at the time of lodging the previous year financial statements there was insufficient evidence to reliably value the R&D Tax Incentive.

Dyesol Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 20 August 2006.

The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the tax payable of the tax consolidated group.

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax funding agreement is considered remote.

The stand-alone taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group.

(c) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically feasible, the Group has sufficient resources to complete development and the Group is able to demonstrate how the product or process will generate future economic benefits.

Expenditure which may be capitalised includes the cost of materials, direct labour, subcontract expenditure and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (e)).

Goodwill

Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intellectual Property & Patents

Intellectual Property and Patents that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (e)).

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date that they are available for use, not from the date of generation or acquisition.

Class of Intellectual Property & Patents	*Expected useful life*	*Remaining Life*
EPFL Licences	13 years	8 years
Technologies and Process	13 years	8 years
Flexible Cells Process	19 Months	Nil
Paralec Licences	5 to 8 years	5 to 6 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(d) Property, plant and equipment

Property, plant and equipment, are recognised initially at cost or fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation

Depreciation is charged in profit or loss on a straight-line basis over the estimated useful life of the asset or in the case of leasehold improvements, the shorter lease term as follows:

Class of Fixed Asset	*Expected useful life*
Plant and factory equipment	5 years
Office equipment	3 years
Computer software	3 years
Furniture & fittings	5 years
Leasehold improvements	lease term

Motor vehicles are depreciated at 22.5% per annum using a diminishing balance method.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Impairment

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated annually. Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal in other comprehensive income to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of the cash-generating unit (which is the business as a whole), are first allocated to reduce the carrying amount of goodwill and then to reduce the carrying amount of other assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Fair values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of reporting period.

If the fair value of financial instruments is not available from an active market, the Group establishes its fair value using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. Other financial instruments are calculated based on the present value of future principal and interest cash flow, discounted at the market rate of interest at the end of the reporting period. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Objective evidence of impairment includes financial difficulties of a debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

(h) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(j) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(k) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. For service warranties, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligations as a whole. Provisions are not recognised for future operating losses.

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Dyesol Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(o) Employee Benefits

Wages, salaries, annual leave and non-monetary benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value (using the national government bond rate) of the estimated future cash outflows to be made for those benefits.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

An expense is recognised for all equity-based remuneration, including shares and options issued to employees and directors. The fair value of securities granted is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The fair value of options granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of shares and options issued to employees is based on the fair value of the equity instruments issued.

(p) Financial instruments

Recognition

Financial instruments are initially measured at fair value on trade date, plus transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are stated at amortised cost, comprising original debt less principal payments and amortisation.

Derivatives

Under the terms of the Share Purchase and Convertible Security Agreement between Dyesol Limited and SpringTree Special Opportunities Fund, LP dated May 3, 2011 and the Share Purchase and Convertible Security Agreement between Dyesol Limited and Bergen Global Opportunity Fund , LP dated 2nd December 2011, the financial instruments are treated as debt instruments with an embedded derivative.

The fair value of the debt portion of the convertible notes is determined after calculating the fair value of the embedded derivative on inception. The debt portion is subsequently measured at amortised cost and the embedded derivative financial instrument is measured at fair value at each reporting date with any movement in fair value reported in profit or loss. Issue costs are apportioned between the liability and equity components of convertible notes based on the allocation of proceeds to the debt and equity components (if any) when the instruments are first recognised.

The Share Purchase and Convertible Security Agreements of SpringTree Special Opportunities Fund, LP and Bergen Global Opportunity Fund, LP were terminated during the year.

Compound financial instruments

Compound financial instruments issued by the Group comprise of convertible notes that can be converted to share capital at the option of the issuer and the number of shares to be issued is equal to the fair value of the notes.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity compound in proportion to their initial carrying amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss.

(q) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(r) Revenue recognition

Revenue from the sale of goods is recognised upon the dispatch of goods to customers.

Revenue from the rendering of services is recognised upon the delivery of the services to the customers.

Revenue from the sale of equipment is recognised when the legal title to the equipment passes, which is usually upon delivery or installation and acceptance.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(s) Government grants

Grants from the government are recognised at their fair value, where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Unconditional grants are recognised in profit or loss as other income, when the grant becomes receivable. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(u) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured sing the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the exchange rate at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on translation are recognised in profit or loss.

Group Companies

At the end of the reporting period, the assets and liabilities of overseas subsidiaries are translated into the presentation currency of the group at the rate of exchange ruling at the end of the reporting period and income and expenses are translated at the average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve).

On consolidation, exchange differences arising from the translation of any net investment in any foreign entities are taken to other comprehensive income (foreign currency translation reserve). When a foreign operation is sold or borrowings repaid, a proportionate share of the foreign currency translation reserve is recognised in profit or loss as part of the gain or loss on sale or repayment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Segment reporting

The Group reviewed segment information using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions). The operating segments results are reviewed regularly by the executive management committee to make decisions about resources to allocate the segments and assess its performance.

During the year the committee monitors the business based on product and services factors and has identified four major product and services segments. These are as follows:

- Glass and Equipment
- Metal Strip
- Flexibles
- R&D Materials

In addition, the committee monitors the business based on geographic factors and has identified four major geographical segments. These are as follows:

- Australia
- Asia
- Europe
- North America

All of these entities are involved in the industrialisation and commercialisation of Dye Solar Cell (DSC) technologies.

(w) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with Note 1(k).

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rates.

(x) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(y) Key estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts n the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgement and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Key Estimates

Impairment of non-current assets

The consolidated entity's intangible assets amounting to $9,640,061 and its property, plant and equipment amounting to $2,022,958 relates substantially to the consolidated entity's project to develop Dye Sensitised Photovoltaic on coil coated steel (the DSC PV project) in collaboration with Tata Steel Europe.

The directors have assessed impairment of intangible assets (including capitalised development costs of $3,829,003) and property, plant and equipment, with regard to the expected success and future net cash flows to be generated by the DSC PV project.

The next stage in the development to commercialisation of DSC PV is capital commitment by the Tata Group supported by technical feasibility studies and commercialisation plans to develop grid parity product with a minimum of 15 year durability lifetime, and to achieve market competitiveness of DSC PV efficiency and durability.

Development expenditure incurred on the DSC PV project has been capitalised (see Note 1 (c)). This is supported by the continued work undertaken by the Company on refining the core component material set, including important advances in dyes and titania pastes and product encapsulation solutions, with the commercial objectives to develop grid competitive and durable product.

At the date of this report a formal commitment to further progress the DSC PV project to commercialisation has not been received from Tata Steel Europe. Notwithstanding this uncertainty, based on information available to them, the Directors are of the opinion that it is most likely that such a commitment will be received and that the DSC PV project will progress to commercialisation.

Accordingly the Directors continue to expect that sufficient net cash flows will be generated by these assets to support their carrying values and no impairment of these assets exists at 30 June 2012.

Should the above assumptions regarding further progression to commercialisation of this project prove to be incorrect the consolidated entity's intangibles and property, plant and equipment assets may be impaired.

R&D Tax Incentive

Dyesol's R&D Tax Incentive claim of $2.95 million for the year ended 30 June 2012 was calculated in accordance with the requirements of the new scheme framework. Unlike the previous R&D Tax Rebate scheme which focussed on high risk and innovative R&D the new framework focuses on R&D carried out using a rigorous scientific method.

As part of obtaining an Advance Finding granting approval for claim of R&D expenses incurred overseas, which is an AusIndustry requirement, Dyesol demonstrated via provision of technical reports, research and development plans, site tours of facilities, and discussions with personnel, that both its Australian and overseas R&D satisfy the requirements of the scheme.

The financial data leading to the figures provided to the Australian Taxation Office (ATO) in the company tax return was compiled using the government preferred methodology for primarily R&D enterprises, of subtracting out non-R&D related costs and methodically apportioning related supporting overhead costs. This financial apportionment was facilitated by Dyesol's comprehensive project financial management systems, which clearly delineate R&D and non-R&D related costs in a fully transparent manner.

The Company submitted its tax return in August 2012 and anticipates receiving the R&D tax rebate prior to 31 October 2012 following processing by the ATO. The Directors believe that the Company has satisfied the criteria to be eligible for R&D tax refunds in the current and prior years, however the Company's tax positions remain open to review by the ATO.

Provision for Impairment of Receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management (see Note 20).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share options

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into accounts the terms and conditions upon which the instruments were granted, estimates of volatility and interest rate (see Note 24).

Amortisation of intangible assets

As described at Note 1 (c), the various classes of licences have estimated useful lives from 5 to 13 years and amortisation is charged to profit or loss on a straight line basis over the estimated useful lives. The Group reviews the estimated useful lives at the end of each reporting period.

Key Judgments

Recovery of deferred tax assets

Deferred tax assets arising from tax losses are not recognised as their recovery is dependent upon the generation of sufficient future taxable profits. The group is currently loss making. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(z) Accounting standards issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- AASB 10 Consolidated Financial Statements changes the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. AASB 10 introduces a single definition of control that applies to all entities. This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.
- AASB 11 Joint Arrangements deals with the classification of joint arrangements with two or more parties having joint control. This standard also deals with the joint arrangements where parties do not share joint control. AASB 11 replaces AASB 131 Interests in Joint Ventures. Under AASB 11 joint ventures are accounted for using equity method. This standard is effective from 1 January 2013. The entity has not yet determined all of the potential effects of the standard, however notes that the joint ventures are currently accounted for using proportionate consolidation and therefore the method of accounting is likely to change.
- AASB 12 Disclosure of Interest in Other Entities is a disclosure standard and therefore will not affect any of the amounts recognised in the financial statements. This standard is applicable to the entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
- AASB 13 Fair Value Measurement and AASB 2001-8 Amendments to Australian Accounting Standards arising from AASB 13. It explains how to measure fair value and aims to enhance fair value disclosures. AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013.
- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2015. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

	Consolidated 2012 $	Consolidated 2011 $
2. REVENUE AND OTHER INCOME		
Rendering of services	296,067	27,312
Sale of goods	1,543,769	1,385,990
Revenue from sale of goods and services	1,839,836	1,413,302
Interest received	61,628	161,786
Other income		
Government grant #	1,290,922	1,109,897
Other income	76,248	62,531
Total other income	1,367,170	1,172,428

Research and Development grants of $729,843 were recognised as other income by the group during the financial year.

