



28 April, 2010

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

**Update for the Quarter ended March, 2010**

Since my update early in the New Year, we have continued to ramp up our marketing efforts in our new coatings business and have undertaken a number of trial applications which we are hopeful will lead to the award of projects in the near future.

Hydrotech International Limited ('Hydrotech' or 'the Company') are actively seeking to add value to waterproofing and protective systems by taking responsibility for material selection and providing on-site technical support and supervision throughout the application. Critical issues that have been identified for both client and material suppliers are identifying products that are fit for purpose, taking into consideration specification requirements and application conditions. Initial focus has been on introducing Polyurea systems into the Hong Kong Construction sector. Polyureas are actively used in the US and have more recently been introduced into China where over 1,000,000m<sup>2</sup> have been specified for the High Speed rail Link between Beijing and Shanghai.

Our marketing and sales focus has been on introducing Polyurea into waste water treatment facilities, internal pipeline refurbishment, Mass Transit projects, waterproofing of water features and roof refurbishment.

Suite 2, 5 Ord Street  
West Perth WA 6005  
+61 8 9322 1444  
[info@hydro-usl.com](mailto:info@hydro-usl.com)

We are presently working with a leading consultant and a local university to establish the suitability of Polyurea systems for coating of wastewater treatment facilities for the forthcoming sewage upgrades projects being constructed in Hong Kong. We have also undertaken a presentation to senior executives from the Mass Transit Rail Company stressing the need to change existing waterproofing specification to incorporate environmental issues, specifically new guidelines on the Volatile Organic Compounds ('VOCs') within construction materials and exhorting greater awareness of applying systems in the humid conditions prevalent within Hong Kong. Sprayed Polyurea systems are synonymous with High Quality Waterproofing application; they are both environmentally friendly and can be applied in humid conditions.

Hydrotech have signed a business agreement with Specialty Products Inc in the US who are recognized as one of the leading suppliers of Polyurea systems in the world. SPI are providing both technical and price support for Hydrotech's activities in Hong Kong and East Asia.

Hydrotech are also promoting coatings for Concrete Facades. Initial trial applications that were applied in 2009 to a major infrastructure operator have proved successful with a second stage of application trials now being implemented prior to inclusion into their standard specification.

We are continuing the negotiations with two potentially major clients to adopt our coating systems for their waterproofing requirements and can confirm that formal proposals have been submitted to them. The market will be kept abreast of any developments in ad-hoc updates as and when required.

The Hong Kong Government has committed an annual expenditure of HK\$50 Billion (AUS \$7 Billion) for the next 5 years to upgrade its infrastructure with major projects being announced for sewage treatment facilities and extensions to transportation links within Hong Kong and to the Mainland. Marketing activities are targeting these projects and we are very confident that Hydrotech's coating systems will be actively specified. Key decision makers have been identified and presentations and proposals have been undertaken on niche application where Hydrotech's systems add value with regards to efficiency and time saving parameters.

The team is continuing to work on financial monitoring and control procedures and I am pleased to report that once again, our burn rate has come down and we are now operating at approx AUD\$1 10,000 per month on average.

Suite 2, 5 Ord Street  
West Perth WA 6005  
+61 8 9322 1444  
[info@hydro-usl.com](mailto:info@hydro-usl.com)

Following the retirement of our Company Secretary, Fiona Boucher, on 12 April, the Board has appointed Mike Langoulant and Richard Jarvis from Corp Admin Resources Pty Ltd to act as joint Company Secretary for the Company. Further information may be obtained from the following website:

<http://www.hydro-usl.com/management.htm>

We would like to record our appreciation for Fiona's exceptional contribution to your Company's development and we wish her all the best in the next phase of her life.

Whilst talking about staff contribution, I would particularly like to record my thanks to our new Non Executive Director, Dr Francis Lung, for making such an outstanding contribution to the Company in such a short time.

As a result of the above changes the Company's registered office and principal place of business has been changed to:

Suite 2, 5 Ord Street  
West Perth 6005  
Western Australia

The Company's postal address has also changed to:

PO Box 368  
West Perth 6872  
Western Australia

The Company's telephone and facsimile numbers have changed to +61 8 9322 1444 and +61 8 9324 2977 respectively.

## **United Kingdom**

### **High Profile Residential Development**

The MPS ('Multi Pulse Sequencing' System) installation in central London is continuing to be monitored; some further works were required (non MPS related) to stop water leakage through a connection between the brickwork and steel frame structure. These works are now being undertaken which when finished will enable us to determine the efficacy of the system to the client.

Suite 2, 5 Ord Street  
West Perth WA 6005  
+61 8 9322 1444  
info@hydro-usl.com

## **Metronet UK**

Hydrotech have been informed by Metronet that they intend to include the MPS system as an option for several projects planned to be completed during the 2010 /2011 fiscal year. Details of these projects remain limited due to the approval process of the budget. It is envisaged that budget approval will be received towards the end of April and senior officials within Metronet have advised us to contact them at this time.

