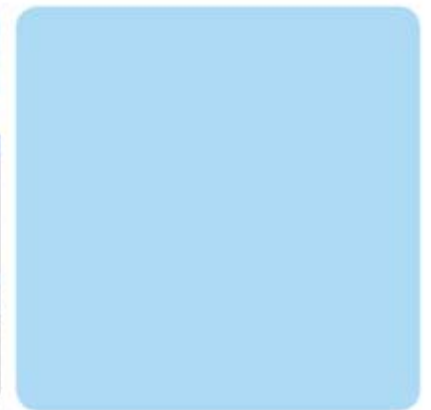
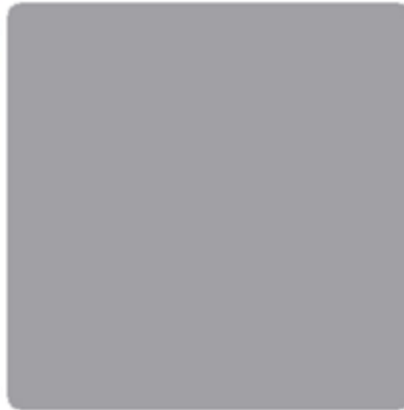




MODERNWATER

Environmental Opportunities Forum

26 March 2010



Bringing new technology to the water industry



Introduction

- Management
- Background to world water crisis and potential for desalination
- Progress of platform MO technology
- Cymtox
- Further revenue streams
- Results
- The story so far
- Technology pipeline progress
- Summary





Modern Water – The Team

Executive Directors

Neil McDougall – Executive Chairman

Chairman of Swan Group plc, the holding company for Mid Kent Water plc;
Chairman and CEO of Cascal; founding shareholder Bream Investments

Simon Humphrey – Chief Executive Officer

Investment Manager at Laing O'Rourke; Director of Glen Water Ltd;
Investment Director at Spring Capital; Investment Director at Cascal

Non Executive Directors

Michael Gradon – Formerly P&O Group Commercial and Legal Director

Trevor Jones – Formerly Chairman Thames Water International

Paul Shepherd – Formerly Chairman & CEO of Shepherd Construction

Mike Townsend – Director of IP Group



The nature of the water crisis

- Current position
 - Shortage of fresh water is a major global issue
 - World population tripled in the 20th century whilst water consumption grew six fold
 - Water availability is constraint to economic growth
- Future
 - By 2027 water consumption will increase 40%
 - Increasing source of war and conflict
 - Water is an increasingly scarce resource
- Climate Change

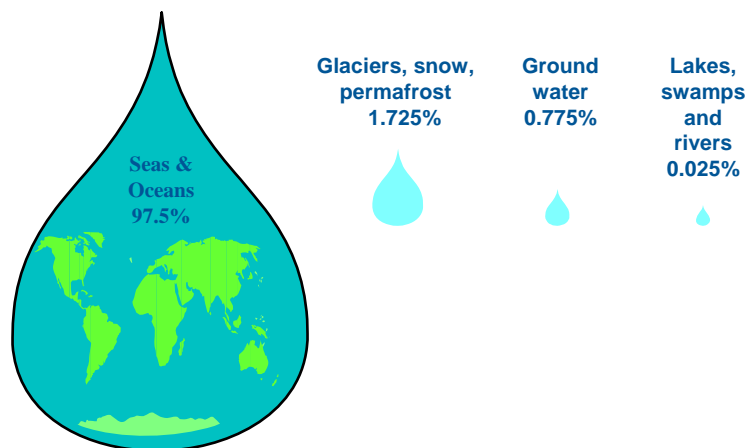


.... there is a shortage of fresh water; this is only going to get worse



Evolution of the water crisis

World water resources



- Largest proportion of available water from seas and oceans (97.5%)
- Remainder from glaciers, snow, permafrost, ground water, lakes, swamps and rivers
- By 2025 two thirds of the world's population will live in countries classified as water stressed
- The provider of a solution to these problems will reap huge economic rewards