3. EXPENSE

Loss before income tax includes the following expenses:

	2012 $	2011 $
Depreciation and amortisation		
Amortisation of intangible assets	241,513	270,067
Depreciation expense	1,175,204	1,911,296
	1,416,717	2,181,363
Share-based payments		
Share based payments to company employees/directors	601,345	1,972,652
Share based payments to consultants	-	50,083
	601,345	2,022,735
Technical expenses (including R&D expenses)		
Wages and salaries costs	4,128,351	4,305,736
Materials	748,350	1,538,665
Consultants	1,613,186	1,909,130
Other overheads	79,380	282,741
	6,569,267	8,036,272
Total employee benefits expense		
Wages and salaries costs	5,730,587	6,139,568
Superannuation costs	290,429	308,280
Redundancy payments	40,994	5,885
Increase in liability for annual leave	8,502	14,103
Increase in liability for long service leave	24,984	17,447
Share based payments to company employees/directors	601,345	1,972,652
	6,696,841	8,457,935

	Consolidated 2012 $	Consolidated 2011 $
3. EXPENSES (CONT'D)		
Loss before income tax includes the following expenses:		
Borrowing costs		
Interest expenses	75,210	71,264
Rental expenses on operating lease		
Minimum lease payment	621,473	636,036
Foreign currency translation		
Net foreign exchange (gain) / loss	(24,132)	540,779
Impairment		
Goodwill impairment	-	146,922
Fair value loss on derivative liability		
Loss on movement in fair value of derivative liability (Note 15)	85,925	363,032

4. AUDITORS' REMUNERATION

	2012 $	2011 $
(a) Amount paid or due and payable to Grant Thornton Audit Pty Ltd for:		
- An audit and review of the financial statements of the entity and any other entity in the group.	65,000	-
- Tax compliance	20,100	-
(b) Amount paid or due and payable to BDO Audit (NSW-VIC) Pty Ltd (previous auditor) and associated entities for:		
- An audit and review of the financial statements of the entity and any other entity in the group.	32,750	89,000
- Tax compliance	18,412	35,310
(c) Amount paid or due and payable to BDO network firms for:		
Other services in relation to the entity and any other entity in the consolidated entity.		
- An audit and review of the financial statements of the entity and any other entity in the group.	3,724	3,942
- Tax compliance	5,749	18,530
(d) Amount paid or due and payable to non Grant Thornton Audit Pty Ltd network firms for:		
(i) An audit and review of the financial statements of the entity and any other entity in the group.	17,784	17,375
(ii) Other services in relation to the entity and any other entity in the consolidated entity.		
- Tax compliance	24,522	27,956
	188,041	192,113

5. INCOME TAX

	Consolidated 2012 $	Consolidated 2011 $
(a) Income tax benefit		
R&D tax rebate	(3,685,459)	(670,626)
Deferred tax liability	(73,869)	(81,158)
	(3,759,328)	(751,784)
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before income tax	(12,637,332)	(18,036,336)
Income tax benefit calculated at 30% (2011: 30%)	(3,791,200)	(5,410,901)
Tax effect of amounts which are not tax deductible:		
• Share based payments	180,404	606,820
• Impairment of Goodwill	-	44,077
• Loss on movement in fair value of derivative liability	25,778	108,910
• Sundry amounts	3,462	4,388
• Impact of foreign tax rate differential	43,912	158,110
Net deferred tax assets not recognised	3,463,775	4,407,438
R&D tax rebate	(3,685,459)	(670,626)
Income tax benefit	(3,759,328)	(751,784)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Tax effected	18,327,068	14,899,613
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised (at 30%)		
- Employee benefits provision	93,257	83,211
- Capital raising costs	246,373	305,262
- IP costs	340,489	306,055
- other	59,250	11,400
Unrecognised deferred tax assets relating to the above temporary differences (at 30%)	739,369	705,928
Temporary differences for which deferred tax liabilities have not been recognised (at 30%)		
- Prepayments	50,921	53,801
Temporary differences in relation to other comprehensive income for which deferred tax assets have not been recognised (at 30%)		
- Foreign currency translation reserves (relating to investments in subsidiaries)	302,217	293,247

A deferred tax asset has not been recognised in respect of the temporary difference on the foreign currency translation reserve of $1,007,389 (2011: $977,489) arising from translating the financial statements of the overseas subsidiaries because the deferred tax asset will only arise on disposal of the subsidiaries, which is not expected in the foreseeable future.

	Consolidated	
	2012 $	2011 $

5. INCOME TAX (CONT'D)

(e) *Recognised temporary differences*

	2012 $	2011 $
Deferred tax liability on intangibles recognised in a business combination (at 30%)	590,954	664,823
Deferred tax (other) (at 30%)	-	3,226
	590,954	668,049

(f) *Tax Rates*

The consolidated entity operates in a multi-jurisdictional tax environment, which makes meaningful comparison of weighted average effective tax rates difficult. The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits/(loss) under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. Corporate tax rates in jurisdictions where the company has subsidiaries and joint ventures are Singapore 17%, United Kingdom 28%, Italy 31%, Switzerland 13-20%, Republic of Korea 11%, Germany 30%, Japan 40% and USA 35%.

(g) *Income Tax Loss*

Deferred tax assets arising from tax losses of the Group not brought to account at the end of the reporting period as realisation of the benefit is not regarded as probable is $18,327,068.

The benefit for tax losses will only be obtained if:

(i) the company derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realized;

(ii) the company continues to comply with the conditions for deductibility imposed by tax legislation and;

(iii) there are no adverse changes in tax legislation.

(h) *Tax consolidation*

Dyesol Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation with effect from 20 August 2006. The accounting policy in relation to this legislation is set out in Note 1(a) *Principles of Consolidation.*

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(i) *Franking credits*

There are no franking credits available as income tax has not been paid in Australia.

6. EARNINGS PER SHARE

Reconciliation of earnings to profit or loss

	2012 $	2011 $
Loss attributable to owners of Dyesol Limited used to calculate earnings per share	(8,880,872)	(17,284,604)

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to owners of Dyesol Limited $8,880,872 (2011: $17,284,604) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2012 of 183,803,036 (2011: 145,054,856) shares calculated as follows:

	2012		2011	
	Actual No.	**W.A.N.**	**Actual No.**	**W.A.N.**
Issued ordinary shares at beginning of year	153,894,736	153,894,736	142,875,632	142,875,632
Effect of shares issued pursuant to placement	41,536,261	28,876,467	10,148,539	1,570,902
Effect of issue of shares as a share based payment	613,605	1,031,833	870,565	608,322
Issued ordinary shares at end of year	196,044,602	183,803,036	153,894,736	145,054,856

6. EARNINGS PER SHARE (CONT'D)

Diluted loss per share, calculated by taking into account 9,214,000 outstanding options (2011: 8,714,000), 877,948 outstanding share rights (2011: 1,672,038), 200,000 performance rights (2011: $nil) and convertible notes, does not show an inferior view of the earnings performance of the Company than is shown by basic loss per share and is not disclosed for this reason.

	Consolidated 2012 $	Consolidated 2011 $
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	1,010,305	6,210,490
Money market at call	1,500,000	82,950
	2,510,305	6,293,440

Cash at bank and in hand has interest bearing accounts which earn interest at rates from 0.01% pa to 3.85 pa%. The term deposit bears a fixed interest rate of 5.7% pa. The term deposit has 13 days to maturity at 30 June 2012.

8. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Trade receivables, gross	379,168	198,277
Allowance for doubtful debts	(98,079)	-
Trade receivables	281,089	198,277
Directors' loans, gross	329,734	303,581
Allowance for doubtful debts	(329,734)	-
Directors' loans – Note 25(e)	-	303,581
R & D tax rebate receivable	2,951,443	-
Interest receivable	-	272
Grant receivable	-	192,352
Other receivables	217,758	377,758
	3,450,290	1,072,240

Provision for doubtful debts

Trade receivables are non-interest bearing and are generally on 30 to 90 day payment terms. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

At 30 June 2012 an allowance of $98,079 (2011: $nil) was made for certain trade receivables considered doubtful due to financial difficulties of the customers.

Credit risk- directors' loans, grant receivable and other receivables

An allowance was provided for directors' loans in accordance with accounting standards. The loan is subject to legal recovery proceedings by the Company. Refer to the commentaries in Note 25(e) for directors' loan.

Past due but not considered doubtful

At 30 June 2012 trade receivables of $203,256 (2011: $106,543) were past due, an allowance of $98,079 for those considered doubtful was provided and the balance were not considered to be doubtful. The balance of trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 $	2011 $
Not past due	77,833	91,734
1 to 30 days past due	11,270	15,232
31 – 60 days past due	3,493	10,008
Over 60 days past due	188,493	81,303
Balance at end of year	281,089	198,277

Receivable balances which are neither overdue nor impaired are expected to be received when due, as they relate to long standing customers with good payment history or government entities which typically have long payment delays.

	Consolidated 2012 $	Consolidated 2011 $
9. INVENTORIES		
At Cost		
Finished goods	482,785	356,555
Raw materials	738,150	949,025
Work in progress	178,934	311,234
	1,399,869	1,616,814

A provision for slow moving inventory of $63,336 was recorded in relation to dye on hand during the year.

