



29 October, 2009

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

MPS system included in large commercial building specifications,
Hong Kong, CBD

In the real hard world of commerce, especially in these troubled times, life is never easy and the odd set-back is an inevitable part of doing business in a notoriously complex business environment such as the construction industry, with its large number of players involved in every step.

In this context, I regretfully advise that the tender addendum made in May 2009 to include the MPS System as part of the waterproofing system for a new, prestigious large commercial building in the Hong Kong CBD, has been revoked.

The cancellation emerged as a result of a misunderstanding on the main contractor's part about the installation procedure of the MPS System in a new build environment. Whilst under normal circumstances the technical misunderstanding between the parties could have been ironed out, the time issue became paramount and the consultant had no option but to give up and retract from using our system at this stage, for the prevention of water ingress.

Whilst not of any major commercial significance (\$80K AUD), this minor setback is nevertheless a reminder of the uphill battle we sometimes face as pioneers of a new technology in an industry genetically programmed to resist change.

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However, we can draw considerable satisfaction from the fact that neither pricing nor the efficacy of the system was ever in question and the consultant and client remain convinced of the merits of our MPS System.

It is unfortunate in this instance that time pressures, coupled with complex construction procedures worked against us although we are of course grateful to all those parties who endorsed our system and we remain extremely confident given all the positive MPS testimonials we have received to-date from some prestigious institutions.

For further information on Hydrotech, please view our website at www.hydro-usl.com

A handwritten signature in black ink, appearing to read 'Philip Gray', with a stylized flourish extending downwards.

Philip Gray
Chairman