Predicted water scarcity and stress in 2025

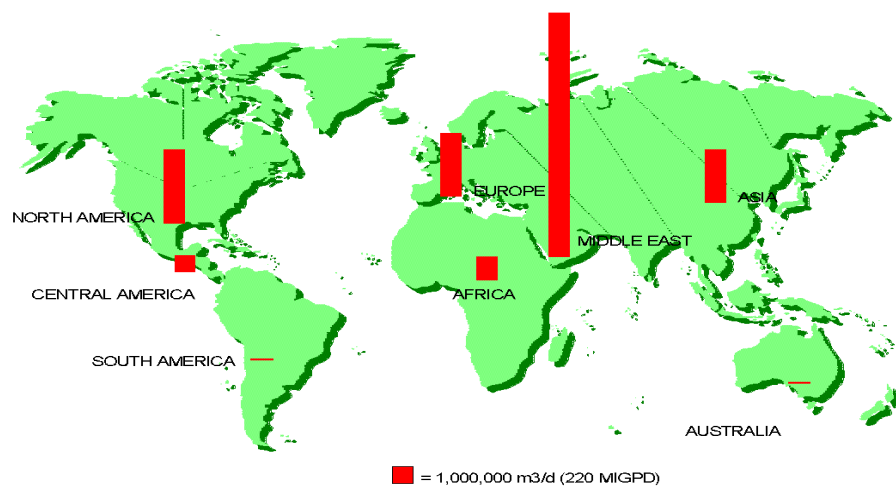


Source UN



Desalination market size and potential

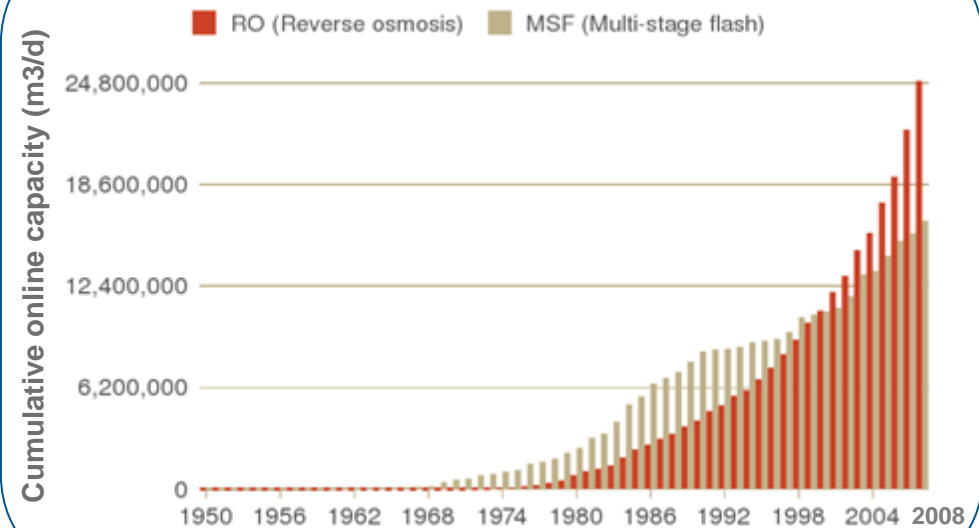
Desalination capacity by region



925WEL01.PRS-FOLIE2

Source: Wangnick Consulting GmbH

Recent growth in desalination capacity



Source: DesalData.com

- 70% of world population live within 50km of the sea
- Capex and opex expenditure on water in Middle East to rise from US\$31b in 2009 to US\$ 52.3b in 2016 (GWI)
- Desalination capacity will grow by 140% in next ten years with US\$57b capital investment
- Current desalination methods significantly more expensive than conventional water treatment due to high energy costs
- Step change in technology required