	2012 $	2011 $
10. OTHER CURRENT ASSETS		
Prepaid expenses	252,716	262,732
GST receivable	56,752	86,373
	309,468	349,105
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture and equipment, at cost	744,355	723,092
Less: Accumulated depreciation	(665,117)	(577,538)
	79,238	145,554
Plant and equipment, at cost	5,743,194	5,532,190
Less: Accumulated depreciation	(3,890,372)	(2,908,282)
	1,852,822	2,623,908
Motor vehicles, at cost	93,866	93,514
Less: Accumulated depreciation	(68,339)	(59,480)
	25,527	34,034
Computer software, at cost	300,906	298,470
Less: Accumulated depreciation	(267,951)	(233,449)
	32,955	65,021
Leasehold improvements, at cost	2,356,592	2,312,389
Less: Accumulated depreciation	(2,324,176)	(2,312,389)
	32,416	-
Total property, plant and equipment	**2,022,958**	**2,868,517**

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Office furniture and equipment	2012 $	2011 $
Balance at beginning of year	145,554	274,996
Effect of movement in Foreign Exchange	519	(9,008)
Additions	20,193	31,088
Disposals	-	(949)
Depreciation	(87,028)	(150,573)
Balance at end of year	79,238	145,554

	Consolidated 2012 $	2011 $
11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)		
Plant and equipment		
Balance at beginning of year	2,623,908	2,820,632
Effect of movement in Foreign Exchange	1,761	(103,360)
Additions	366,288	923,325
Disposals	(105,904)	(6,031)
Depreciation	(1,033,231)	(1,010,658)
Balance at end of year	1,852,822	2,623,908
Motor vehicles		
Balance at beginning of year	34,034	46,667
Effect of movement in Foreign Exchange	148	(2,310)
Additions	-	-
Depreciation	(8,655)	(10,323)
Balance at end of year	25,527	34,034
Leasehold improvements		
Balance at beginning of year	-	661,783
Additions	44,204	20,164
Depreciation	(11,788)	(681,947)
Balance at end of year	32,416	-
Computer software		
Balance at beginning of year	65,021	121,044
Additions	2,436	1,772
Depreciation	(34,502)	(57,795)
Balance at end of year	32,955	65,021
Plant and equipment under construction		
Balance at beginning of year	-	57,081
Transferred to assets ready for use	-	(57,081)
Balance at end of year	-	-
12. INTANGIBLE ASSETS		
Intellectual property and patents, at cost	3,747,022	3,747,022
Less: Accumulated amortisation	(1,676,101)	(1,407,290)
	2,070,921	2,339,732
Product development costs	3,829,003	2,411,386
Goodwill at cost	3,740,137	3,740,138
	9,640,061	8,491,256
Patents		
Balance at beginning of year	2,339,732	2,559,799
Effect of movement in Foreign Exchange	(25,098)	-
Additions	-	50,000
Disposals	(2,201)	-
Amortisation	(241,513)	(270,067)
Balance at end of year	2,070,920	2,339,732

	Consolidated 2012 $	Consolidated 2011 $
12. INTANGIBLE ASSETS (CONT'D)		
Product Development Costs		
Balance at beginning of year	2,411,386	1,538,441
Effect of movement in Foreign Exchange	33,711	(216,190)
Additions	1,383,906	1,089,135
Balance at end of year	3,829,003	2,411,386
Goodwill		
Balance at beginning of year	3,740,138	3,887,060
Additions	-	-
Impairment loss	-	(146,922)
Balance at end of year	3,740,138	3,740,138

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in profit or loss.

Intangible assets have been allocated to the Metal Strip cash-generating unit (CGU). The recoverable amount of the CGU is based on the value-in-use calculations which use cash flow projections based on management's estimates and assumptions (refer Note 1y). Key assumptions include:

- The continued work on the Metal Strip project undertaken by the Company to develop a grid competitive and durable product.
- The Company has resources to complete the Metal Strip project and is confident of raising the required funds.
- The project will continue to be technically feasible and in particular it is most likely that capital commitment by the Tata Group will be received.
- Estimated market demand for DSC PV products will continue in the future.
- Dyesol will secure the required materials supply arrangements in respect of Dyes and Pastes to be used by steel and other building material manufacturers.

Management also calculates fair value less costs to sell with reference to the company's market capitalisation listed on the Australian Stock Exchange. As at 30 June 2012, the company had 196,044,602 shares on issue and the market price per share was $0.11. Market capitalisation was $21,564,906 compared with net assets of $14,816,461.

13. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Unsecured liabilities – current		
Trade creditors	348,554	705,312
Other creditors and accruals	891,064	613,067
Unearned income	761,034	1,647,857
Other payables (non-trade)	143,591	137,171
	2,144,243	3,103,407
Unsecured liabilities – non-current		
Unearned income	-	184,727
	-	184,727

14. BORROWINGS

	2012 $	2011 $
Current		
Hire purchase liabilities (refer Note 23)	-	1,953
Convertible note – unsecured	1,170,437	748,894
Loan – secured	-	400,000
	1,170,437	1,150,847

14. BORROWINGS (CONT'D)

Convertible note

A funding agreement was entered into with CSIRO to carry out a research and development project. CSIRO has provided funds to the value of $1,170,437 in three separate instalments and in return the company has issued convertible notes with a face value equal to the funds received of $1,170,437. The interest rate charged on the loan is lower than the market rate for similar financing, and therefore, the difference between the face value of $1,170,437 and the fair value of the instrument of $1,044,713 has been recognised as grant income over the term of the loan. The Funding Agreement between the Company and CSIRO governs the terms and circumstances of redemption, conversion or granting of a licence to satisfy the indebtedness of this note. The option to convert into ordinary shares equal to the face value of the note, redeem for cash or exchange the note for a licence is with the Company and is dependent on the outcome of the project.

	Consolidated	
	2012	2011
	$	$
15. OTHER FINANCIAL LIABILITIES		
Derivative instrument liabilities	-	363,032
Financial liability	-	800,000
	-	1,163,032

The Company has previously entered into an agreement with firstly, SpringTree Special Opportunities Fund, LP (SpringTree) and upon SpringTree contract termination , Bergen Global Opportunity Fund, LP (Bergen), under which SpringTree and Bergen can respectively invest in the Company over three years in monthly instalments.

The conversion features of the monthly tranches and the convertible notes issued pursuant to the Agreement represented a derivative liability. A net adjustment on the movement in the fair values derivatives of $85,925 has been recognised as an expense in profit or loss, on cancellation of the SpringTree and Bergen agreements during the year.

16. PROVISIONS

	2012	2011
Current		
Employee benefit provision	224,771	216,269
	224,771	216,269
Non Current		
Employee benefit provision	86,085	61,100
Make good provision	300,000	300,000
	386,085	361,100

Make good provision

The Group is required under the terms of its lease to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the least. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

17. CONTRIBUTED EQUITY

Issued and paid-up capital

	2012	2011
196,044,602 (2011: 153,894,736) fully paid ordinary shares	76,127,923	66,848,603

Ordinary Shares	2012 Number	2012 $	2011 Number	2011 $
Balance at beginning of year	153,894,736	66,848,603	142,875,632	61,483,094
Placement of shares for cash at $0.65 per share (2010: $1.00)	-	-	8,461,539	5,500,000

17. CONTRIBUTED EQUITY (CONT'D)

Ordinary Shares	2012 Number	2012 $	2011 Number	2011 $
Issue of shares in relation to SpringTree Agreement upon redemption of convertible security at $0.3852 per share	2,076,843	800,000	-	-
Loss on movement in fair value of derivative liability, of the convertible security in relation to SpringTree Agreement	-	363,032	-	-
Commencement fee in relation to SpringTree Agreement issued for zero consideration	-	-	1,687,000	-
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.4279 per share	934,798	400,000	-	-
Issue of shares as share based payment	613,605	-	870,565	162,083*
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.3866 per share	1,034,661	400,000	-	-
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.2769 per share	1,444,565	400,000	-	-
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.2655 per share	1,506,591	400,000	-	-
Offset of collateral shares in relation to SpringTree Agreement against the monthly tranche advance	-	351,260	-	-
Loss on movement in fair value of derivative liability, of the monthly tranche advances in relation to SpringTree Agreement	-	235,089	-	-
Issue of shares as collateral in relation to Bergen Agreement	1,300,000	-	-	-
Issue of shares in relation to Bergen Agreement monthly tranche advance at $0.2399 per share	1,667,361	400,000	-	-
Issue of shares in relation to Bergen Agreement monthly Tranche advance at $0.1928 per share	2,074,689	400,000	-	-
Issue of shares in relation to Bergen Agreement upon partial redemption of convertible security at $0.1601 per share	1,249,219	200,000	-	-
Placement of shares for cash at $0.18 per share	5,927,778	1,067,000	-	-
Placement of shares for cash at $0.18 per share	21,710,000	3,907,800	-	-
Offset of collateral shares in relation to Bergen Agreement against the convertible security	-	203,580	-	-
Issue of shares in relation to Bergen Agreement to offset the convertible security at $0.164 per share	609,756	100,000	-	-
Transaction costs of share issues	-	(348,441)	-	(296,574)
Balance at the end of year	196,044,602	76,127,923	153,894,736	66,848,603

* *613,605 shares were issued to employees pursuant to the Dyesol Limited Employee Option Scheme.*

17. CONTRIBUTED EQUITY (CONT'D)

Share Options

The following options to subscribe for ordinary fully paid shares are outstanding as at the end of the reporting period:

	Consolidated 2012 Number	Consolidated 2011 Number
Options exercisable at $1.16 each	714,000	714,000
Options exercisable at $1.20 each	1,000,000	1,000,000
Options exercisable at $1.10 each	2,000,000	2,000,000
Options exercisable at $1.00 each	2,000,000	2,000,000
Options exercisable at $0.89 each	500,000	500,000
Options exercisable at $0.925 each	2,500,000	2,500,000
Options exercisable at $0.70 each	500,000	-
	9,214,000	8,714,000
The following movements in the number of options occurred during the year:		
Balance at the beginning of the year	8,714,000	4,314,000
Issue of options for nil cash consideration	500,000	5,000,000
Options exercised	-	-
Options lapsed during the year	-	(600,000)
Balance at the end of the year	9,214,000	8,714,000

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

Share Rights

The share rights issued under Dyesol Limited Employee Option Scheme for ordinary fully paid shares outstanding as at the end of the reporting period was 877,948 (2011: 1,672,038).

Performance Rights

The performance rights issued under Dyesol Limited Performance Rights Plan for ordinary fully paid shares outstanding as at the end of the reporting period was 200,000 (2011: $nil).

18. RESERVES

	2012	2011
Equity-settled benefit (a)	4,982,229	4,380,884
Foreign currency translation reserve	(1,007,391)	(977,489)
	3,974,838	3,403,395

(a) Equity-settled benefit

The equity settled benefit reserve is used to record the value of options and share rights issued as share based payments provided to employees, including key management personnel, and consultants as part of remuneration.

Movement in reserve during the year:	2012	2011
Balance at the beginning of the year	4,380,884	2,520,232
Options/Share rights granted to employees/directors	601,345	1,972,652
Options/Share rights granted to consultant	-	50,083
Issue of shares as share based payment	-	(162,083)
	4,982,229	4,380,884

19. NON-CONTROLLING INTEREST

Non-controlling interest in controlled entities comprise:	2012	2011
Interest in share capital	2,758	2,758
Interest in reserve	3,912	1,043
Accumulated losses	(2,900)	(2,660)
Total non-controlling interest	3,770	1,141

20. FINANCIAL INSTRUMENTS DISCLOSURE

Overview

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The consolidated entity has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the consolidated entity exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities. In addition, a Senior Management Committee that comprises management from various disciplines reviews and monitors in detail the risk management framework and reports its findings regularly to the Board.

