



20 June 2008

Attention: Public Announcements Officer  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

### Market Update

Hydrotech would like to provide a market update, outlining all opportunities and projects that the Company is presently involved in. We have not differentiated between submissions and proposals; instead we wish to inform the market so that present and future shareholders all have the same information from which to make investment decisions.

### Hong Kong

In Hong Kong, Hydrotech has submitted or is in the process of submitting proposals for ten MPS design and installation contracts.

These submissions range in customer profile, from government departments, construction companies, building owners, a bank and a hotel.

The total area covered in the submissions is estimated to be in the region of 55,175 m<sup>2</sup> and has a value to the Company in the region of \$1.1M AUD, which equates to approximately \$19AUD per m<sup>2</sup>. To date, one contract has been signed and the installation completed.

Hydrotech wish to point out that several of the submissions relate to very small installations on behalf of a client that has multiple sites, and extensive property portfolios in Hong Kong. It is our understanding that several of the smaller installations are likely to lead to further, larger contracts being awarded.

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## China

Hydrotech has a signed cooperation Agreement with China's largest engineering consultancy, namely China International Engineering Consulting Corporation (CIECC). CIECC have been in existence since 1982 and have completed contracts from that date with a value of over 2 trillion USD. Further information can be obtained from the CIECC website <http://www.ciecc.com.cn/info/info/web/EN/zhici.jsp>

Since starting business in Mainland China, Hydrotech has made over 13 submissions. The submissions range in customer profile, power generation, road tunnels, high voltage cable tunnels, a dam, underground rail stations and a large commercial complex, containing a shopping mall and offices.

The total area covered in the submissions is estimated to be in the region of 997,800 m<sup>2</sup>, and has a value to Hydrotech in the region of \$23M AUD, which equates to approximately \$23 AUD per m<sup>2</sup>. Presently one contract has been signed but due to the recent devastating earthquake in China, the installation is not beginning until the engineers that are evaluating the aftermath, have returned to this project.

The key projects in China are still our initiatives within the underground rail sector and the extensive road tunnel networks. Hydrotech expect a Memorandum of Understanding (MOU) to be signed with a major rail operator within the next few weeks. This MOU will prepare a framework agreement to begin work on nineteen underground stations.

## United Kingdom

As the Company has stated in the past, Metronet Alliance going into administration in July of last year was a considerable setback to our development in the UK. Following a very successful installation in Wathamstow Central Underpass in London, no further contracts were forthcoming. As recently as June 2008 Hydrotech were informed by Metronet that it was now out of administration and following a complete restructuring the assets of the 'former' Metronet are now owned by Transport for London, who also own London Underground.

Discussions have taken place between Metronet and Hydrotech at the highest level, and we can now inform the market that we have begun the process of submitting prices for the installation of our MPS system in seven sites within the Metronet area of influence.

The total value of submissions in the UK is just over \$2M AUD excluding any prospects within Metronet. The Management changes in the UK are the beginning of a complete overhaul of our processes and business parameters, so as to maximise revenue from this important market.

A further key development was the final acceptance of our technology by London Underground, as an approved technology, which paves the way for the widespread use of MPS within the greater underground network. The final acceptance was due on the 16th of June 2008 and allowing for the paperwork to find its way to Hydrotech, we expect the documentation within a few days.

Hydrotech places great importance on our relationship with London Underground, and as further demonstration of this, Mr Ian Dallas will be returning to Europe to personally manage the relationship going forward. This coincides with Mr Dallas stepping down as Group Managing Director for personal and family reasons as from June 30, 2008. He will remain on the board of Hydrotech and also on the subsidiary board of Hydrotech Europe plc.

Other recent management changes have taken place, with the resignation of Sir James Hodge as Chairman of Hydrotech and his successor Mr Philip Gray now leading Hydrotech into this very exciting phase in the Company's development. Several other management changes and additions have now put Hydrotech in a very strong position to carry the Company's initiative forward.

Our corporate philosophy of having very strong corporate governance policies and accounting practices are continuing to enhance the Hydrotech infrastructure.

A handwritten signature in black ink, appearing to read 'P. Gray', with a stylized flourish extending downwards and to the right.

**Phillip Gray**  
Chairman