



ACN 122 726 283

20 April 2011

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

**Hydrotech International Limited
(‘Hydrotech’ or ‘the Company’)**

Update for the Quarter ended March 2011

Notwithstanding a slight seasonal slowdown associated with Chinese New Year, our business is booming, especially on the coatings side. The total value of outstanding tenders and proposals for MPS and coatings businesses as at today stands in the order of AUD7million. In addition, if present conversion ratios are applied, we stand a good chance of converting a large proportion of these tenders/proposals into firm orders. Included in these tender figures is a potential milestone order for one of Asia’s largest metro operators which could have a significant long term impact on the company.

HTI still faces a number of interesting challenges in terms of managing this surge in business, especially with regards to the increased working capital requirements. A further announcement on this issue will be made immediately after the publication of this 4C.

MPS Overview

The momentum that began in July 2010 has continued at pace with the focus shifting from identifying clients to the successful execution of projects.

In the first quarter of 2011, the Company had 6 MPS projects ongoing simultaneously; these included the installation in Dalian, the largest MPS installation ever undertaken on a Civil Engineering project in the world. The logistics for the procurement of materials for these projects has been phenomenal with over 40,000metres of titanium wire, 50,000metres of electrical wire and 380 copper cathodes required – quite an impressive shopping list! We have also had to identify contractors who are capable of cutting over 1000 linear meters of saw cut grooves per day and this has also required our Engineering team to assist in the design of specialist equipment. The project has provided a very steep learning curve due to its size but has put Hydrotech in a very strong position for similar projects in future. Production of our control units in bulk has significantly reduced our cost base for materials on projects going forward.

MPS Specific Projects in Hong Kong

In Hong Kong, projects at the Hong Kong Club and at Wo Hop Shek are ongoing and the MPS installations at the China Light and Power substation at Ocean Terminal in Harbour City and the Miramar Hotel have been completed. As advised in January, the second phase of the Hong Kong Housing Authority project at Oi Man Estate was due to be completed in March; due to other works not being completed, the MPS installation has been delayed but is currently due to commence in late April. Following the letter of intent issued by Hip Hing, (a large construction firm in Hong Kong) to install the MPS System into a basement structure belonging to New World Development in Kowloon, we are now in contractual discussions with them.

Our discussions continue with The Hong Kong Architectural Services Department ('ASD') concerning possible installations into brick arch structures. In addition we have recently visited some Hong Kong Government offices with the ASD that are suffering from water ingress issues and will shortly be undertaking a full survey in order to be able to prepare a proposal.

A leading waterproofing contractor in Hong Kong has expressed interest in promoting the MPS System to their clients and we are currently making joint presentations with them to their clients. We are very encouraged by this interest from the waterproofing contractor and believe that this relationship will lead to further installations in the near future.

MPS Specific Projects in China

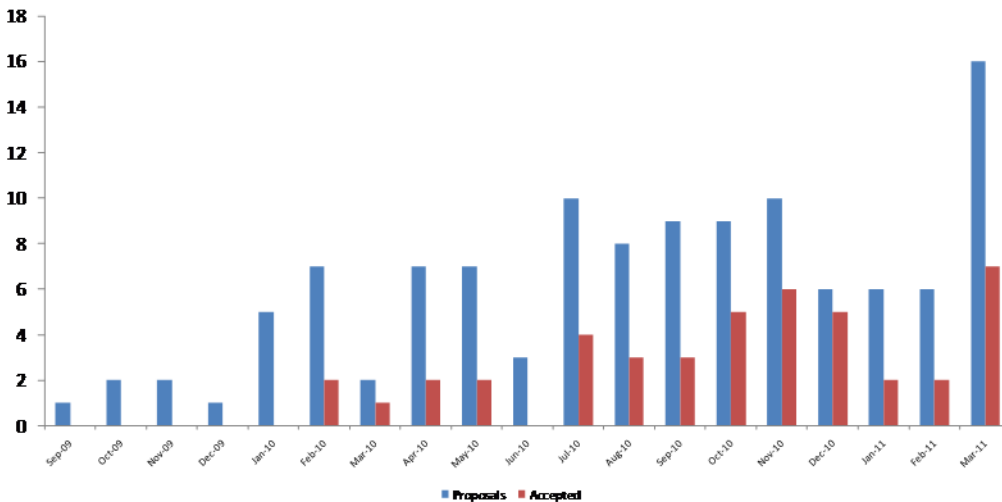
In China, in addition to the installation in Dalian, the trial application undertaken for a major Hong Kong Property Developer to a podium roof at one of their projects in Shanghai was deemed a success and as per the pre-contractual agreement, the total area of the project is now being installed. In addition, the project at the Wuhan Steel Plant was awarded and the installation has begun. The combined value of these 3 projects is AUD210,000

As a result of a recent presentation on the MPS System to senior delegates of rail operators in China, there was significant interest shown by delegates from Beijing, Shenzhen, Shanghai and Taipei. These contacts are being followed up with presentations due to take place over the next few months. We have also had further interest in the MPS System by the MTR in Hong Kong (Hong Kong's Mass Transit Railway) who we are in discussions with about the possibility of specifying the system for one of their forthcoming projects in Hong Kong.