Risk management policies and procedures are established to identify and analyse the risks faced by the consolidated entity to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

	Consolidated	
	2012 Carrying amount $	**2011 Carrying amount $**
Financial Assets		
Cash and cash equivalents	2,510,305	6,293,440
Loans and receivables	3,450,290	1,072,240
Total financial assets	5,960,595	7,365,680
Financial liabilities at amortised cost		
Trade and other payables	1,278,223	1,455,550
Borrowings	1,170,437	1,150,847
Convertible notes	-	800,000
Total financial liabilities at amortised cost	2,448,660	3,406,397
Financial liabilities at fair value through profit or loss		
Derivative instrument liabilities	-	363,032
Total financial liabilities at fair value through profit or loss	-	363,032
Total financial liabilities	2,448,660	3,769,429

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash

The consolidated entity places its cash deposits with high credit quality financial institutions and uses a number of institutions. 74% of cash is held with St George Bank in Australia. The remaining cash is held at reputable financial institutions in various geographical locations.

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Trade and other receivables

The credit risk on financial assets of the consolidated entity is the carrying amount of receivables, net of provisions for impairment loss against doubtful debts. The consolidated entity minimises its concentrations of this credit risk by undertaking transactions with customers and counterparties in various countries. As at 30 June 2012, the majority of exposure to trade receivables is in Australia, UK, Switzerland, Japan, China and Republic of Korea.

The consolidated entity has established a credit policy under which each new customer is first encouraged to use on line ordering and credit card payment. If the customer contacts Dyesol requesting other arrangements, the customer is analysed individually for creditworthiness before appropriate payment and delivery terms and conditions are offered. The consolidated entity's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and approved per authority levels outlined in the credit policy. These limits are reviewed in accordance with the credit policy frequency guidelines. Customers that fail to meet the consolidated entity's benchmark creditworthiness may transact with the consolidated entity only on a prepayment or cash only basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment or cash only basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the consolidated entity may have a secured claim. In certain circumstances the consolidated entity requires collateral or bank guarantees in respect of trade and other receivables.

The loan outstanding (issued on 12 May 2011) at the end of the current year was to TMPL Pty Ltd., a company controlled by Dr Gavin Tulloch and Mrs Sylvia Tulloch, two Dyesol Limited directors. The loan is secured and the repayment date was 31 March 2012. Interest is payable on the loans at 8.72% per annum. Subsequent to the year end, TMPL Pty Limited was put into liquidation. Whilst the loan has been provided for, Dyesol has taken legal advice and continues to pursue the full recovery of the monies

The maximum exposure to credit risk at the end of the reporting period is as follows:

	Consolidated	
	2012 Carrying amount $	**2011 Carrying amount $**
Cash and cash equivalents	2,510,305	6,293,440
Loans and receivables	3,450,290	1,072,240
Total	5,960,595	7,365,680

The consolidated entity's maximum exposure to credit risk for loans and receivables and cash and cash equivalents at the end of the reporting period by geographic region was:

Carrying Amount

	Consolidated	
	2012	**2011**
Country	**$**	**$**
Australia	4,841,381	4,650,818
UK	210,733	1,088,078
Italy	66,710	146,551
Switzerland	137,117	287,211
Germany	66,881	439,059
USA	78,593	107,651
Rest of Americas	20,749	-
Japan	132,763	101,784
China	136,915	22,650
Republic of Korea	258,785	490,431
Rest of Asia	9,968	31,447
	5,960,595	7,365,680

Included in loans and receivables is the consolidated entity's most significant customer, located in China and owing $135,716, which accounts for 48% of trade receivables at 30 June 2012.

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Typically the consolidated entity ensures that it has sufficient cash available on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturity Analysis

The following are the Contractual Maturities of Financial Liabilities:

Consolidated 2012

	Carrying Amount $	Contractual Cash Flow $	6 Months or Less $	6-12 Months $	1 – 2 Years $	2 – 3 Years $
Non-derivatives						
Borrowings	1,170,437	1,170,437	1,170,437	-	-	-
Trade and other payables	1,278,223	1,278,223	1,278,223	-	-	-
Total financial liabilities	2,448,660	2,448,660	2,448,660	-	-	-
Consolidated 2011						
Non-derivatives						
Borrowings	1,150,847	1,238,783	1,238,783	-	-	-
Trade and other payables	1,455,550	1,455,550	1,455,550	-	-	-
Total financial liabilities	2,606,397	2,694,333	2,694,333	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the parent company. The major functional currencies of the group entities are the Australian dollar (AUD), the Euro (EUR), the Pound Sterling (GBP), the Yen (JPY), the US Dollar (USD), the Swiss Franc (CHF), Singapore dollar (SGD) and the Republic of Korea Won (KRW). Primarily the transactions undertaken by the group entities are denominated in their functional currency.

Accounts payable and borrowings, which include amounts payable in foreign currencies, are shown in their Australian dollar equivalents.

In respect of other monetary assets and liabilities denominated in foreign currencies and to provide cash for forecast commitments in other jurisdictions, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The consolidated entity does not enter into forward or other contracts to hedge currency risk.

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

The consolidated entity's exposure to foreign currency risk at the end of the reporting period was as follows:

	Consolidated 2012 $	Consolidated 2011 $
GBP Denominated		
Financial Assets		
Cash and cash equivalents	235,434	1,226,421
Loans and receivables	2,875	221,732
Total financial assets	238,309	1,448,153
Financial liabilities		
Trade and other payables	57,501	86,829
Total financial liabilities	57,501	86,829
Net Exposure	180,808	1,361,324
EURO Denominated		
Financial Assets		
Cash and cash equivalents	159,404	1,221,849
Loans and receivables	51,005	72,405
Total financial assets	210,409	1,294,254
Financial liabilities		
Trade and other payables	96,095	162,969
Total financial liabilities	96,095	162,969
Net Exposure	114,314	1,131,285
CHF Denominated		
Financial Assets		
Cash and cash equivalents	3,898	127,328
Loans and receivables	133,219	159,673
Total financial assets	137,117	287,001
Financial liabilities		
Trade and other payables	117,062	166,762
Total financial liabilities	117,062	166,762
Net Exposure	20,055	120,239
SGD Denominated		
Financial Assets		
Cash and cash equivalents	11,141	11,048
Loans and receivables	-	7,140
Total financial assets	11,141	18,188
Net Exposure	11,141	18,188
JPY Denominated		
Financial Assets		
Cash and cash equivalents	113,990	582,239
Total financial assets	113,990	582,239
Financial liabilities		
Trade and other payables	16,522	51,203
Total financial liabilities	16,522	51,203
Net Exposure	97,468	531,036

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

The consolidated entity's exposure to foreign currency risk at the end of the reporting period was as follows:

	Consolidated 2012 $	Consolidated 2011 $
USD Denominated		
Financial Assets		
Cash and cash equivalents	73,083	609,790
Loans and receivables	98,323	23,782
Total financial assets	171,406	633,572
Financial liabilities		
Trade and other payables	66,943	36,777
Total financial liabilities	66,943	36,777
Net Exposure	104,463	596,795
KRW Denominated		
Financial Assets		
Cash and cash equivalents	185,518	399,775
Loans and receivables	45,801	150,377
Total financial assets	231,319	550,152
Financial liabilities		
Trade and other payables	89,184	233,920
Total financial liabilities	89,184	233,920
Net Exposure	142,135	316,232

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Sensitivity analysis

A 10% strengthening or weakening of the Australian Dollar against other foreign currencies at 30 June 2012 would have increased/ (decreased) profit and equity by the amounts below. Analysis assumes that all other variables, in particular interest rates, remain constant.

Judgements of reasonably possible movements:

	Post Tax Profits and Equity Higher/(Lower) Consolidated	
	2012	2011
	$	$
GBP Denominated		
+10% (AUD/GBP)	(18,081)	(136,132)
-10% (AUD/GBP)	18,081	136,132
EUR Denominated		
+10% (AUD/EUR)	(11,431)	(113,128)
-10% (AUD/EUR)	11,431	113,128
CHF Denominated		
+10% (AUD/CHF)	(2,006)	(12,024)
-10% (AUD/CHF)	2,006	12,024
SGD Denominated		
+10% (AUD/SGD)	(1,114)	(1,819)
-10% (AUD/SGD)	1,114	1,819
JPY Denominated		
+10% (AUD/JPY)	(9,747)	(53,104)
-10% (AUD/JPY)	9,747	53,104
USD Denominated		
+10% (AUD/USD)	(10,446)	(59,679)
-10% (AUD/USD)	10,446	59,679
KRW Denominated		
+10% (AUD/KRW)	(14,214)	(31,623)
-10% (AUD/KRW)	14,214	31,623

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the investments of cash balances. The consolidated entity has cash reserves held primarily in AUD, GBP, JPY, EUR, CHF, USD and KRW and places funds on deposit with financial institutions for periods generally not exceeding three months.

At the end of the reporting period the consolidated entity's exposure to interest rate risk is as follows:

	Consolidated	
	2012	2011
	$	$
Cash at bank and on hand	1,010,305	6,293,440
Short term deposits	1,500,000	-
	2,510,305	6,293,440

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Sensitivity Analysis

At 30 June 2012, if interest rates applicable to cash at bank denominated in AUD, GBP, EUR, SGD, JPY, KRW and CHF had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profits Higher/(Lower) Consolidated 2012 $	2011 $
+1% (100 basis points)	25,103	62,934
-1% (100 basis points)	(25,103)	(62,934)

At the reporting rate the interest rate profile of the Company is as follows:

	Fixed Rate $	Floating Rate $	Non-Interest Bearing $	
Consolidated 2012				
Financial Assets				
Cash and cash equivalents	1,500,000	1,010,305	-	2,510,305
Loans and receivables	-	-	3,450,290	3,450,290
	1,500,000	1,010,305	3,450,290	5,960,595
Financial Liabilities				
Trade and other payables	-	-	1,278,223	1,278,223
Borrowings	1,170,437	-	-	1,170,437
	1,170,437	-	1,278,223	2,448,660
Consolidated 2011				
Financial Assets				
Cash and cash equivalents	-	6,293,440	-	6,293,440
Loans and receivables	303,581	-	768,659	1,072,240
	303,581	6,293,440	768,659	7,365,680
Financial Liabilities				
Trade and other payables	-	-	1,455,550	1,455,550
Borrowings	1,150,847	-	-	1,150,847
Other financial liabilities	-	-	1,163,032	1,163,032
	1,150,847	-	2,618,582	3,769,429

Capital Risk Management

The consolidated entity considers its long term capital to comprise its share capital.

