



Commentary and Update – 2nd Quarter 2010 Dyesol – Delivering the Goods

During the second quarter of FY2010, Dyesol has delivered on its projects in every sector of the Dyesol group's world:

- With Corus we produced the first product on the continuous production line at Shotton in North Wales for our testing and approval program;
- Delivered equipment solution for the University of Technology Petronas (UTP) prototyping facility in Malaysia;
- Established Dyesol Japan as our corporate vehicle for collaborative ventures in the world's leading DSC country;
- Built on our history of successful collaboration with top Chinese DSC scientists through a sale for establishment of a prototyping facility in association with Tsinghua University – Dyesol's first major sale in the most rapid growing solar market in the world – one that increases business potential while keeping our IP strictly under wraps; and
- Accepted with pride the Australian award of *2009 Sustainable Small Company of the Year*.

In making these achievements, we reduced cash usage and increased cash in from ongoing operations by 50% net, the biggest share coming from a more than 400% increase in sales. Hence, total cash usage for the quarter reduced by 46% to \$1.648M or about \$550K per month, well below projections. The breakdown of cash usage shows that spend on staff and R&D actually increased by over 25%, reflecting an increase in sales of services and products. The big savings occurred in spend on non-core activities.

Dyesol is not consolidating, however. We have some very exciting opportunities for growth throughout the world and especially in Europe during 2010. The executive team is evaluating a number of highly prospective new business opportunities and anticipate being able to make announcements during the third quarter as we conclude due diligence and commercial negotiations. In addition, our international R&D is expanding through awards of government funding for projects in Europe. Over time, we expect discrete operations in steel, glass, auto and electronics to emerge. Typically, this will occur in partnership with multi-national manufacturers and distributors. This is consistent with our risk mitigation strategy and focus on the provision of DSC materials.

Dyesol finished the quarter with close to seven million dollars (\$6.828K) at bank and quick assets totalling well over \$10M (including current loans of \$1.56M and inventories and receivables of \$3.2m).

In summary, we are poised to take advantage of significant growth in the renewable energy sector since the world has exited the GFC and awareness has increased through the worldwide involvement in Copenhagen. Big business is awake and aware of the business opportunities. The market places Dyesol is addressing – particularly BIPV – should be the premium growth business opportunity as margins reduce for the traditional solar farm projects.

For further information contact Viv Hardy at Callidus PR on +61 (0)2 9283 4113 or on +61 (0)411 208 951. In Europe contact Eva Reuter, Investor Relations, Dyesol Europe on +49 177 6058804.

Note to editors

The Technology – DYE SOLAR CELLS

DSC technology can best be described as 'artificial photosynthesis' using an electrolyte, a layer of titania (a pigment used in white paints and tooth paste) and ruthenium dye deposited on glass, metal or polymer substrates. Light striking

the dye excites electrons which are absorbed by the titania to become an electric current many times stronger than that found in natural photosynthesis in plants. Compared to conventional silicon based photovoltaic technology, Dyesol's technology has lower cost and embodied energy in manufacture, it produces electricity more efficiently even in low light conditions and can be directly incorporated into buildings by replacing conventional glass panels or metal sheets rather than taking up roof or extra land area.

The Company – DYESOL Limited

Dyesol is located in Queanbeyan NSW (near Canberra) and in August 2005 was listed on the Australian Stock Exchange (ASX Code 'DYE'). Dyesol manufactures and supplies a range of dye solar cell products comprising equipment, chemicals, materials, components and related services to researchers and manufacturers of DSC. Dyesol has subsidiaries in UK, Italy, Switzerland, USA, Korea and Singapore plus representatives and agents in Turkey, Germany, Abu Dhabi, Malaysia, Taiwan and Japan. The Company is playing a key role in taking this third generation solar technology from development into commercial production.

More details about the company and the technology can be found at: <http://www.dyesol.com>

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

DYESOL LIMITED

ABN

92 111 723 883

Quarter ended ("current quarter")

31 DECEMBER 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	1,172	1,366
1.2 Payments for		
(a) staff costs	(1,553)	(2,872)
(b) advertising and marketing	(724)	(1,379)
(c) research and development	(652)	(1,073)
(d) leased assets	-	-
(e) other working capital	(796)	(2,131)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	34	86
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes received/(paid)	359	359
1.7 Other (R&D grant received)	513	948
Net operating cash flows	(1,648)	(4,697)

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admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,648)	(4,697)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(153)	(298)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	(300)
1.12 Loans repaid by other entities	-	-
1.13 Other (payment for product development cost)	(351)	(533)
Net investing cash flows	(504)	(1,131)
1.14 Total operating and investing cash flows	(2,152)	(5,828)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(4)	(5)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	(4)	(5)
Net increase/ (decrease) in cash held	(2,156)	(5,833)
1.21 Cash at beginning of quarter/year to date	9,116	13,290
1.22 Exchange rate adjustments to item 1.21	(132)	(629)
1.23 Cash at end of quarter	6,828	6,828

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000								
1.24	Aggregate amount of payments to the parties included in item 1.2	259								
1.25	Aggregate amount of loans to the parties included in item 1.11	-								
1.26	Explanation necessary for an understanding of the transactions									
	<table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>1.24</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">- Directors' and associates' remuneration</td> <td style="text-align: right;">148</td> </tr> <tr> <td style="padding-left: 20px;">- Marketing services provided by directors and related entities</td> <td style="text-align: right;">87</td> </tr> <tr> <td style="padding-left: 20px;">- Technical services provided by related entity</td> <td style="text-align: right;">24</td> </tr> </tbody> </table>		<u>1.24</u>		- Directors' and associates' remuneration	148	- Marketing services provided by directors and related entities	87	- Technical services provided by related entity	24
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- Directors' and associates' remuneration	148									
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Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

Appendix 4C
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admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	6,828	7,116
4.2 Deposits at call	-	2,000
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	6,828	9,116

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Managing Director)

Date: **29 January 2010**

Print name: **Gavin Tulloch**