



## ZEOLITE AUSTRALIA LIMITED

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1<sup>st</sup> May 2003

Manager Companies  
Australian Stock Exchange  
20 Bond Street  
SYDNEY NSW 2000

**Fax: 1900 999 279**

Dear Sir,

AUSTRALIAN STOCK EXCHANGE



**ZEL000121**

### ZEOLITE AUSTRALIA - COMPANY UPDATE

Attached is a letter from Zeolite Australia Ltd (ASX Code "ZEL") which is being sent to shareholders to provide and update on recent developments in the company.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ian Wallace". The signature is fluid and cursive, with a long horizontal line extending to the right.

Ian Wallace

Company Secretary



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May 2003

### **Newsletter**

*From the Board of Directors .....*

Dear Shareholder,

#### **EXCITING NEW DEVELOPMENTS IN ZEL**

We write to tell you of some exciting developments involving the significant interest which ZEL has in Waste Technologies of Australia Pty Ltd (WTA) and some ongoing developments with our advanced "Zelbrite" water filtration product.

#### **ZEOLITE ACQUIRES WATER RECYCLING TECHNOLOGY RIGHTS**

As you know from our past advice, WTA holds a number of advanced technologies for water and wastewater treatment, water recycling and pollutant detection and control.

Our investment was made to help take these technologies to a commercial status – to exploit what we saw to be their long-term commercial potential.

Several of them are now near to achieving commercial status and we want to advise you of the significance of some new developments just announced to the share market and give you an update on the main technologies.

ZEL has just been granted the Rights to exploit the advanced **WATER RECYCLING** technology known as **MULTIPLE WATER REUSE**.

You will recall that WTA has been working with our Singaporean representatives in negotiations with the Singapore Government to establish the use of Multiple Water Reuse plants as a standard feature of buildings and industry in Singapore. Security of water supply and the large number of high rise residential buildings in Singapore – and Asia generally – drive the need for such new water supplies. These negotiations are continuing albeit more slowly than we had hoped.

By contrast, until recently, only limited interest existed in Australia, as we have had the luxury of substantial high quality water supplies.

However, the impact of the recent long drought period in Australia has finally made both the government and the community realise that water recycling and conservation is a must for our cities and the countryside alike.

## THE MWR PROCESS

Our **Multiple Water Reuse (MWR)** process is one modern solution. It takes used water, directly from a sewer for example, and processes it using multiple membrane filtration to a highly purified state enabling it to be reused for applications requiring high quality water. Normally, it would not be reused as potable water but would simply replace valuable potable water where that is not needed. The multiple barrier system linked with disinfection provides the high levels of security for health protection demanded by Water Authorities.

Such applications in residential buildings may include reuse for toilet flushing and for cooling tower use. In a typical residential complex, toilet flushing alone may represent as much as 30 percent of potable water use, so the potential for conservation of water is dramatic.

Other applications, depending on the source of the raw water could include agriculture, horticulture, garden watering and commercial and industrial uses.

In a rural environment, even bore water can be converted to high quality usable water using our MWR process.

Importantly, where water is withdrawn from a sewer line, the hydraulic load on the distant final treatment plant is reduced. This means that Government infrastructure capital spending is also potentially reduced or postponed.

The need for water conservation is a worldwide problem and our world-patented MWR technology is expected to find commercial application around the world.

We have recently made an application for a grant under the Victorian Government "SMART WATER" initiative. We are confident that our MWR technology has a strong chance of being selected for a grant to demonstrate its ability to produce high quality water and its conservation benefits in a high profile application in Melbourne.

We have already had strong interest for the technology from high rise building developers and from Water Authorities around Australia, and as Australian State Governments extend their demand for water conservation, this increasing interest will provide us with significant sales opportunities for the MWR plants.

ZEL, in conjunction with WTA, will develop and expand the promotion of the modular MWR units in the Australian market whilst we continue to work with our Singapore partners and other potential licensees around the world.