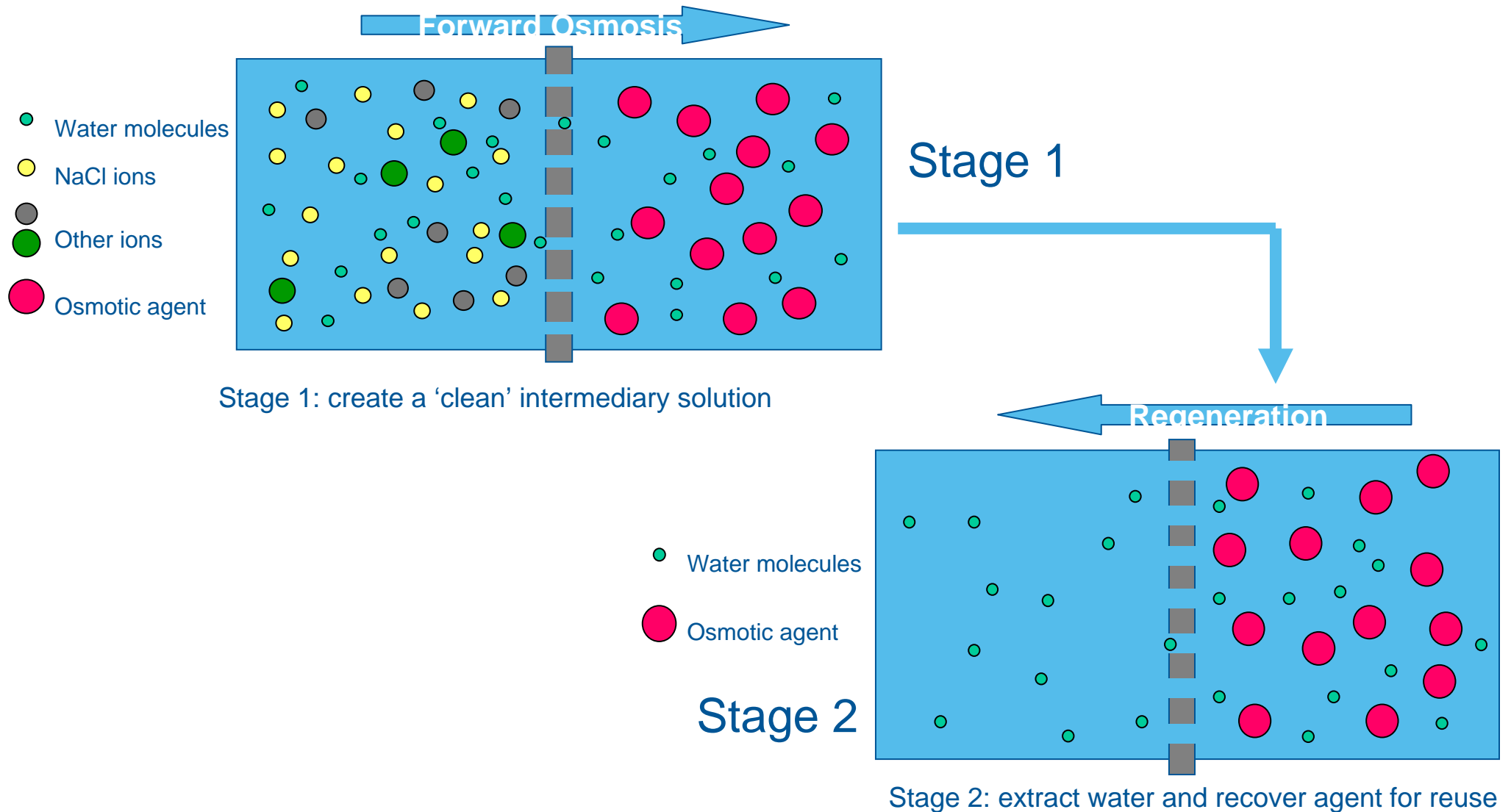
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Platform Technology: Manipulated Osmosis (MO) Desalination



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Two stage process





Membrane desalination

Gibraltar

- Supplying water into local potable distribution system
- Plant demonstrates 30% energy saving, reduces chemical consumption and other operating costs compared with traditional methods
- Substantially reduces boron levels, directly impacting on operating expenditure



Oman

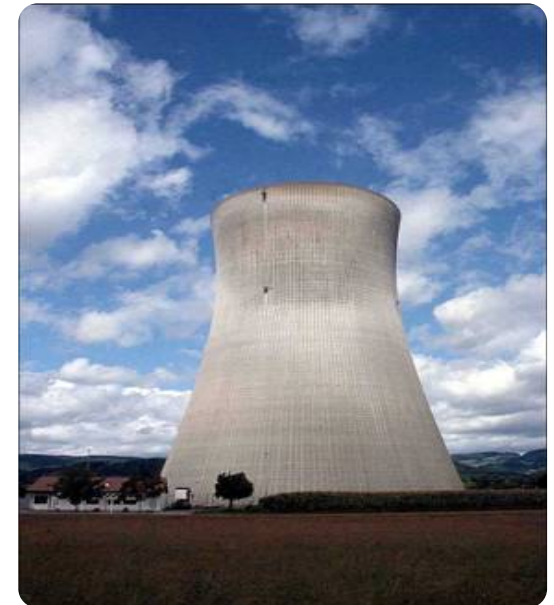
- Commercial plant operational, achieving positive results
- Middle East is key market
- Similar savings as Gib plant, despite being located in area with high salinity levels and challenging water conditions
- Mid-way through six-month trial
- Commercial discussions ongoing





