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**To:** ASX Announcements

**Date:** 7 July, 2004

**Re:** Business Update

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IMT is now producing Phoslock in commercial quantities at its factory at Kunming, China.

The first order for Australia has been received and will be filled as soon as the quality assurance procedures have been completed.

Small shipments of Phoslock are being sent to the UK, NZ, Germany and the US. Significant orders from these countries are expected in the short term once the licencees and distributors have had the opportunity to examine the granules and their physical and performance characteristics.

The granules will allow the simple and low cost delivery of Phoslock into water bodies ranging from domestic aquaria to major lakes and dams.

Marketing of Phoslock is proceeding as follows:

### **Australia**

IMT's Australian licencee, ECOWISE Environmental Pty Limited, has generated considerable demand and interest within the water industry. The first order is to be used in the treatment of a NSW sewage treatment plant badly affected by the presence of algae.

Further shipments of Phoslock will be made to Perth and Sydney for use in dams, sewage treatment plants, golf courses and in wastewater treatment. Initially, applications of around 10-20 tonnes will take place to enable users to observe the physical characteristics of Phoslock, determine the appropriate application technique, fine tune OH&S requirements and finalise logistics for larger scale applications.

## **China**

See details in previous ASX announcement on 6 July, 2004.

## **New Zealand**

IMT's distributor (Primaxa) has made considerable progress in both obtaining regulatory approval and marketing Phoslock. As previously advised by IMT, the NZ Ministry for the Environment has announced its recommendation to use Phoslock in remedying phosphorus related problems in Lake Rotorua and Rotoiti. Substantial funding by the Government for treatment of the Lake Rotoiti problem has been recently announced.

Primaxa is arranging the logistics for Phoslock to be applied to the large lakes by aerial means. This will be cost effective and practical in the large quantities required in New Zealand.

## **UK**

IMT has met with the UK Environment Agency ("EA") and agreed the process to introduce Phoslock within their jurisdiction. Regulatory approval is currently being sought for the use of Phoslock.

Initially, a "site permit" will be obtained to apply Phoslock to an "uncontrolled" water body ie a pond or lake that is not connected to another water body. Our proposed UK distributor has identified a number of sites. Once these sites are treated and the EA confirms the results, a policy document will be issued allowing use broadly within the UK.

The EA has nominated a number of significant and sensitive sites that they believe Phoslock will provide a solution to their eutrophication problems. This is in addition to the many other dams, ponds, streams and other catchments giving rise to eutrophication problems.

## **USA**

A significant order is expected shortly from our US licensee.

The environmental damage caused by phosphorus discharge is developing as a major issue throughout the country. States such as Virginia and Vermont have recently introduced legislation specifically limiting phosphorus discharge. Other states are following. The Everglades in Florida have serious eutrophication problems for which very significant funding has been allocated.

Two initiatives to broaden the exposure and penetration of Phoslock are in progress:

- A large waste water treatment company is redesigning a number of its products to include Phoslock. The products include pool liners and processes for removing chemicals from waste streams.
- A marketing company operating throughout the US in the water industry is negotiating for the distribution rights for Phoslock for the municipal water market.

Industries such as sugar, abattoirs, chicken, citrus and tobacco are being forced by litigation and legislation to implement measures to reduce phosphorus discharge. Our US licensee has identified 20 such industries that will make up the focus of their marketing.

### **Netherlands**

A distributor has been appointed to commence marketing in the Netherlands, see ASX announcement on 1 July, 2004.

### **Japan**

IMT is in discussions with a large Japanese corporation for the rights to sell Phoslock to the golf course market. The corporation currently supplies products to 1,700 courses in Japan and believes there is significant market to reduce the incidence of algae in golf course ponds throughout the country.

IMT continues to work with a Japanese wastewater treatment company on the development of a Phoslock "pellet". This differs from a granule in that the pellet will remain intact within a water system. Once the pellet has reached its phosphorus saturation point, new pellets can replace them. The pellets will have major application in industrial, waste water systems, domestic ponds and aquaria.

Considerable progress has been made and IMT believes that a commercial pellet will be available shortly.

### **Domestic Ponds, Ornamental Ponds and Aquaria**

The supply of products to the domestic and ornamental ponds and aquaria industries is a massive industry worldwide. A significant portion of that market is remedying "green water", caused by algae that are in turn caused by excessive levels of phosphorus. The source of the phosphorus is fish food and decaying plants and other matter in the water.

The solutions offered by suppliers are mainly limited to UV light filters and copper based products added to the water. Both of these solutions are only temporary measures since they only are effective once algae is present and although the algae is killed, phosphorus from the dead algae is released back into the water which then causes more algae to grow. Phoslock on the other hand is a permanent solution that prevents algae growing by removing the phosphorus from the water.

IMT is in discussions with one of the largest suppliers of products to the pond and aquaria industries. A 30,000-litre pond has been set aside at the supplier's R&D facility in Europe where the pellets are to be tested. Upon successful completion of the tests, IMT expects to supply the pellets to the worldwide market.

For further details, please contact Brett Crowley, CEO, on 02 96980622.