



ACN: 122 726 283

27 March 2008

Attention: Public Announcements Officer
Australian Stock Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Operational Update Phase 1 & 2 Proposals

The Company wishes to advise the market on the current status of project proposals and tenders that are ongoing within the Group.

The Company currently has submitted tenders on more than 30 projects in the United Kingdom, China and Hong Kong. These submissions have been presented as a result of direct approaches by professional bodies and the managers/owners of the various infrastructure assets. These submissions represent work across a variety of different structures that include a dam, railway tunnels, railway stations, the London Underground, highways tunnels, motorways, new buildings and remediation works on existing buildings.

Hydrotech's business revenue model is based around a 'charge-out' rate per square metre of work completed. These rates vary due to a number of factors that are based around technical difficulty of installation, ease of accessibility to an asset and the overall size of the job. As a result, the submissions made range between \$9AUD/m² for simpler installations and over \$200AUD/m² for more challenging works. As a rule of thumb, the per square metre charge represents between 20% and approximately 60% of total contract value due to the varying labour costs between Europe and Asia.

Phase 1 proposals are those which currently represent longer term projects. These opportunities predominantly lie within rail asset works in the United Kingdom and have become longer term projects due to the specific issues that reside within the operators of those assets. The most significant issue within this environment has been the Metronet Alliance going into administration in the second half of

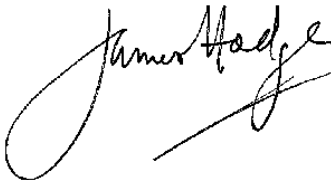
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2007. This has created delays to agreed implementation of remediation works expected within Hydrotech and the Company remains hopeful that a positive outcome will be forthcoming. In this area, Hydrotech has submitted work on an aggregate area in excess of 900,000 m² at an estimated average rate of \$35AUD/m² to \$45AUD/m².

Phase 2 proposals represent opportunities identified by management to have moved beyond Phase 1, and have a higher expectation of gaining approval in the near term. They have progressed through the submission phase to various levels of acceptance prior to formal contracts being exchanged. Some of these projects can move very quickly, especially the smaller jobs like the Hop Yuen Warehouse contract that was won and saw implementation completed within two weeks. Others clearly take longer to implement and represent the more lucrative opportunities sought by the Company on projects much larger and more technically challenging than the smaller ones. Within Phase 2 submissions, an aggregate area in excess of 1,200,000m² is accounted for with quoted price for works between \$9AUD/m² to \$201AUD/m² (with an average price of \$24AUD/m²), depending on the complexity of design and installation required.

Management continues to work hard in every jurisdiction to ensure that as many projects in both Phase 1 and Phase 2 project submissions convert into profitable installations of the Multi Pulse Sequencing System. As a proven technology and with growing awareness amongst the structural engineering community globally, Hydrotech is confident that many of the submissions made to date will convert into revenue generating contracts. As this materialises, the Company will keep the market informed.

Any further enquiries should be directed to the Company.

A handwritten signature in black ink that reads "James Hodge". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping underline.

Sincerely
Sir James Hodge
Chairman