The consolidated entity's objectives for managing capital are to ensure its ability to operate as a going concern. The group policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to ensure the future development of the company.

The Gearing Ratio as at 30 June 2012 is:

	Consolidated 2012 $	2011 $
Gearing ratios		
Net debt	1,170,437	1,150,847
Total Equity	14,816,458	13,843,941
Gearing ratio	7.90 %	8.31 %

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Fair values

The directors consider that the carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings recorded in the financial statements approximates their fair values.

21. SEGMENT REPORTING

Description of segments

Operating segments have been determined on the basis of reports reviewed by the executive management committee. The executive management committee ("committee") is considered to be the chief operating decision maker of the group. The committee considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The reportable segments are as follows:

1. Glass and Equipment

The Glass and Equipment business unit's goals are to develop the glass-based DSC market, to support current and generate future sales of Dyesol manufactured materials and equipments. The business unit has three activities which it supports on a global basis: Partner and Customer Business Development, Glass Application Development, and Equipment Engineering. Revenues are derived from partner and customer funded development activities in relation to products and equipments, grants, and from sales and service of equipment sets.

2. Flexibles

The Flexibles business unit pursues commercialisation of early market entry DSC products on flexible metal substrates. Activities include a range of development both in-house and in conjunction with 3rd parties having either key enabling technologies or specific routes to market. The business earns revenue from technology development contracts and grants and ultimately through direct manufacture of product or royalties from licensed manufacture, or on-selling of 3rd party manufactured product, as well as materials supply contracts.

3. Metal Strip

The Metal Strip business unit is involved in the development of DSC on coil steel in collaboration with Tata Steel Europe. This is a major IP development project addressing ultimately worldwide markets for DSC roofing and metal building products. The business specifies materials to be supplied by the Materials Supply operations. The business earns revenue from technology development contracts and grants and ultimately through royalties from licensed manufacture of the products.

4. R&D Materials and Products

Within Dyesol, the R&D Materials business unit undertakes core DSC material technology research and development of a generic nature which is applicable to a wide range of ultimate DSC device product forms, as well as materials scale-up and manufacture for sale to internal business units, partners, and 3rd parties. A determining factor in maintaining the core DSC material R&D activity distinct from the various partner focussed business units is the preservation of Dyesol exclusivity and control of generated intellectual property (IP). Revenues are derived from sales of materials to external customers, grants, and technology development/service agreement provisions. The business unit also undertakes R&D into novel DSC device designs and multi-function products.

Segment accounting policies are the same as the Group's policies described in Note 1.

21. SEGMENT REPORTING (CONT'D)

Information provided to the executive management committee

Segment information provided to the executive management committee for the year ended 30 June 2012 is as follows:

	Glass & Equipment		Metal Strip		Flexible		R&D Materials		Total	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Total Segment Revenue	820,674	763,051	-	-	-	-	1,139,471	1,049,556	1,960,144	1,812,607
Inter Segment Revenue	(202,672)	(167,859)	-	-	-	-	(213,704)	(258,759)	(416,375)	(426,618)
Segment Revenue from External Customers	618,002	595,192	-	-	-	-	925,767	790,797	1,543,769	1,385,989
Net Loss	(1,341,085)	(1,730,243)	(483,568)	(444,322)	(114,981)	(197,885)	(2,485,583)	(3,374,832)	(4,425,217)	(5,747,282)
Other segment information										
Non-cash expenses other than depreciation and amortisation	89,099	200,597	111,146	393,106	13,806	32,564	99,717	216,513	313,768	842,780

21. SEGMENT REPORTING (CONT'D)

Other segment information

Segment revenue

Product segment revenue reconciles to total revenue from sales of goods and services

	Consolidated 2012 $	2011 $
Total segment revenue	1,960,144	1,812,607
Inter segment revenue	(416,375)	(426,618)
Other segment revenue		
Licence fee	19,336	20,168
Technical services	276,731	7,145
Total revenue from sale of goods and services (Note 2)	1,839,836	1,413,302

The provision of technical services unit does not meet the quantitative thresholds required by AASB 8 for reportable segments. Information about these operating segments has been combined and disclosed as the Other segment.

Net Loss

Net Loss reconciles to loss before income tax as follows:

	2012 $	2011 $
Total segment net loss	(4,425,217)	(5,747,282)
Inter-segment eliminations*	7,740,249	9,959,340
Unallocated corporate and other business units income and expenses		
Impairment of intercompany loans	(7,766,303)	(9,373,712)
Impairment of goodwill	-	(146,922)
Depreciation and amortisation	(1,416,717)	(2,181,363)
Loss on movement in fair value of derivative liability	(85,925)	(363,032)
Employment cost	(2,232,759)	(3,474,710)
Share based payment	(287,577)	(1,179,956)
Marketing expenses	(922,685)	(1,935,133)
Foreign currency losses	1,631	(330,459)
Unrealised foreign exchange losses	48,555	(764,447)
Interest paid	(75,210)	(20,484)
Interest income	61,628	161,786
Intellectual property expenses	(184,761)	(298,592)
Professional fees	(428,551)	(668,176)
Legal fees	(286,832)	(241,131)
Board, secretarial & other expenses	(396,478)	(295,501)
Provisions for doubtful debts / write-off	(480,540)	-
Other	(1,499,841)	(1,136,561)
Total unallocated corporate and other business units income and expenses	(8,212,116)	(12,289,053)
Loss before income tax from continuing operations	(12,637,332)	(18,036,335)

** Included within inter-segment eliminations is an impairment loss of $7,766,303 (2011 $9,373,712) in relation to intercompany receivables in subsidiaries.*

Segment assets

Segment assets are not required to be disclosed if they are not provided to the chief operating decision maker.

Segment liabilities

Segment liabilities are not required to be disclosed if they are not provided to the chief operating decision maker.

21. SEGMENT REPORTING (CONT'D)

Geographical information

The Group operates in four major geographical segments, being Australia, Asia, Europe (including Switzerland, Italy, Germany and the UK) and North America, being where the customers are based. All of these entities are involved in the industrialisation and commercialisation of Dye Solar Cell (DSC) technology.

Segment information provided to the executive management committee for the year ended 30 June 2012 is as follows:

	Australia		Asia		Europe		North America		Total	
	2012 $	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Segment revenue										
Total segment revenue	74,832	84,209	1,127,972	873,994	711,852	999,306	869,388	208,516	2,784,044	2,166,025
Inter-segment revenue	(2,369)	(20,249)	(147,953)	(33,721)	(379,650)	(627,945)	(414,237)	(70,808)	(944,209)	(752,723)
Segment revenue from external customers	72,463	63,960	980,019	840,273	332,202	371,361	455,151	137,708	1,839,835	1,413,302

Segment revenue

Geographical segment revenue from external customers is measured in accordance with accounting policy 1. The segment revenue reconciles directly to total revenue from continuing operations and therefore no reconciliation is required.

Major customers

The Group had made supplies to one of its major customers in the Asia region which account for 23% of external revenue (2011: 11%). The next most significant client, in the Asia region, accounts for 6% of external revenue (2011: 6%).

Segment assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $7,309,782 (2011: $8,181,549) and the total of non-current assets located in other countries is $4,353,236 (2011: $3,178,223). Of the total of non-current assets located in other countries, $4,163,665 (2011: $2,897,281) or 36% (2011: 26%) is represented by United Kingdom.

Segment assets are allocated to countries based on where the assets are located.

	Consolidated 2012 $	2011 $
22. NOTES TO THE STATEMENT OF CASH FLOWS		
(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 statement of financial position as follows:		
Cash and cash equivalents	2,510,305	6,293,440
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss after income tax	(8,878,004)	(17,284,551)
Add / (less) items classified as investing / financing activities:		
Loans to directors	-	303,581
Add non-cash items:		
Depreciation	1,175,204	1,911,296
Amortisation	241,513	270,067
Share based payment expenses	601,345	2,022,735
Unrealised exchange (gain)/ loss	(22,501)	94,875
Goodwill impairment	-	146,922
(Profit)/ Loss on sale of property, plant & equipment	(6,223)	5,592
Deferred grant income recognition	-	(87,912)
Loss on movement in fair value of derivative liability	85,925	363,032
Changes in assets and liabilities during the year:		
(Increase)/decrease in trade and other receivables	(2,378,050)	739,882
Decrease/(increase) in other current assets	39,637	(94,369)
Decrease in inventories	216,945	341,288
(Decrease)/increase in trade and other payables	(1,143,891)	348,134
Increase in provisions	33,487	31,550
Decrease in deferred tax liability	(77,095)	(81,158)
Net cash used in operating activities	(10,111,708)	(10,969,036)

	Consolidated 2012 $	2011 $
23. CAPITAL AND OTHER COMMITMENTS		
***(a)* Hire purchase and loan commitments**		
Interest-bearing liabilities provided for in the financial statements:		
Current (refer Note 14)	-	1,953
***(b)* Operating lease commitments**		
Property rent and lease commitment related to office premises in Australia and UK		
Not later than one year	346,917	473,839
Later than one year but not later than five years	207,585	471,343
	554,502	945,182

The consolidated entity enters into operating leases in relation to the lease of buildings. Leases generally provide the consolidated entity with right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rent is based on the relevant index or operating criteria.

	2012 $	2011 $
(c) Capital commitments		
Payable not later than one year	4,249	40,247
	4,249	40,247

24. SHARE-BASED PAYMENTS

	2012 $	2011 $
The total expense recognised in the profit or loss in relation to share-based payments is as follows:		
Share options and rights granted under the employee option plan	601,345	1,860,652
Shares granted to employee	-	112,000
Shares granted to consultants	-	50,083
	601,345	2,022,735

Employee share option plan

Dyesol Limited Employee Option Scheme

The Company operates an incentive scheme known as the Dyesol Limited Employee Option Scheme ("Scheme"), which was approved at a shareholders' meeting held on 2 November 2007.

The maximum number of options that can be granted under the Scheme is determined by the Board in its discretion and in accordance with the Scheme and applicable law. There is no issue price for any options granted under the Scheme.

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board on such terms as the Board considers appropriate on or before the date of issue, subject to any minimum price specified in the Listing Rules of the ASX. The expiry date of the options will be as determined by the Board, being a date up to 5 years from the issue date of the options. Shares issued on exercise of options will rank equally with other shares.