We have now received the first batch of the newly developed V3 and V4 MPS Control Units for the luxury villa market in China. The luxury villa market in China has been identified as a major opportunity for the MPS System due to the perceived lack of quality in construction for basement structures. In 2010 we installed MPS Systems into 4 villas in and around the Beijing and Shanghai conurbations. A further 11 villas will have the MPS System installed within the next 3 months. A strategy has been developed for this market segment opportunity and marketing documentation and a targeted marketing initiative will commence in the Q2 2011.

Coatings Overview

The level of enquiries in our coatings division continues to increase with opportunities appearing in a diverse range of business sectors.



Whilst January and February are traditionally quiet months in the construction industry in Hong Kong due to the Chinese New Year, there was an 80% increase in enquiries in March from November, our previous busiest month. In addition, conversion rates are rising.

In addition to the increase in the number of enquiries we are receiving, the average size of project enquiry is also increasing with several large industrial building waterproofing renovations now specifying Hydrotech's Polyurea overlay system. We have also quoted for a large infrastructure project which is due to commence in late 2011 and we are hopeful of being able to make an announcement on this over the next few months.

Roof overlay projects are ongoing at several housing estates within Hong Kong and we are also being specified for two school projects, a private hospital and the corporate head office of a well known high street bank. In addition, following intensive marketing to Architects in Hong Kong, several are now actively specifying Hydrotech's Polyurea systems

Following our formal accreditation for using our products in potable water applications, we continue to receive enquiries for Water Tank lining systems for residential buildings. Water tanks are a major problem for building owners in Hong Kong with each residential tower requiring both Potable water and Flushing water systems to be located on the building roofs. The first installation of our Polyurea lining system is due to commence in June and once the installation procedure has been proven and met with the client's requirements, it will open a very attractive niche market/repeat business opportunity for our Polyurea products.

The Hong Kong Government is currently undertaking a study on a major upgrade in sewage treatment facilities in Hong Kong and Hydrotech's Polyurea has been included in the final batch of materials being tested for long term protection against Biogenic Sulphuric Acid. As a result of these ongoing tests we have been approached by companies undertaking maintenance works in sewage treatment facilities and a small project has been awarded to Hydrotech to line a fiberglass tank within the largest sewage treatment facility in Hong Kong. This project will increase the awareness of our systems and open up another niche market for our Polyurea Systems.

Another market segment that we are actively working on at the moment is underground tunneling applications. Over the past 5 years there has been a trend to replace PVC lining systems with spray applied membranes as they offer great savings benefits with regards to labor and time and are also seamless and thus more resistant to impact damage. However the systems that are presently being used for this type of application have serious drawbacks when used in damp tunnels. Hydrotech's Polyurea System has an advantage over existing sprayed membrane systems because they are autocatalytic and are not sensitive to moisture. We have identified a business partner who is well respected in the field of underground tunneling applications and as a result of this relationship we have recently applied our Polyurea System in a trial to the first tunnel section presently under construction on a line extension to the MTR in Hong Kong. Feedback from this application has been very positive and approval has been obtained to continue the trial to install the system onto the crown of the tunnel. If this application is successful we believe the first tunnel section on the project will be lined using Hydrotech's Polyurea with shotcrete overlay.

There are presently 4 lines being constructed in Hong Kong's mass transit railway system with the West Island Line being several months ahead of the other projects. The Tunnel Engineers in Hong Kong are respected throughout the world and if we are successful in this installation it will provide Hydrotech with a unique opportunity to specify our lining systems on projects in Hong Kong, China and other locations around the world.

Our Sales Team is working hard to convert proposals and it is our hope to be able to announce the award of projects over the next few months.

Yours sincerely



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")

31st MARCH 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	220	565
1.2 Payments for		
(a) staff costs	-186	-547
(b) advertising and marketing	-7	-15
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	-343	-928
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	1	13
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)		
Net operating cash flows	-315	-912

+ 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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	-315	-912
Cash flows related to investing activities		
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
Net investing cash flows	0	0
1.14 Total operating and investing cash flows	-315	-912
Cash flows related to financing activities		
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
Net financing cash flows	0	0
Net increase (decrease) in cash held	-315	-912
1.21 Cash at beginning of quarter/year to date	441	1,038
1.22 Exchange rate adjustments to item 1.20	0	0
1.23 Cash at end of quarter	126	126

+ 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	-	56
Executive Directors	-	\$A'000	-	16

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

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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

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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

+ See chapter 19 for defined terms.

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	126	441
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.23)	126	441

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: 20 April 2011

Print name: Philip Gray

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.