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Chairman's Report to 2004 Annual General Meeting

26 November 2004

Corporate

IMT has recently raised \$1.5m in new capital and a further \$1.5m will be raised subject to approval at today's AGM. These funds will be used for working capital and for the establishment of manufacturing facilities for Phoslock pellets (see below).

Manufacturing

Production facilities in China are complete. Orders of full container loads are being shipped to Australia, New Zealand and India.

Pelletised Phoslock

Kurita Water Industries of Japan has developed a pelletised form of Phoslock. The pellet has been developed for use within a water filter column and is suitable for use in a range of applications previously unavailable to Phoslock including aquaria and filtration systems.

A licence has been signed between IMT and Kurita for the worldwide manufacturing and marketing of the pellets. Under the terms of the licence, Kurita holds exclusive marketing rights for the pellets in Japan, while IMT holds exclusive rights for all territories outside Japan. The pellets will be manufactured by IMT in China.

Commercial samples are expected to be available in early 2005 and, along with detailed technical information, will be made available to all licencees and distributors.

Kurita is Japan's largest water treatment company, accounting for between 30% and 60% of the various industrial wastewater treatment markets in Japan.

Australia

The Queanbeyan STP has been treated successfully. Photos of Phoslock being applied to the STP are available on our website – www.phoslock.com.au.

An order has been received to treat two dams at a winery at Mudgee, NSW. Successful treatment using granules will be used as a strong marketing tool for the winery and other value-added agricultural industries worldwide.

A number of significant projects are under negotiation including capital city drinking water reservoirs, a large lake at a university campus and holding dams at a Western Australian mine requiring 450 tonnes per year over three years.

China

Arrangements for the treatment of Lake Dianchi are currently being made. Large stocks of Phoslock will be required to be on hand prior to the commencement of treatment.

Phoslock was launched in China at a recent trade show in Beijing and follow-up marketing has generated a significant number of enquires.

US

IMT is finalising due diligence on its US licensee, Purezza Marketing Inc, with the intention of moving to a 51% equity stake.

A proposal has been received from a major US multinational to sell Phoslock in the US. The company believes it will very quickly move to sales of thousands of tonnes. It intends to include Phoslock granules and pellets within the industrial products it is producing for other environmental solutions.

The project being funded by the US Department of Agriculture has commenced. After analysis of water samples are completed, treatment will take place of the lagoons at two catfish hatcheries and the waste holding ponds at a piggery and an abattoir. Completion of these projects will result in some powerful demonstration sites to be used in marketing Phoslock throughout the USA.

UK

Confirmation has been received that Phoslock is neither a biocide nor a “new chemical”. These approvals apply throughout the EU. It will be necessary to obtain local approvals for specific applications.

IMT is working with the UK Environment Agency to obtain site permits to begin treatment on a number of water bodies. The first three sites are very high profile lakes in and around London. These lakes have been chosen as they are heavily eutrophied and

they are fully contained. Once successful treatment is completed and no hazards identified, broader approvals will be given for major projects such as the Norfolk Broads.

New Zealand

Our New Zealand distributor, Primaxa Limited, has been advised by ERMA, the relevant regulatory authority, that approval for Phoslock to be imported and used throughout New Zealand on an unrestricted basis has been granted. Formal written confirmation is expected soon. This approval was based on new experimental results undertaken by a leading NZ toxicology laboratory which showed the efficacy of and very low toxicity of Phoslock even under extreme application conditions.

Phoslock was presented at a recent symposium on the potential use of Phoslock as a solution for the eutrophication problems in the Rotorua lakes. The symposium confirmed IMT's view that current management practices were having little success in reducing the phosphorus that enters water bodies through point and diffuse sources. No technology other than Phoslock was presented as a viable method to reduce the current phosphorus loads in the lakes and the sediments.

Primaxa is negotiating with the Rotorua authorities for the first Phoslock treatment of Lake Okareka, a small lake in the Rotorua lakes region.

Netherlands

The market opportunities for Phoslock in the Netherlands are enormous due to the serious eutrophication problems the country is facing. IMT has appointed the environmental consultancy company, Aquifer, as its marketing agent in the Netherlands. Aquifer is currently in the process of promoting Phoslock to water authorities and end users across the Netherlands with a view to organizing a pilot project in the near future.

Scandinavia

IMT has appointed Aarhus-based Danish Environmental Technology Transfer (DETT) as its marketing agent for Denmark, Norway and Sweden. Efforts to date by DETT have focussed on the use of Phoslock within constructed wetlands and on-site sewage treatment systems in small rural communities that are not connected to municipal sewage networks.

Research aimed at integrating Phoslock into these systems will be conducted at the University of Aarhus in early 2005.

South Africa

Africa Geo-Environmental Services (AGES) has been appointed as IMT's marketing representative in South Africa.

AGES is an environmental consultancy consisting of a dynamic and dedicated team of professionals from a range of fields, including geo-hydrologists, engineering geologists,

geo-technicians, engineers and environmental specialists. The company is based in Pretoria and provides consultancy services to a range of organizations from small and large corporations to local and regional government authorities.

AGES has already begun proactively marketing Phoslock and meetings have been held with a variety of governmental water authorities, including high level water resource managers and regional water treatment companies.

The first applications of Phoslock are expected to take place in early 2005 on a holding pond at a sewage treatment plant near Johannesburg and an oxidation pond at a diamond mine.

India

IMT has received its first order for Phoslock from India. The order is for a full container of Phoslock and will be used to trial the use of Phoslock in prawn farms in Tamil Nadu and Andhra Pradesh.

India is a major producer of black tiger prawns with around 150,000 hectares of land under cultivation. Cyanobacteria, or blue-green algae, is a major problem for prawn farmers in many areas of the country and is thought to be causing slow growth and high mortality rates. There are currently no recognized solutions for this problem.

The use of Phoslock will be aimed at reducing phosphorus levels in ponds and altering nitrogen to phosphorus ratios to levels at which cyanobacteria and other forms of toxic algae do not grow in high numbers.

The Phoslock treatment will take place in January to coincide with the beginning of the Indian growing season. IMT believes there are substantial opportunities to use Phoslock in prawn farms across Asia, with other major producers including China, Thailand and Indonesia.

Czech Republic

Funds have been allocated by a leading Czech environmental consultancy for bench-scale testing of Phoslock. The company has also applied for a government grant which, if successful, would be used in the execution of a pilot project on a eutrophied lake in the Czech Republic.

Korea

IMT is negotiating a licence with an environmental services company in Korea. The company has advised there is a huge eutrophication problem throughout Korea and there are funds available from both government and the private sector to fix the problem.

A small sample has been sent for marketing purposes. An order for one tonne of granules has been received. The one tonne will be for the initial treatment of a small dam.

Taiwan

Negotiations have commenced for a licence to be granted to a company which will bid to treat the 17 main water reservoirs in Taiwan, all badly affected by blue green algae.

Conclusion

The manufacturing process has been completed with the result that 20,000 tonnes of Phoslock can be produced annually. Minor additions to the production equipment will lift annual manufacturing capacity to 30,000 tonnes.

Sales have commenced in Australia, New Zealand, Korea and India.

Initial sites have been identified in the USA, UK, Netherlands, and South Africa and sales are expected as soon as local regulatory approval processes are complete.

Manufacture of the new pellet product is expected to commence in early 2005, opening a vast alternative market to granules.