An option may only be exercised after that option has vested and any other conditions of exercise imposed by the Board are satisfied. The Board has the discretion to determine any vesting conditions that may apply. The Board may also determine other vesting conditions. Options will generally not be forfeited if an employee leaves the Company. There are no voting or dividend rights attaching to the options.

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

Employee share options

Consolidated 2012

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
31 Dec 2007	31 Dec 2012	$1.16	714,000	-	-	-	714,000	714,000
23 Dec 2010	22 Dec 2013	$0.89	500,000	-	-	-	500,000	500,000
04 Aug 2011	04 Aug 2014	$0.70	-	500,000	-	-	500,000	500,000

24. SHARE-BASED PAYMENTS (CONT'D)

Consolidated 2011

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
31 Dec 2007	31 Dec 2012	$1.16	714,000	-	-	-	714,000	714,000
23 Dec 2010	22 Dec 2013	$0.89	-	500,000	-	-	500,000	500,000

Fair value of options granted

For equity-settled share-based payment transactions, the Company is required to measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it is required to measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value of 500,000 options granted in the current year to Mr M Thomas was calculated at the date of grant using a Black-Scholes model and charged entirely to the current reporting period as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

Fair value per option

Description	Mr M Thomas
Grant date	04 August 2011
Number of options	500,000
Expiry date	04 August 2014
Exercise price	$0.70
Price of shares on grant date	$0.47
Estimated volatility	39.2%
Risk-free interest rate	5.01%
Dividend yield	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value of 500,000 options granted in the previous year to Mr K L Niu was calculated at the date of grant using a Black-Scholes model and charged entirely to the current reporting period as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

Fair value per option

Description	Mr K L Niu
Grant date	23 December 2010
Number of options	500,000
Expiry date	22 December 2013
Exercise price	$0.89
Price of shares on grant date	$0.77
Estimated volatility	48.6%
Risk-free interest rate	5.33%
Dividend yield	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

24. SHARE-BASED PAYMENTS (CONT'D)

Director Share Options

No options were granted to the directors during the year.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options for the directors during the year:

	2012		2011	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	5,000,000	$1.08	3,000,000	$1.13
Granted	-	-	2,000,000	$1.00
Forfeited/expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of the year	5,000,000	$1.08	5,000,000	$1.08
Exercisable at the end of the year	5,000,000	$1.08	5,000,000	$1.08

The fair value of 2,000,000 options granted in the previous year to Mr Gordon Thompson and Mr Ian Neal was calculated at the date of grant using a Black-Scholes model and charged entirely to the current reporting period as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

Fair value per option

Description	Mr Gordon Thompson	Mr Ian Neal
Grant date	29 November 2010	29 November 2010
Number of options	1,000,000	1,000,000
Expiry date	30 November 2013	30 November 2013
Exercise price	$1.00	$1.00
Price of shares on grant date	$0.73	$0.73
Estimated volatility	52.5%	52.5%
Risk-free interest rate	5.11%	5.11%
Dividend yield	0%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Consultant share options, shares and share based payments

No options were granted to consultants during the year.

SpringTree Special Opportunities Fund, LP Share Purchase and Convertible Security Agreement share options

2,500,000 options were granted in the previous year pursuant to the Share Purchase and Convertible Security Agreements between Dyesol Limited and SpringTree Special Opportunities Fund, LP.

Employee share rights

During the year, 29,535 share rights were granted to an employee for no consideration and at nil exercise price. The share rights were granted in recognition of the employee contribution to date and as an incentive to continue their efforts within the company, pursuant to the Dyesol Limited Employee Option Scheme.

The share based payments made to the employee were valued based on the closing share price at the date of grant. There were 3 share rights vesting dates: 20% on the 1st July 2010, 30% on the 1st July 2011 and the final 50% on the 1st July 2012, subject to some performance conditions being achieved.

24. SHARE-BASED PAYMENTS (CONT'D)

The following illustrates the number of, and movements in, share rights issued to employees during the year:

	2012 Number	2011 Number
Share rights		
Share rights exercisable	**877,948**	**1,672,038**
The following movements in the number of share rights occurred during the financial period:		
Balance at the beginning of year	1,672,038	2,512,695
Issue of share rights to employees for nil consideration	29,535	124,000
Share rights lapsed	(210,020)	(361,186)
Share rights exercised	(613,605)	(603,471)
Balance at the end of year	877,948	1,672,038

Dyesol Limited Performance Rights Plan

The Company operates an incentive scheme known as the Dyesol Limited Employee Performance Rights Plan ("Plan"), which was approved at a shareholders' meeting held on 21st November 2011. Dyesol Performance Right Plan ("Plan") replaces the current Dyesol Limited Employee Option Scheme ("Scheme") as the Company ceases making new grants under the Scheme. However, the rights, entitlements and obligations of existing participants in the Scheme will continue on the same basis as before the introduction of the Plan.

The number of Performance Rights which may be granted under this Plan must not exceed (assuming all outstanding Performance Rights were exercised), when aggregated with any shares issued during the previous 5 years pursuant to any other employee share scheme operated by the Company, a maximum of five percent (5%) of the total issued capital of the Company at the time of the grant of the Performance Rights, excluding unregulated offers.

Each Performance Right has an entitlement to acquire a share in the Company at no cost. Shares issued on exercise of Performance Rights will rank equally with other shares.

Performance Rights will only vest and be automatically exercised if the applicable vesting conditions under the Plan have been satisfied or waived by the Board. All unvested Performance Rights will automatically lapse, unless the Board determines in its sole and absolute discretion to allow some or all of those Performance Rights to vest, in which case those Performance Rights will automatically exercise. There are no voting or dividend rights attaching to the Performance Rights.

Director Performance Rights

During the year the company granted the following performance rights under the Dyesol Performance Right Plan to Mr. Grove-White over unissued ordinary shares:

- 200,000 performance rights for nil consideration and vesting on or before 21 November 2013.

The vesting conditions which apply to the Performance Rights are as follows:

- 50% will vest provided there is an uninterrupted directorship for a period of 2 years from the date of issue of the Performance Rights; and
- 50% will vest based on the Company's share price outperforming the ASX Small Ordinaries Index over a period of 2 years from the date of issue of the Performance Rights.

Each performance right is entitled to convert into one share upon vesting. The share based payments made to Mr Grove-White were valued based on the closing share price of $0.335, by reference to the ASX at the date of grant.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation for the year is as follows:

	Consolidated 2012 $	Consolidated 2011 $
Short-term benefits	2,016,508	2,522,426
Post-employment benefits	58,285	46,883
Share based payments	203,113	930,668
	2,277,906	**3,499,977**

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Individual Directors and Executives compensation contacts

Disclosures of remuneration policies, service contacts and details of remuneration, are included in the Remuneration Report set out in the Directors Report.

(c) Options and rights holdings of key management personnel

Share options

The movement during the reporting year in the number of options over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2012	Held at 30 June 2011	Granted as Remuneration	Options Lapsed	Options Exercised	Held at 30 June 2012	Total Vested and Exercisable at 30 June 2012
Mr R Caldwell	3,000,000	-	-	-	3,000,000	3,000,000
Mr G Thompson	1,000,000	-	-	-	1,000,000	1,000,000
Mr I Neal	1,000,000	-	-	-	1,000,000	1,000,000
Mr K L Niu	500,000	-	-	-	500,000	500,000
Mr M Thomas	-	500,000	-	-	500,000	500,000

2011	Held at 30 June 2010	Granted as Remuneration	Options Lapsed	Options Exercised	Held at 30 June 2011	Total Vested and Exercisable at 30 June 2011
Mr R Caldwell	3,000,000	-	-	-	3,000,000	3,000,000
Mr G Thompson	-	1,000,000	-	-	1,000,000	1,000,000
Mr I Neal	-	1,000,000	-	-	1,000,000	1,000,000
Mr K L Niu	-	500,000	-	-	500,000	500,000

Share rights (Dyesol Limited Employee Option Scheme)

The movement during the reporting year in the number of share rights over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2012	Held at 30 June 2011	Granted as Remuneration	Rights Lapsed	Rights Exercised	Held at 30 June 2012	Total Vested at 30 June 2012
Mr K L Niu	120,000	-	-	45,000	75,000	45,000
Dr A King	101,266	-	-	37,975	63,291	37,975
Mr C Moore	67,510	-	-	25,316	42,194	25,316
Mr D Milliken	50,633	-	-	18,987	31,646	18,987
Mr D Bundy	72,000	-	-	27,000	45,000	27,000

2011	Held at 30 June 2010	Granted as Remuneration	Rights Lapsed	Rights Exercised	Held at 30 June 2011	Total Vested at 30 June 2011
Mr K L Niu	150,000	-	-	30,000	120,000	30,000
Mr M Thomas	-	104,000	-	104,000	-	104,000
Dr A King	126,582	-	-	25,316	101,266	25,316
Mr C Moore	84,388	-	-	16,878	67,510	16,878
Mr D Milliken	63,291	-	-	12,658	50,633	12,658
Mr D Bundy	90,000	-	-	18,000	72,000	72,000

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Performance rights (Dyesol Performance Right Plan)

The movement during the reporting year in the number of performance rights over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2012	Held at 30 June 2011	Granted as Remuneration	Rights Lapsed	Rights Exercised/ Vested	Held at 30 June 2012	Total Vested at 30 June 2012
Mr G Grove-White	-	200,000	-	-	200,000	-

(d) Shareholdings of key management personnel

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

2012	Held at 30 June 2011	Purchased	Options Exercised	Issued as Remuneration	Other#	Held at 30 June 2012
Mr R Caldwell	2,190,000	690,000	-	-	-	2,880,000
Dr G Tulloch /Mrs S Tulloch	23,356,135	-	-	-	(3,183,922)	20,172,213
Mr G Thompson	2,154,015	120,000	-	-	-	2,274,015
Mr I Neal	200,000	-	-	-	-	200,000
Mr G Grove-White	10,425	20,000	-	-	-	30,425
Mr K L Niu	30,000	-	-	45,000	(22,500)	52,500
Mr M Thomas	131,000	-	-	-	-	131,000
Dr A King	25,316	-	-	37,975	-	63,291
Mr C Moore	16,878	-	-	25,316	-	42,194
Mr D Milliken	12,658	-	-	18,987	-	31,645
Mr D Bundy	18,000	-	-	27,000	-	45,000

 # Other represents sales, transfers and adjustments.

2011	Held at 30 June 2010	Purchased	Options Exercised	Issued as Remuneration	Other#	Held at 30 June 2011
Mr R Caldwell	2,140,000	50,000	-	-	-	2,190,000
Dr G Tulloch /Mrs S Tulloch	23,366,135	-	-	-	(10,000)	23,356,135
Mr G Thompson	2,154,015	-	-	-	-	2,154,015
Mr I Neal	200,000	-	-	-	-	200,000
Mr C Betzel	-	-	-	242,094	-	242,094*
Mr K L Niu	-	-	-	30,000	-	30,000
Mr M Thomas	27,000	-	-	104,000	-	131,000
Dr A King	-	-	-	25,316	-	25,316
Mr C Moore	-	-	-	16,878	-	16,878
Mr D Milliken	-	-	-	12,658	-	12,658

 # Other represents sales, transfers and adjustments.

Further information regarding the key management personnel can be found in the Remuneration Report section in the Directors Report. All other related party transactions involving key management personnel are disclosed in Note 27.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(e) Loans to Key Management Personnel

No loans were issued to key management personnel during the year ended 30 June 2012.

