



## ASX RELEASE

30 April 2010

General Manager  
The Company Announcements Office  
Australian Securities Exchange

### Appendix 4C Quarterly Report

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

During the quarter, the company finalised an agreement with Waternauts LLP ("Waternauts") for distribution of the Skywater machines in Australia. In early March 2010 shipment of Skywater14 and Skywater300 units were delivered to Waternauts on consignment. The company is optimistic about the product entering the Australian market. Clearly the new technology is taking longer than expected to penetrate and generate sales in the market place.

During the quarter it was decided to donate units on hand to the Haiti Earthquake relief efforts to assist in making our unique product visible worldwide. The company believes that this was a positive step and it will assist in sales materialising in the future.

The company received Underwriters Laboratories (UL) certification in late February 2010 for the Skywater14 unit. This was an important milestone as it enables the Skywater14 units to be distributed and sold in the United States.

While the Company is experiencing lower than expected sales, various cost cutting measures have been implemented without effecting the quality and service of the unique Skywater brand. There is slow but steady growth of sales in Australia, South America and the Caribbean and the company believes the addition of US market will improve that trend.

Since December year-end the company has seen the director resignations of Mr Heinz Niedermaier and Mr Terry Polistina. The company would like to thank both these gentlemen for their contributions and look forward to their continued support.

#### **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.

**For further information, please contact:**

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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")

31 March 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	22	392
1.2 Payments for		
(a) staff costs	(535)	(1,732)
(b) advertising and marketing	(64)	(525)
(c) research and development	(13)	(204)
(d) leased assets	-	-
(e) other working capital	(199)	(1,052)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	9	53
1.5 Interest and other costs of finance paid	(3)	(7)
1.6 Income taxes paid	(2)	(20)
1.7 Other (provide details if material)		
Professional Fees	(134)	(475)
Rental	(45)	(110)
<b>Net operating cash flows</b>	<b>(964)</b>	<b>(3,680)</b>

+ 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 (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	(964)	(3,680)
<b>Cash flows related to investing activities</b>			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(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)	-	-
<b>Net investing cash flows</b>		-	2
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(964)</b>	<b>(3,682)</b>
<b>Cash flows related to financing activities</b>			
1.15	Proceeds from issues of shares, options, etc.	25	456
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	-	-
<b>Net financing cash flows</b>		<b>25</b>	<b>456</b>
<b>Net increase (decrease) in cash held</b>		<b>(939)</b>	<b>(3,222)</b>
1.21	Cash at beginning of quarter/year to date	1,339	3,638
1.22	Exchange rate adjustments	(19)	(35)
1.23	<b>Cash at end of quarter</b>	<b>381</b>	<b>381</b>

+ 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	191
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 \$142,713  
 Rent and other professional services paid to director related entities \$47,921

**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	544	-
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	48	723
4.2 Deposits at call	333	616
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	<b>381</b>	<b>1339</b>

### 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 April 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.

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