

Financial Update

Solco Ltd (ASX: SOO) expects an EBITDA loss for the full year ending June 2006 of \$2.3 million on projected revenue of \$15.8 million. The estimated EBITDA loss for the second half year is expected to be in the order of \$1.66 million on forecast revenues of \$5.9 million. The loss in the second half reflects recent restructuring efforts.

This EBITDA loss follows a detailed review of operations by external consultants and the resignations of the previous CEO and CFO on April 3 2006.

Significant once off restructuring costs and write-offs have been incurred to address operational problems identified in the external review.

The focus of the restructuring effort has been to return the Company to a cash positive and profitable operating position as quickly as practicable. Steady improvements in the underlying operating performance are being achieved.

The Company has restructured its business into a Power Division (the national Choice Electrics solar power products distributors based in Brisbane) and the Water Division based in Perth.

Gross margins are expected to improve due to a marketing focus on profitable areas, outsourced manufacturing, and stream-lined processes and cost reductions. In addition, stronger working capital and overhead management practices have been implemented, in part by better leveraging the successful Choice operation and experienced management team.

Management is now returning its attention to pursuing its vision to become a global leader in the decentralised sustainable power and water market. Solco is examining alternatives to expand its offshore licensing of its unique polymer solar hot water system as a result of encouraging ongoing technical and marketing work.

Solco's domestic business is moving into emerging segments that are seeking to reduce their reliance on traditional high cost non renewable power sources. Solco's range of solar power, thermal water heating and water pumping packages have a demonstrable immediate competitive advantage in sectors such as the mining, new eco residential developments and solar grid power systems.

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