



15 April 2010

The Manager  
Australian Stock Exchange Limited (ASX)  
Company Announcements Office

Dear Sir/Madam

Wasabi advises that it has received the attached report from its 42% owned associate, Aqua Guardian Group Ltd (AGG), a specialist company involved in the water industry.

AGG continues to progress the commercialization of its water-conserving AquaArmour modules and is now accelerating commercialization of its world leading evaporation control product by moving into the Australian retail market.

A Distribution Agreement for the rural and regional country sectors has been entered into with IHD ([www.ihd.com.au](http://www.ihd.com.au)), a farmer's co-operative that operates Australia wide with its Head Office located in Victoria. There are 25 independent members that make up the IHD company with aggregated gross sales that total in excess of AUD\$ 1.25 billion per year.

They have representation in over 194 independent regional branches/stores with over 1,390 staff throughout Australia.

IHD's market share in each Agricultural segment is represented as follows:

Broad acre market	23 %
Agchem market	40 %
Summer fruits/cotton market	50%
Conventional cotton	33 %

The IHD Distribution Agreement is for an initial 2 years covering regional Victoria, New South Wales and Queensland on an exclusive basis and all other states on a non exclusive basis. The agreement primarily covers "do it yourself" orders for water storages up to 3 hectares in size.

Under this arrangement IHD and their members will buy the initial stock for each store and roll the product throughout their retail network. The initial stocking order is planned to be in store commencing July 2010. Sales targets with IHD have been agreed for 100 stores stocked within 12 months and 50 hectares (\$16,000,000) of modules to be sold in the first 12 months.

Agricultural users are the largest users of water in Australia. Some regional dams lose 40% of their water storages per annum to evaporation making IHD's client base one of the major groups that are severely affected by evaporation loss. These rural dams are typically shallow and in highly exposed areas and vulnerable to continued water shortages.

Primary producers and irrigators receive a number of incentives for water conservation initiatives. These come in the form of varying subsidies which include dollar for dollar grants and accelerated depreciation benefits. In respect of accelerated depreciation, primary producers and irrigators have the ability to depreciate water saving products by 33.33% per annum thus fully writing off AGG's AquaArmour product within a 3 year period.

AGG is completing arrangements for an in-store point of sale financing product that will be available to purchasers to enable them to finance more easily AquaArmour modules beyond minor orders. AGG expect this will lead to additional sales and accelerate the take up of purchase orders.

Other developments for Aqua Guardian Group include the recent formal issue of patents for Egypt and New Zealand, a number of new sales opportunities for the AquaArmour from its launch at the Water Leaders Congress in Sydney March 2010, advancement of Asian marketing strategies, including China, and further positive discussions in US markets.

Yours Sincerely

John Byrne  
Executive Chairman