## **People's Republic of China**

### **Guangzhou Metro**

The long awaited project to install the MPS system into the Guangzhou Metro in China commenced in March (in line with my last quarterly announcement); the cathode has been installed and we are awaiting confirmation from the main contractor as to when we can install the anodes along with the electrical components of the system. It is expected that the MPS installation will be completed before the end of May 2010.

### **Dalian Provincial Government**

The Dalian Municipal Design and Research Institute Co. Ltd have approved the design of the MPS system for the forthcoming Cable Tunnels which are being tendered in May 2010. Hydrotech, working in conjunction with our partner (Dalian-Deli Waterproofing Technology Company Limited) have formalised a bid for this installation which we are confident is within the client budgetary constraints.

Should this project be awarded to Hydrotech, it will be the largest electro osmosis treatment for prevention of ingress into subterranean structures undertaken within the construction sector.

### **Wuhan Steelworks**

A delegation of representatives from the Wuhan Steelworks visited the MPS installation in Yunnan Province in early April. Wuhan Steelworks have major water ingress issues to a conveyor area located within their facility. Budget approval has been obtained to undertake the remedial works and following the visit to Yunnan, we have been requested to proceed with a site inspection and formal submission of a proposal.

## **Hong Kong**

### **Wo Hop Shek Crematorium**

Negotiations to install the MPS system into the Wo Hop Shek Crematorium for Hong Kong's Architectural Services Department ('ASD') as previously announced have finally been concluded with the Contractor requiring confirmation of a slight change within the scope of the works before installation of the MPS system can commence.

Upon submittal of the revised scope the Contractor will sign a Memorandum of Understanding with Hydrotech to allow detailed design drawings to commence and materials to be procured. The first phase of the installation is due to commence in June 2010 with completion of the ground floor areas before October 2010.

A formal announcement is expected to be made on this project in early May 2010.

### **Hong Kong Housing Authority**

A pilot installation of the MPS system has been completed for Hong Kong Housing Authority in a public housing estate within their property portfolio which suffers from seasonal water ingress.

The Housing Authority assessed the suitability of several different remedial measures and decided to install the MPS system to 3 units within the complex. This installation will be monitored throughout the traditionally rainy spring and summer periods within Hong Kong and once the efficacy of the system is proven, it is expected that the MPS system will be installed in all blocks within the estate.

The works have been carried out under a works order agreement by the term maintenance contractor with supervision and monitoring provided by Hydrotech.

## Completed Projects

As mentioned in my Year End update several trial MPS installations were completed in 2009. To prove the efficacy of the MPS system we are required to undertake regular monitoring of the current outflows and the Rh values along with visual inspections. I am pleased to inform you that on all the projects inspected we have obtained positive results with regards to reduction of moisture entering into the structure.

I look forward to bringing you further updates over the next quarter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Philip Gray', with a stylized flourish at the end.

Philip Gray  
Chairman

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

HYDROTECH INTERNATIONAL LIMITED

ABN

42 122 726 283

Quarter ended ("current quarter")

31<sup>ST</sup> MARCH 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	102	252
1.2 Payments for		
(a) staff costs	-177	-616
(b) advertising and marketing	-5	-20
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	-176	-648
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	10	32
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>-246</b>	<b>-1,000</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	-246	-1,000
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:	0	0
(a) businesses (item 5)	0	0
(b) equity investments	0	0
(c) intellectual property	0	0
(d) physical non-current assets	0	0
(e) other non-current assets	0	0
1.10 Proceeds from disposal of:	0	0
(a) businesses (item 5)	0	0
(b) equity investments	0	0
(c) intellectual property	0	0
(d) physical non-current assets	0	0
(e) other non-current assets	0	0
1.11 Loans to other entities	0	0
1.12 Loans repaid by other entities	0	0
1.13 Other (provide details if material)	0	0
<b>Net investing cash flows</b>	0	0
<b>1.14 Total operating and investing cash flows</b>	-246	-1,000
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	0	0
1.16 Proceeds from sale of forfeited shares	0	0
1.17 Proceeds from borrowings	0	0
1.18 Repayment of borrowings	0	0
1.19 Dividends paid	0	0
1.20 Other (provide details if material)	0	0
<b>Net financing cash flows</b>	0	0
<b>Net increase (decrease) in cash held</b>	-246	-1,000
1.21 Cash at beginning of quarter/year to date	1,504	2,258
1.22 Exchange rate adjustments to item 1.20	0	0
1.23 <b>Cash at end of quarter</b>	1,258	1,258

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	72
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Non Executive Directors Parent Company	\$A'000 - 36
Executive Directors	\$A'000 - 36

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

--

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	0	0
3.2	Credit standby arrangements	0	0

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,258	1,504
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,258</b>	<b>1,504</b>

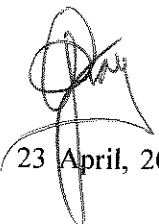
**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	0	0
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.
- 3 Sign here:

Director



4 Date: 23 April, 2010

Print name: Philip GRAY