



ASX RELEASE

30 July 2010

General Manager
The Company Announcements Office
Australian Securities Exchange

Appendix 4C Quarterly Report

This commentary should be read in conjunction with the Appendix 4C attached.

During the quarter, the company received payments of USD \$252,000 from Skywater Distributors Inc. (SDI) to begin production of the UL approved Skywater14 machines for US market. The UL machines are scheduled for September delivery. The Florida based Distributor is now in the early stages of its sales and marketing campaign.

Installation of the company's first Skywater 300 unit is underway in the South Florida area of the United States. Of particular interest is this area's non-drinkable well water. The successful operation of this pilot program will launch the company into one its identified market niches - rural, populated developments without potable well water.

Island Sky has simultaneously begun Skywater 300 product testing and certification with Intertek to receive ETL, a UL equivalent consumer approval.

A distribution agreement has been signed for the Philippines. The company, iMarketing, is currently awaiting local certifications in order to place initial product orders.

Waternauts LLP has begun actively advertising the Skywater machines in Australia. They remain optimistic about sales moving forward, especially in the mining sector where they have been attending trade expos.

Slow but steady growth of sales continue in Australia, South America and the Caribbean and the US market is now poised for growth once UL approved machines begin to reach consumers.

About Island Sky Australia

Island Sky's mission is to provide low-cost, high-quality drinking water equipment throughout the world.

Island Sky® designs and manufactures Atmospheric Water Generators utilising its patented 'adiabatic' distillation technology. Island Sky®'s technology replicates the natural process of water vapour condensation from air into drinking water.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ISLAND SKY AUSTRALIA LTD

ABN

73 122 948 805

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	340	732
1.2 Payments for		
(a) staff costs	(321)	(2,053)
(b) advertising and marketing	(24)	(549)
(c) research and development	(20)	(224)
(d) leased assets	-	-
(e) other working capital	(167)	(1,219)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7	60
1.5 Interest and other costs of finance paid	(3)	(10)
1.6 Income taxes paid	(13)	(33)
1.7 Other (provide details if material)		
Professional Fees	(105)	(580)
Rental	(35)	(145)
Net operating cash flows	(341)	(4,021)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter \$A'000	Year to date (12 months) \$A'000
1.8	Net operating cash flows (carried forward)	(341)	(4,021)
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	(11)	(11)
	(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	-	2
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(11)	(9)
1.14	Total operating and investing cash flows	(352)	(4,030)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	429	885
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		
1.19	Dividends paid		
1.20	Other (provide details if material) -share issue costs	(26)	(26)
	Net financing cash flows	403	859
	Net increase (decrease) in cash held	51	(3,171)
1.21	Cash at beginning of quarter/year to date	381	3,638
1.22	Exchange rate adjustments	(58)	(93)
1.23	Cash at end of quarter	374	374

+ See chapter 19 for defined terms.

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	130
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Directors' remuneration and fees amounted to \$92,314
 Rent and other professional services paid to director related entities \$37,633

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

N/A

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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

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	248	48
4.2 Deposits at call	126	333
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	374	381

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		

+ See chapter 19 for defined terms.

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:

(Company secretary)

Date: 30 July 2010

Print name: Rajita Alwis

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.