The following table shows the loans at the end of the reporting period:

2012	Balance at 1 July 2011	Interest paid and payable on Loan	Interest not Charged	Amount loaned in year	Loan Repayment	Balance at 30 June 2012
Dr G Tulloch & Mrs S Tulloch (TMPL Pty Ltd.)	303,581	26,153	-	-	-	329,734
Total	303,581	26,153	-	-	-	329,734

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

For the loan issued to TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch the highest amount owed in the current year was $329,734

The loan outstanding (issued on 12 May 2011) at the end of the current year was to TMPL Pty Ltd., a company controlled by Dr Gavin Tulloch and Mrs Sylvia Tulloch, two Dyesol Limited directors. The loan is secured and the repayment date was 31 March 2012. Interest is payable on the loans at 8.72% per annum. Subsequent to the year end, TMPL Pty Limited was put into liquidation. Whilst the loan has been provided for, Dyesol has taken legal advice and continues to pursue the full recovery of the monies.

The following loans were issued to key management personnel during the year ended 30 June 2011:

2011	Balance at 1 July 2010	Interest paid and payable on Loan	Interest not Charged	Amount loaned in year	Loan Repayment	Balance at 30 June 2011
Dr G Tulloch & Mrs S Tulloch (TMPL Pty Ltd)	-	3,581	-	300,000	-	303,581
Mr M Thomas	-	1,459	-	20,286	(21,745)	-
Total	-	5,040	-	320,286	(21,745)	303,581

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

For the loan issued to TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch the highest amount owed in the previous year was $303,581.

For the loan issued to Mr M Thomas the highest amount owed in the previous year was $21,745.

The loan outstanding at the end of the previous year was for TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch and was secured, with repayment date of 31 March 2012. Interest is payable on the loan at 8.72% per annum. The loan was issued to TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch on 12 May 2011.

The loan issued to Mr M Thomas was unsecured with interest payable on the loan at 15.64% per annum. The loan was fully settled at the end of the previous year.

(f) Other transactions and balances with key management personnel

For information on other transactions and balances with key management personnel, and their related parties, please refer to Note 27.

26. SUBSIDIARIES

The consolidated financial statements include the financial statements of Dyesol Limited and the subsidiaries listed in the following table. All shares held are ordinary shares.

Name	Holding Company	Country of incorporation	% Equity interest 2012	% Equity interest 2011	Investment ($) 2012	Investment ($) 2011
Dyesol Industries Pty Ltd	Dyesol Limited	Australia	100	100	6,980,572	6,980,572
Greatcell Solar SA	Dyesol Industries Pty	Switzerland	99	99	482,660	482,660
Dyesol East Asia Pte Ltd	Dyesol Industries Pty	Singapore	100	100	7,676	7,676
Dyesol UK Ltd	Dyesol Industries Pty	United	100	100	24,895	24,895
Dyesol Italia S.r.L.	Dyesol Industries Pty	Italy	100	100	274,865	274,865
Dyesol Australia Pty Ltd	Dyesol Industries Pty	Australia	100	100	100	100
Dyesol Inc.	Dyesol Industries Pty Ltd	United States of America	100	100	6,402	6,402
Dyesol Japan Co. Ltd.	Dyesol Industries Pty	Japan	100	100	115,002	115,002
Dyesol Automotive Bavaria	Dyesol Industries Pty	Germany	100	100	44,061	44,061
					7,936,233	7,936,233

27. OTHER RELATED PARTY TRANSACTIONS

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the consolidated entity during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director/Key Management Personnel	Transaction	Note	2012 $	2011 $
Dr G Tulloch /Mrs S Tulloch / Mr G Thompson	Equipment Purchase/Consultancy/Labour supply (Sensol Ltd)	(i)	20,190	71,884
Mr M Thomas	Administration and accounting services (The Tech Group)	(ii)	62,901	61,551

(i) Sensol Ltd, a company associated with Dr G Tulloch, Mrs S Tulloch and Mr G Thompson provided equipment, consultancy services and labour hire services to the consolidated entity under independent contractual arrangements. Terms of such services are based on market rates and payable under normal payment terms.

(ii) The Tech Group, a company associated with Mr Marc Thomas provided administrative and accounting services to the consolidated entity under independent contractual arrangements. Terms of such services are based on market rates and payable under normal payment terms.

(iii)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties	2012 $	2011 $
Current Assets		
Directors loan	329,734	303,581
Current Liabilities		
Creditors	-	-
	329,734	**303,581**

28. CONTINGENT LIABILITIES

The Company has received a claim from Dr Gavin Tulloch alleging wrongful termination of his role as Director of Technology and seeking payment of a significant unsubstantiated amount. In the Directors opinion this claim is without basis and the Company will strenuously defend this matter.

The Directors believe that there are no other material contingent liabilities at the end of the reporting period.

29. INVESTMENT IN JOINT VENTURES

The consolidated financial statements include the financial statements of Dyesol Limited and the joint ventures listed in the following table:

			% Ownership interest		Investment $	
Name	**Venturer**	**Country of incorporation**	**2012**	**2011**	**2012**	**2011**
Dyesol-Timo Co.Ltd	Dyesol Industries Pty Ltd	Republic of Korea	50.1	50.1	-	-
DyeTec Solar Inc.	Dyesol Inc	United States of America	50	50	-	-

Dyesol-Timo Co. Ltd

Dyesol Limited has entered into a joint venture agreement with Timo Technology Co. Ltd. on 30 July 2008, involving a jointly-controlled entity called Dyesol-Timo Co. Ltd, to commercialise Dye Solar Technology (DSC) in the Republic of Korea. The parties have entered into a contractual agreement sharing control in Dyesol-Timo Co. Ltd, whereby the strategic financial and operating decisions relating to Dyesol-Timo Co. Ltd activities require the consent of 75% of the directors. Each party has two directors of Dyesol Timo.

In November 2009, the consolidated entity invested an additional $ 927,535 in cash in Dyesol Timo Ltd, increasing its interests in the joint venture from 49% to 50.1%. The consolidated entity's interests in the assets, liabilities, revenues and expenses of the joint venture are included in the consolidated statement of financial position in accordance with the accounting policy described in Note 1(a) *Principles of Consolidation* under the following classifications:

	2012 $	2011 $
Share of Assets and Liabilities		
Current Assets		
Cash and cash equivalents	185,518	399,775
Trade and other receivables	45,801	41,845
Inventories	2,755	1,695
Other current assets	40,179	26,592
Total Current Assets	274,253	469,907
Non-Current Assets		
Property, plant and equipment	187,839	272,623
Total Non-current Assets	187,839	272,623
Current Liabilities		
Trade and other payables	213,182	418,447
Total Current Liabilities	213,182	418,447
Share of Capital Employed	248,910	324,083
Share of Revenue and Expenses		
Revenues	330,279	159,158
Expenses	(563,638)	(522,533)
Loss before income tax	(233,359)	(363,375)
Income tax expense	-	-
Loss after tax	(233,359)	(363,375)

29. INVESTMENT IN JOINT VENTURES (CONT'D)

DyeTec Solar Inc.

Dyesol Inc, 100% subsidiary of Dyesol Industries Pty Ltd, has entered into a joint venture agreement with Pilkington North America, Inc on 8 June 2010, involving a jointly-controlled entity called DyeTec Solar Inc. to develop and deliver the Standard Technology Platform (STP) solution for mass manufacture of BIPV (Building Integrated Photovoltaic), AIPV (Automotive Integrated Photovoltaic) as well as interior PV generating glass base products, powered displays and security devices. Dyesol Inc has 50% interest in the joint venture.

	2012 $	2011 $
Share of Assets and Liabilities		
Current Assets		
Cash and cash equivalents	3,498	-
Total Current Assets	3,498	-
Current Liabilities		
Trade and other payables	25,210	-
Total Current Liabilities	25,210	-
Share of Capital Employed	(21,712)	-
Share of Revenue and Expenses		
Revenues	389,702	-
Expenses	(160,593)	-
Profit before income tax	229,109	-
Income tax expense	-	-
Profit after tax	229,109	-

Contingent liabilities relating to joint ventures

There are no material contingent liabilities relating to the joint ventures at the end of the reporting period.

Share of joint venture commitments

The joint ventures have no material commitments at the end of the reporting period.

30. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Dyesol Limited, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012 $	2011 $
Asset		
Current assets	5,535,328	4,975,245
Non-current assets	7,119,637	7,169,776
Total Assets	12,654,965	12,145,021
Liability		
Current liabilities	1,580,886	2,255,815
Non-current liabilities	304,227	301,817
Total Liabilities	1,885,113	2,557,632
Net Assets	10,769,852	9,587,389

30. PARENT ENTITY INFORMATION (CONT'D)

	2012 $	2011 $
Equity		
Issued Capital	76,127,923	66,848,603
Reserves- Equity-settled benefit	4,982,228	4,380,883
Accumulated Loss	(70,340,299)	(61,642,097)
Total Equity	10,769,852	9,587,389
Loss for the year	(8,698,202)	(15,454,847)
Total comprehensive income for the year	(8,698,202)	(15,454,847)

Contingent liabilities

The Company has received a claim from Dr Gavin Tulloch alleging wrongful termination of his role as Director of Technology and seeking payment of a significant unsubstantiated amount. In the Directors opinion this claim is without basis and the Company will strenuously defend this matter.

The Directors believe that there are no material contingent liabilities related to the parent entity at the end of the reporting period.