Evaporative cooling systems

- 1.5m cooling tower units around the world
- Prospective customers include power generators, chemical manufacturing, industrial units
- Deployment of platform MO technology in first evaporative cooling system proving plant
- Installation in Oman mid-2010
- Advantages
 - Reduces power consumption by up to 90%
 - Displaces use of other water sources
 - Positive impact on environment
 - Reduces costs
 - More sustainable and cost effective alternative to other systems



Pre-treatment for thermal desalination plants



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- Initial design work completed
- Analysis of potential locations underway
- Advantages
 - Increases top temperature thereby increasing output by up to 25%
 - Reduces costly chemical dosing requirements
 - Extends plant life
 - Reduces problem of brine output
- Saudi Arabia largest market





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MO Business Model

- B.O.O.T. Projects Build – Own – Operate – Transfer
 - Leveraging technology to generate high returns through ownership and operation of B.O.O.T. projects
 - B.O.O.T. projects typically:
 - 20-30 year operating duration
 - Fixed contracts bring predictable revenues from strong covenants
 - 80% of build costs are debt financed
- Other revenue streams
 - Licensing/Management fees
 - Royalties





Cymtox

- Real-time online monitoring device to detect the presence of water-borne toxins and warn immediately of suspicious changes
- Bioluminescent bacteria '*vibrio fischeri*'

Progress

- First revenues received from sales in China
- Regulatory approval received
- End users include local water authorities and industrial plants
- Reviewing key market entry strategy in light of Chinese successes
- Modern Water ownership now 100%

Advantages

- The only real-time online water toxicity monitor available on the market
- Cheaper, quicker and more accurate than nearest competitors
- Environmental protection is now the key market, although also applications for homeland security





Further technologies

- AguaCure
 - Chemical free electro coagulation technology to remove contaminants from water
 - Ongoing trials with Southern Water, Severn Trent and in the motor industry
 - Further investment of £100,000 made in Feb 2010
- PWL
 - Wastewater treatment systems based on sea water substitution
- Secondary Oil Recovery
 - Preparation of water for re-injection purposes in the oil industry
- Hydro Osmotic Power (HOP)
 - Mixing water with different levels of salinity produces renewable energy to generate electricity or drive a reverse osmosis (RO) plant
 - Proving plant design completed; plans to deploy currently underway
 - Statkraft invested approximately \$18m in developing the technology





Results (full year to 31 Dec 2009)

- Net loss for the period £3.6m (2008: £2.4m) after non-cash items of £0.3m (2008: £0.5m)
 - increased loss primarily due to reduction in finance income £0.8m (2008: £1.7m)
- Cash balances of £23.1m (2008: £26.8m), equivalent to 39p per share (2008: 46p)
- Capex investment in plant, equipment, subsidiaries, patents and development costs £0.9m (2008: £0.9m)
- Cymtox achieves first revenues





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The story so far

2007

- Successful IPO completed in June 2007, raising £30m
- Moved into new office head quarters in Guildford during the autumn
- Business Development team established, and identification of first MOD application underway

2008

- Gibraltar proving plant is commissioned and produces first water in September
- Open office in Oman and sign agreement to develop new commercial MOD plant in Al Khaluf, near Muscat
- Investment made in AguaCure

2009

- Gibraltar proving plant demonstrates energy and cost savings
- Oman commercial desalination plant is operational
- Win the AIM 'Achievement in Sustainability' award
- First revenues delivered by Cymtox in November and remaining shares acquired in December

Bringing new technology to the water industry





Technology pipeline progress

Commercialisation	Development	Early stage
Membrane desalination - Gib proving plant - Oman commercial plant	Evaporative cooling systems - Oman proving plant	Hydro Osmotic Power - Proving plant design completed
Cymtox - Continuous Toxicity Monitor CTM™	AguaCure - Trials in water and motor industries	Secondary oil recovery - Early discussions ongoing
	Thermal desalination - Initial design work complete	
	PWL - Design work finalised	

