

ANNUAL GENERAL MEETING – 2016
CHAIRMAN'S ADDRESS

Welcome to this the 16th Annual General Meeting of the Company.

As you have read in the Annual Report, the 2015/16 financial year was again very disappointing for the Company. The loss of \$704,000 for the full year was almost the same as the previous year.

Revenue grew 10% over the previous 2014/15 year with this growth occurring in the period January to June 2016. Revenue for this current half year is expected to increase slightly again, but margins, although up incrementally, remain subdued.

Last year we reported that the Company's traditional sales of heat and energy recovery products had fallen so it is pleasing to note that this sales decline has ceased although profit margins in this sector remain under pressure.

Sales to the mining industry, which underpinned the Company's growth in 2013 and 2014, have remained weak, but enquiry levels are up significantly over the past 3 months.

Sales of air handling and fan coil units continue to grow, but these product lines generally offer lower gross profit margins than heat and energy recovery products or industrial cooling systems.

Orders on hand as at 24 November were approximately \$8.0 million, down marginally on the same time last year but reflecting the increased production capacity in Malaysia.

There are some pleasing things to report. Firstly, sales of products developed over the past 2 years are starting to occur and enquiries for these products are gaining traction. We have researched and developed a low dewpoint refrigerated dehumidifier, precise moisture and temperature control units, hybrid (combination of chilled water and DX) cooling and heating systems and combination pool air and water heating units. We have registered 3 new patents applications for these systems.

Secondly, Asian sales are continuing to increase and we have only recently completed manufacture of a trial dehumidification system for a major multinational retailer in Thailand that could lead to significant future orders. Installation and testing of these units is scheduled for the first quarter of 2017.

Lastly, the Malaysian factory is now in operation and exporting product to other ASEAN countries and to Australia. This has recently received LMW status which entitles it to bring component parts in from overseas without duty, provided they are re-exported. This new operation will change our cost dynamic in the future.

Alan Jones
Chairman