Capital commitments

There are no material capital commitments related to the parent entity at the end of the reporting period.

31. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- In September 2012, the Company procured a bridging loan facility to draw down up to $750,000 with security over selected assets of the Company. Interest accrues daily at 10.0 % per annum until the repayment date. The repayment date is the earlier of either 30 November 2012 or 2 business days after receipt by the Company of a R&D tax rebate, or as mutually agreed. The facility has been provided by an entity associated with Mr. Richard Caldwell, a director of the Company. The establishment of the facility is for working capital purposes and also as a precaution given the uncertainty of precise timing around the expected receipt of a R&D tax rebate. The Company continues to investigate strategic investment opportunities.
- Dr. Gavin Tulloch has resigned from the Dyesol Limited Board of Directors effective 7 September 2012.

Director's Declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included on pages 42 to 52 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.

5. The directors have been given the declarations by the Executive Chairman and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Gordon Thompson, Director

Date this 28th day of September 2012

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Dyesol Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Dyesol Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 28 September 2012

Grant Thornton

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Independent Auditor's Report
To the Members of Dyesol Limited

Report on the financial report

We have audited the accompanying financial report of Dyesol Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a) the financial report of Dyesol Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of Matter: Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report which sets out the basis on which the Directors have determined that the consolidated entity is a going concern.

The consolidated entity incurred a net loss after income tax of $8,878,004 and an operating net cash outflow of $10,111,708 during the year ended 30 June 2012. Cash and cash equivalents amount to $2,510,305 at 30 June 2012.

In Note 1, it is stated that the consolidated entity requires additional cash from the receipt of a research and development tax incentive, the receipt of a bridging loan facility and the raising of additional capital from investors in order to continue as a going concern.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company and the consolidated entity's ability to continue as a going concern and therefore, the Company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business, and at the amounts stated in the financial report.

Emphasis of Matter: Material Uncertainty regarding Impairment of Non-Current Assets

Without modifying our opinion, we draw attention to Note 1(e) and 1(y) in the financial report which discloses the consolidated entity's accounting policy and related estimates and judgements regarding the assessment of impairment of non-current assets.

Included in the statement of financial position is property, plant and equipment amounting to $2,022,958 and intangible assets amounting to $9,640,061, which relate substantially to the consolidated entity's project to develop Dye Sensitised Photovoltaic on coil coated steel (the DSC PV project) in collaboration with Tata Steel Europe.

In Note 1 (y) it is stated that at the date of this report a formal commitment to further progress the DSC PV project to commercialisation has not been received from Tata Steel Europe. Notwithstanding this uncertainty, based on information available to them, the Directors are of the opinion that it is most likely that such a commitment will be received and that the DSC PV project will progress to commercialisation.

Accordingly the Directors continue to expect that sufficient net cash flows will be generated by these assets to support their carrying values and no impairment of these assets exists at 30 June 2012.

There is inherent uncertainty regarding the assumption that Tata Steel Europe will commit to further progressing the DSC PV project and should this assumption prove to be incorrect the consolidated entity's property, plant and equipment and intangible assets may be impaired.

Report on the remuneration report

We have audited the remuneration report included in pages 42-52 of the Directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Dyesol Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S M Coulton
Partner - Audit & Assurance

Sydney, 28 September 2012

The Board of Directors is responsible for the overall corporate governance of Dyesol Limited, and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders. However, whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board considers that the Company's structure and present stage of development does not warrant compliance with all recommendations.

A brief summary of Dyesol's main corporate governance policies and practices is outlined below. In addition, the following policies and procedures have been adopted and are available for viewing on the Company's website:

- Statement of Matters Reserved to the Board;
- Corporate Code of Conduct;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Risk Management Policy;
- Environmental Policy;
- Corporate Social Responsibility Policy;
- Audit Committee Charter;
- Remuneration Committee Charter;
- Shareholder Communications Strategy; and
- Summary of Procedure for Selection of External Auditor and Rotation of Engagement Audit Partner.

THE BOARD OF DIRECTORS

The Board will comprise both executive and non-executive Directors. Presently there are five non-executive Directors and one executive Director. It is Dyesol's intention to have a majority of non-executive directors as it expands operations globally, although that composition will take some time to achieve in order to ensure an appropriate balance of relevant experience and expertise is achieved.

The membership of the Board, its activities and composition is subject to yearly review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability and commitment to undertake Board duties and responsibilities.

COMMITTEES OF THE BOARD

The Board has established the following committees:

Audit Committee

The Audit Committee comprises two non-executive Board members. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial control system.

Remuneration Committee

The Remuneration Committee comprises three Board members, two of these being non-executive Directors. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including share and benefit plans.

ROLE OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders.

The Board strives to create shareholder value and ensure that shareholders' funds are prudently invested.

The other key responsibilities of the Board include:

- appointing, evaluating, rewarding and, if necessary, removing the Chairman, Managing Director and Senior Executives;
- development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- monitoring actual performance against budgeted and forecast performance and reviewing operating information to understand at all times the state of the health of the Company;
- overseeing the management of business risks, staff welfare, personnel equity, safety and occupational health, environmental issues and community development;
- being satisfied that the financial statements of the Company fairly and accurately set out the financial position and financial performance for the year under review;

ROLE OF THE BOARD (CONT'D)

- being satisfied that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately and further, approving and monitoring financial and other reporting;
- being assured that appropriate audit arrangements are in place;
- ensuring that the Company its officers and staff act legally, ethically and responsibly on all matters and assuring itself that a code of business ethics has been adopted and that the Company practice is consistent with that Code; and reporting to and advising shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The Company acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) (the "Recommendations") applicable to ASX-listed entities. The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the Recommendations in the year. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it.

The Company sets out below an explanation of the areas where Dyesol does not presently comply with ASX Best Practice recommendations:

Board independence

A majority of the Board is currently not considered to be independent, nor is the Chairman an independent director. At the present time, the direct involvement of Directors in the Company's activities is considered desirable, although the intention is to expand the Board through the addition of independent Directors as circumstances permit.

Board committees

The Company does not presently have a separate Nomination Committee. The entire Board conducts the function of such a committee at the present time. The duties of such a committee have been considered and adopted by the Board. The Board will, if considered appropriate, invite persons with relevant industry and financial experience when required to carry out the functions of such a committee.

The Audit Committee does not comprise at least 3 members, nor are the majority independent non-executive directors, primarily because of the Company's present size and Board structure. The composition of the Committee will be reviewed as the Board is expanded.

The Company has a Technology Advisory Board comprising international experts in the technology, and plans to broaden this into an Advisory Board of international experts in the business areas in which the Company operates. The Advisory Board meets irregularly at the request of the Director of Technology, who is secretary to the Advisory Board. Any member of the Advisory Board may communicate directly with director(s) of the Company.

Risk Management

Recommendation 7.1 suggests the establishment of policies on risk oversight and management. The Company's website contains various policies, one of which is Risk Management Policy. The Policy notes that a formal documented risk management strategy has not been prepared, but enunciates the Company's broad policy and strategy in this area. The Company's approach to financial risk management is detailed in the notes to the financial statements The Company is presently reviewing its overall risk management approach and is in the process of expanding its risk management policy.

Diversity Policy

While the Company provides a workplace that is open to gender diversity, the Company currently does not have a formal policy or specific objectives for gender diversity. The Board recognises the benefits of a diverse workforce and the value of considering how the Company can best achieve these benefits at its current stage of development.

The proportion of women within the organisation is as follows:

• women on the Board	1 (17%)
• women in senior management roles	1 (13%)
• women employees in the Group	13 (18%)

Top holders

The 20 largest registered holders of each class of quoted equity security as at 25 September 2012 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	JP Morgan Nominees Australia Limited <Cash Income A/C>	53,682,901	27.38
2.	GTST Holdings Pty Ltd <Tulloch Family A/C>	17,841,690	9.10
3.	Catholic Church Insurances Ltd	3,387,458	1.73
4.	RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	2,912,248	1.49
5.	CS Fourth Nominees Pty Ltd	2,673,602	1.36
6.	Richard Alexander Caldwell	2,350,000	1.20
7.	Declast Pty Ltd <Tulloch Super Fund A/C>	2,162,500	1.10
8.	Thomas Hans Offermann <The Offermann Family A/C>	1,700,000	0.87
9.	Gwynvill Trading Pty Limited	1,641,538	0.84
10.	Gordon Thompson + Jeanette Thompson <Thompson Family S/F A/C>	1,634,265	0.83
11.	Merrill Lynch (Australia) Nominees Pty Limited <Nom1 A/C>	1,598,748	0.82
12.	HSBC Custody Nominees (Australia) Limited	1,184,941	0.60
13.	Citicorp Nominees Pty Limited	1,150,156	0.59
14.	SD Equities Pty Ltd	1,111,111	0.57
15.	HSBC Custody Nominees (Australia) Limited - A/C 2	1,089,821	0.56
16.	Brazil Farming Pty Ltd	960,000	0.49
17.	Real Socks Pty Ltd	944,000	0.48
18.	National Nominees Limited	776,593	0.40
19.	Neville William Walker	738,500	0.38
20.	Paul Frederick Bennett	700,000	0.36
		100,240,072	51.15

Distribution schedules

A distribution schedule of each class of equity security as at 25 September 2012:

Ordinary fully paid shares

Range			Holders	Units	%
1	-	1,000	877	467,041	0.24
1,001	-	5,000	1,438	4,254,000	2.17
5,001	-	10,000	806	6,452,073	3.29
10,001	-	100,000	1,612	52,015,859	26.53
100,001	-	Over	176	132,855,629	67.77
		Total	4,909	196,044,602	100.00

Options

The Company has the following unlisted options on issue as at 25 September 2012:

Expiry Date	Exercise Price	Number of Options	Number of Holders
27 November 2012	$1.10	2,000,000	1
31 December 2012	$1.16	714,000	22
27 November 2013	$1.20	1,000,000	1
30 November 2013	$1.00	2,000,000	2
22 December 2013	$0.89	500,000	1
4 August 2014	$0.70	500,000	1
29 April 2015	$0.925	2,500,000	1

Substantial shareholders

The names of substantial shareholders in Dyesol Limited as at 25 September 2012 and the number of shares in which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Tulloch Group	20,172,213

Restricted Securities

As at 25 September 2012, the Company had no restricted securities on issue.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 4,762 shares as at 25 September 2012):

Holders	Units
2,079	3,543,677

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

DYESOL LIMITED

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