Environmental Solutions International Ltd

Dual Focus Business:

1. Wastewater & Potable Water Plants.

2. Sludge Treatment using ENERSLUDGE™ Technology.
HELCOPTER VIEW
Wastewater/Water

- **Wastewater treatment** - “main cash generator”.
- **Water treatment** - “a new cash generator”.
- **Plant operations** - “growing in number & longer term” (e.g. Bega contract is 15 yrs).
- Design, build, commission and operate plants for clients.
- Complete turnkey contract - will show some examples later.
HELIICOPTER VIEW
ENERSLUDGE™

- Thermal technology for processing sewage and other industrial sludges.
- In the commercialising phase.
- Main competitors are incineration and land application (in some countries).
HELICOPTER VIEW

Financials

- No. of shares on issue: 77 million
- Market Capitalisation (approx): $23 million (~30¢/share)
- Net Cash: $6 million approx
- Debt: Nil
- Balance Sheet: Very Clean
- Carrying Value of Technologies: Circa $1M only
- R&D/Commercialisation Costs: All Expensed
- Current Asset/Current Liab. Ratio: 2:1
- Available Tax Losses: $3.5 million approx
- Work in Hand @14/10/03: $74M plus.
WASTEWATER and WATER Business
WASTEWATER BUSINESS

• A good, growing, profitable business for ESI
  – 7 years ago – no commercial plants built or operating
  – Now: nearly 40 plants; ESI operating 7.
  – An established, well respected player in this market. Melbourne office growth significant in last year.
  – Plant sizes have been scaled-up successfully and have been profitable
  – 1500 e.p. ⇒ 800,000 e.p. (More details later.)
  – We should continue to win further w/w business.
Wastewater plants now established in:

- **Victoria**: Blackrock, Mt Beauty, Yarra Valley, Tidal River, Colac, Mildura, Werribee.
- **N.S.W.**: Blue Mountains; Olympic Games Site.
- **Western Australia**: Collie, Walpole, Busselton, Kemerton, Woodman Point, Dalyellup, etc.
- **South Australia**: Port Pirie, Bolivar, Victor Harbour
- **Fiji** - 3 contracts
- **Philippines** – 2 contracts
- **Queensland**: Port Douglas, Atherton, Caboolture, Bakers Creek, Corindi, Canungra, Hat Head, etc.
- **Winery Wastes**: Evans & Tate, - more winery contracts will follow in other states.
- **Continual R&D** to provide competitive advantage.
WATER BUSINESS
A Natural Expansion for Company

• First potable water plant built in 2000; now 10 built or under construction.
• Future business will be in high grade water treatment using membranes, especially ultra/nanofiltration & modular construction.
• Strong relationship with Koch Membrane Systems, U.S.A. Commenced modular builds.
• Opportunity to expand activities into South East Asia, e.g. Singapore Newater projects
GROWTH STRATEGIES

Water/Wastewater

Corporate Strategy is to grow this business via:

• Business relationships with larger Australian corporates, e.g. Tenix Alliance.

• Expansion into New Zealand (first contract probable later this year)

• Business relationship with established engineering company in Malaysia (joint bid for 800,000 p.e. plant in Penang)

• Supplier of “Complete Systems Solution” to industrial clients in S.E. Asia region

• Continuation of organic growth especially into larger contracts.
ORDER BOOK
Wastewater & Water

- ESI’s Order Book for wastewater and water contracts has grown strongly and is at an all time high.
- As at 14 Oct ’03 contracts in hand valued at $74 Million.
- Company has “preferred tenderer” status on an additional $16 Million.
- Preparing bids for around $80M and tracking a further $155M.
40 000 ep SBR Plant
HOMEbUSH STADIUM
Decanters on 800,000 ep Plant
ENERSLUDGE™
ENERSLUDGE™ TECHNOLOGY

• Has strong patent protection and environmental integrity.
• A sustainable sludge disposal option.
• ESI owns exclusive world rights.
• The technology is modular and can be applied to small as well as large-scale facilities (in contrast to incineration or gasification)
ENERSLUDGE : Progress To-date

- Commercial scale plant built in Australia: $25M +
- All components proven, except electricity generation (at large scale). Proven at pilot scale
- Licence granted to Mitsubishi Electric Corporation for Japan (non-exclusive)
- Additional parties identified in Japan: discussions are in train for licence agreements.
- Licence granted to ONDEO-Degremont for France (exclusive) and project-by-project elsewhere
- Potential licensees identified in U.S. – in discussions.
ENERSLUDGE: COMPETITIVE POSITION

• ENERSLUDGE™ “whole of life” costs:
  – US$195 to US$265 per dry tonne.

• Landfill & Incineration:
  – US$299 to US$402 per dry tonne

(Source: EEA Report 2003)
ENERSLUDGE: Market Readiness

• Outlook for new thermal technologies is now more positive (*can expand on reasons if necessary*)

• Focus on:
  – Sewage sludges
  – Oily sludge
  – Tannery sludges
  (i.e. where the current knowledge base exists).
ENERSLUDGE : Funding

• ESI has spent $1.5 – 2.0M per annum over last five years.
• All expenditure expensed through P&L.
• Has impacted reported profit.
• Seeking a major strategic partner and/or investor to advance ENERSLUDGE™ commercialisation.
ENERSLUDGE™ PLANT
DRYER AND HGG
Bio-Oil
ESI OUTLOOK
OUTLOOK: Wastewater/Water

• Very positive.
• Targeted organic growth to lift revenue above $40 Million p.a. within a couple of years.
• Have the technologies to tap into the newer and growing “water reuse/recycling” market.
• Margins are higher in wastewater than water.
OUTLOOK: Enersludge

• The most recent EU regulations will assist newer technologies – regulations are being introduced 5 years later than first predicted.
• New licensees in Japan &/ or Europe are expected to offset expenditure.
• Entry of Strategic Partner/ Investor could accelerate commercialisation overseas and could ease ESI’s funding requirement.
• Geographic specific markets in US could offer new opportunities.
OUTLOOK : Financial 2004

• An improvement in revenue and profit is anticipated in 2004 on the back of the record Order Book.
• Both Revenue and Profit will be skewed heavily 2nd half.
• Balance sheet remains clean and strong with no debt and cash of approx. $6M.
Note:
• 2004 revenue should exceed 2002 and is likely to be at a record level. Commencement date of new contracts will determine final level.
• Revenue will be skewed heavily towards 2nd half.
Note:
• 2004 profit is targeted to return to levels near those reported in 2002, and will be skewed heavily towards 2nd half.
• The current order book provides a good base for commencement of 2005.