



## Update for the Quarter ended December 2007

During the period from October to the end of December, the Company has continued its strategies in Europe and Asia. The Christmas holiday period saw the building sector in the UK close until the 7<sup>th</sup> of January. During this time, Hydrotech prepared several tenders which are now with customers for their approval and further discussion if necessary.

The R & D facility in Norway is now completely up and running. The engineers have been busy establishing several test experiments, which have been prepared as a result of enquiries from potential customers. In addition to the ongoing development of the MPS system (Multi Pulse Sequencing), we have been finalising the WET system (Water Extraction & Transfer). This system is under development as a solution to arid land that has a deep water table that can be accessed by WET. Furthermore the system allows 'brown field sites' to be developed as the WET system can move water from saturated land to allow developers to construct buildings and towns where that were not feasible before.

Patents are being prepared prior to launch of the system. We envisage that possibly as many as ten Patents will be applied for to protect this advanced technology. Once the Patent applications are submitted, Hydrotech R & D will publish detailed technical information to allow potential customers including developers, mining companies, water companies and government departments the opportunity to evaluate the system as a one stop solution to a problem that until now was almost impossible to solve. Further applications and control equipment is under development and more will be announced in the coming months.

Hydrotech Europe plc (HEP) has appointed a new Managing Director, Ms Bogusia Matushak-Varley. Bogusia has spent the last 20 years a management consultant and as an OFSTED inspector. She brings a very strong commercial skill base to HEP and to date we have seen a marked increase in time management and productivity. Bogusia is currently studying for her Phd in Management Consulting which will be completed next year.

During the holiday period HEP have submitted over eleven proposals ranging from stations in the London Underground network, to work on the A112 in London to listed buildings in the south of England. Proposals have also been requested and submitted for Network Rail and Strathclyde Passenger Transport. The total value of the submissions is in excess of \$3M AUD and details of the projects will be published at a later stage.

Not only have proposals been submitted, but they are all in partnership with our Licensees. During the last two weeks of January and looking forward, we are currently undertaking 3 to 4 surveys a week, this number is expected to grow to 7 or 8 a week by the end of February.

Our activities in Asia (HAL) are at a similar pace to Europe. At the end of January, Hydrotech sponsored the 100<sup>th</sup> anniversary of Institute of Structural Engineers, IStructE, which was held in Hong Kong. We have received many enquiries from this and will inform the market when appropriate.

HAL has at present, submitted client proposals totaling \$1.6M AUD and is preparing further submission for an additional \$5.1M AUD. We must stress that proposals and tenders do not guarantee revenue, however the activity levels are growing to such a level that between Hong Kong and China we are answering 4 to 5 enquiries per day. Our engineers are undertaking 3 surveys per week and we are very confident that our technology is beginning to be understood by the engineering community, and we expect this activity level to grow by several 100% over the next two months.

In conclusion, the activity levels are growing ahead of expectations, the R & D team are on target with the launch of the WET system and each office is now in a position to source business, undertake the design and pricing and to be fully self sufficient in terms of installation and billing.

For further information and updates please refer to our website [www.hydro-usl.com](http://www.hydro-usl.com)



Ian Dallas  
Managing Director

# 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

37 100 468 589

Quarter ended ("current quarter")

31<sup>ST</sup> DECEMBER 2007

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) staff costs	-644	-894
(b) advertising and marketing	- 51	- 51
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	-1,283	-2,695
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	75	102
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>-1,903</b>	<b>-3.538</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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>-1,903</b>	<b>-3,538</b>
<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	-432
1.12 Loans repaid by other entities	432	432
1.13 Other (provide details if material)	0	-202
<b>Net investing cash flows</b>	432	-202
<b>1.14 Total operating and investing cash flows</b>	<b>-1,471</b>	<b>-3,740</b>
<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	-74
<b>Net financing cash flows</b>	0	-74
<b>Net increase (decrease) in cash held</b>	<b>-1,471</b>	<b>-3,814</b>
1.21 Cash at beginning of quarter/year to date	5,763	8,188
1.22 Exchange rate adjustments to item 1.20	-28	-110
1.23 <b>Cash at end of quarter</b>	<b>4,264</b>	<b>4,264</b>

+ 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	581						
1.25	Aggregate amount of loans to the parties included in item 1.11	-						
1.26	Explanation necessary for an understanding of the transactions							
	<table border="1" style="width: 100%;"> <tr> <td style="width: 60%;">Non Executive Directors (Parent Company)</td> <td style="text-align: right;">\$57K</td> </tr> <tr> <td>Executive Directors (Group)</td> <td style="text-align: right;">\$494K</td> </tr> <tr> <td>Corporate Advisory Fees</td> <td style="text-align: right;">\$30K</td> </tr> </table>		Non Executive Directors (Parent Company)	\$57K	Executive Directors (Group)	\$494K	Corporate Advisory Fees	\$30K
Non Executive Directors (Parent Company)	\$57K							
Executive Directors (Group)	\$494K							
Corporate Advisory Fees	\$30K							

**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

NIL
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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

NIL
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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

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**Appendix 4C**  
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**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	4,264	5,764
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</b> (item 1.23)	4,264	5,764

**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.

Sign here:  ..... Date: 31/1/08.....  
 (Company secretary)

Print name: .Fiona Boucher

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