An independent market evaluation prepared for WTA in 2000, estimated the immediate established **market potential at \$75 million** per year.

The agreement with WTA to commercialise and market this important technology in Australian and global markets will be of significant benefit for shareholders.

## **SOME OTHER NEWS:**

### ***ELECTRO DEWATERING In WASTE WATER TREATMENT PLANTS***

You will be aware from our previous ASX announcements that the highest priority for our funding of WTA is the Electro Dewatering technology, in view of its advanced status and the huge commercial market potential. This technology complements the extensive work carried out by ZEL with Australian Water Authorities in the development of the "Zelflocc" waste water treatment technology.

We had hoped that the commercial demonstration trials of this significant technology would have commenced earlier in the year but it has taken longer than expected due to the complexities of manufacture of the high tech conducting belt.

This has been the only major issue in scale-up of the technology to a full size commercial unit and the delay has been attributed mainly to the procurement of specialised materials not available in Australia.

Retrofit of the first full-scale commercial machine is now being completed for demonstration trials which will commence in the Sydney Water Corporation treatment plant at Quakers Hill. Trials are then to be carried out in plants of Brisbane Water and the Gold Coast.

The trials of the Electro Dewatering machine should now be underway in early May.

The existing Korean licensees await the commencement of these EDW trials before commencing preparation of a similar demonstration unit in Korea.

For those of you who are unfamiliar with this technology, it has potential for application in many thousands of wastewater treatment plants around the world. We have interest from several major potential licensees in Europe, Asia and the United States.

WTA has estimated the ***global market royalty potential of this technology at from \$200 to \$300 million*** over a ten year period, which represents a significant opportunity to add shareholder value to the company.

### ***NEW POLLUTION DETECTION AND MONITORING SYSTEM THE DUNE AGREEMENT***

We have just announced an agreement with the Japanese company Dune Inc for joint development of their new "mini mass Spectrometer", using our VOC Diffusion Cell as the unique test probe for the instrument.

WTA's Patented Diffusion Cell is the enabling technology for the application of this unit which will be ***the first hand-held Mass Spectrometer in the world.***

The unit will allow rapid on-site determination of pollutants in such situations as Ground Water, Air, Process Water and Industrial processes generally.

## **DETECTION OF POLLUTANTS**

Applications already identified include the detection of alcohol in beverage industry waste streams and airborne pollutants in new buildings often referred to as "sick building syndrome".

Dune Inc state that the Japanese market potential alone for the instrument is US\$20 million and that the ***world market potential runs to more than US\$3 billion.***

Besides holding the global patent rights for the exploitation of this technology, WTA will be appointed as the exclusive representative for the marketing of this equipment in the Australian market. Sales are expected to commence in the second half of this year.

## **OTHER WTA TECHNOLOGIES**

Further encouraging commercial progress has been made with some of the other WTA technologies, including Unified and Surepure. These will be reported on when key technical and commercial milestones have been achieved.

## **ZELBRITE**

We are happy to report that we had a successful Australian summer season in which ZEL made further significant inroads into pool and spa filtration markets with its flagship "Zelbrite" product.

The strong local interest has translated into potential demand for export to a number of overseas markets and shipments have already been made to a number of countries and various agencies are in negotiation. The strategic aim is to exploit new markets to achieve strong sales throughout the whole year rather than be dependent on seasonal peaks in the Australian Market.

## **CONCLUSION**

The Board of Directors will continue to strive to advance the company's environmental technologies, particularly those relating to the management and reuse of scarce water resources.

We are sure that there is now a strong awareness of the issues of water use and reuse through all levels of the community and the Government. This presents ZEL with a unique opportunity to advance its solutions to the benefit of the Government, the community, the environment and ultimately to you, the shareholder.

The Board of Directors appreciate your ongoing support for the company and we are committed to accelerating progress on the initiatives and technologies outlined.