



ACN 122 726 283

30 July, 2010

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 June 2010

During the last quarter we maintained focus on developing the coatings business. The objective has been to develop business opportunities in infrastructure, water treatment, water features and roof projects. All of these areas have seen significant development with three small to medium projects being secured applying Polyurea systems for roof overlays and lining systems for water features.

We have purchased a small spray unit to spray cold applied Polyurea systems; with Hydrotech being the first company to introduce this system into Hong Kong. So far there has been significant interest shown by small waterproofing contractors for overlay systems which we can now provide. We have also signed a confidentiality agreement with a US company who have developed a unique system for spray applying Polyurea internally to small diameter water and gas pipes. Marketing of this system will commence in Hong Kong in the next quarter. The overlaying of existing flat roofs with new waterproofing systems and green roofs is a fast developing market in Hong Kong. Two projects have been obtained that will provide solid foundations for the extension of our activities in this segment. The projects are a small residential building in the Happy Valley area of Hong Kong and a contract to overlay part of the roof to the ATL container facility in Kwai Chung which will both showcase the benefits of Hydrotech's system over systems presently being used.

A project with Leighton Asia, a subsidiary of Leighton Construction, a major Australian Contractor, at Ocean Park in Hong Kong for linings of water tanks used for supplying aquariums has opened up further opportunities with the Client and two further projects are being discussed for extensions to water features and aquariums within the park's redevelopment.

Discussions with the Hong Kong Drainage Services Department are ongoing with Polyurea systems being approved for two minor tank relining systems. The first phase of trial applications with a major consultancy and a local university have been completed with the second phase due to commence in late July.

In transport infrastructure projects we have been advised by senior management of MTR Hong Kong (mass transit railway) that they are presently undertaking a review of their specifications for waterproofing works and are keen to upgrade their specification to include Polyurea systems.



There are currently five major projects at construction or design stage and we have been advised that Polyurea is presently being specified by a leading UK consultant for all of the waterproofing to the track bed and roof structures of their project. This design is in the final stages with documents being forwarded to the client within the next two weeks.

Discussions with clients are ongoing concerning facade coatings. The final trials for a major infrastructure operator have been completed with Hydrotech's system gaining very positive feedback. Coating projects tend to commence during the dry autumn months and it is envisaged that one or two projects will be undertaken by this client within the next 6 months. We are also in the process of introducing the system to clients in Guangzhou, China, with a trial section due to commence in mid July.

During the past quarter, meetings have been held with major contractors, the Hong Kong Housing Authority, MTR, Disneyland and various Hong Kong government departments. Presentations on the coatings systems we can now supply have also been made to major consultants including Mott McDonald, Atkins and Jacobs which are all major players in the infrastructure consulting arena.

Our core business product, namely our proprietary MPS System, has received positive endorsements from clients in Hong Kong, New Zealand and China. We have also commenced the installation to the Wo Hop Shek project in Hong Kong on behalf of the Architectural Services Department.

The features of the MPS System were recently presented to Senior Directors within the Hong Kong Housing Authority following the success of the system in a small project in Homantin, Hong Kong. A separate release was issued on July 29th 2010 on this issue.

We have also received a positive endorsement from the Guizhou Beipanjiang Electric Company Ltd for the initial trial application of the MPS System at the Guiyang Hydro Electric Dam. Further information is contained in the separate release which was issued on July 29th 2010.

In New Zealand, the MPS installation to the Cancer treatment facility in Christchurch is performing well.

China

Three MPS projects in China are awaiting approval to proceed; the projects in Zhengzhou and Wuhan have both obtained budget approval to commence. The Wuhan project will be issued for tender in mid July with installation due to commence in August. The Zhengzhou Cable Tunnel has also received approval but has been delayed due to the very hot weather being experienced in Zhengzhou. It is currently scheduled to commence in September. The proposed installation to the cable tunnel in Dalian is still under negotiation; meetings have been held with both our agent and the client in Dalian. with a final decision hopefully expected before the end of September.

In line with our last quarterly announcement, the project to install the MPS System into the Guangzhou Metro in China commenced in March with the cathode having been installed. We are continuing to liaise with the main contractor as to when we can install the anodes along with the electrical components of the system.

We have completed the restructuring of our Chinese business with a downsizing of our Beijing office and the appointment of a Sales Manager who commenced on 1st July. It is envisaged that the new strategy



of working with agents in China to secure waterproofing contracts will quicken the process of gaining acceptance of quotations and lead to an increase in the number of installations.

Hong Kong

The Wo Hop Shek project has commenced with significant work required by Hydrotech to meet both the client's and contractor's design and construction schedules. 20% of the work has now been completed and it is estimated that the project will be completed by December 2010.

We are in contract negotiations to install the MPS System to the basement of the Hong Kong Club building in the Central Business District and it is envisaged that work will commence towards the end of the year.

Interest in the MPS System has been expressed by the management of a commercial building in Kowloon and design and a budget estimates are presently being prepared.

In addition, the owners of a residential development in Macau have shown interest in obtaining more information on the MPS System to treat a major leakage issue in their basement.

United Kingdom

High Profile Residential Property

The MPS installation in central London is continuing to be monitored. Due to unforeseen staff changes on the client side, further developments on this project have been delayed. Further works remain outstanding to stop water leakage through a connection between the brickwork and the steel frame. Whilst this issue is not associated with the MPS installation, it does have an effect on the suitability of the remedial works.

Metronet

Following a recent meeting with Metronet, Hydrotech have been asked to assess the suitability of the MPS System for a project at Great Portland Street Station. Metronet would like to undertake this project to determine the performance of the system for brick structures and it is their intention to undertake this project in September or October.

Operational Matters

Whilst we continue to contain our burn rate to around AUD120,000 per month, we will have to, as previously advised, make certain key appointments to cope with the envisaged demands of our new coatings business. In addition, unlike for the MPS System, we will have to carry a modest quantity of raw materials in stock. However in cash flow terms we do not see these developments as a significant burden and to a large extent should be effectively self financing on a quarterly basis. In the meantime, senior management is currently somewhat preoccupied with the yearend audit which should proceed smoothly as no significant issues are foreseen at this stage.



Over and above this temporary work spike, Hydrotech's management has been inundated by requests for documentation/presentations/demonstrations and handling these efficiently and productively is now our major challenge.

Finally and in a big picture sense, there is no doubt in our mind that Hydrotech has turned the corner and that we are on the road to being a viable and growing business – the only question remains is the shape of the upward trajectory .

Yours sincerely

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

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")

30th JUNE 2010

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	153	405
1.2 Payments for		
(a) staff costs	-159	-775
(b) advertising and marketing	-7	-27
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	-217	-865
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	10	42
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	-220	-1,220

+ 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)	-220	-1,220
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	-220	-1,220
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	-220	-1,220
1.21 Cash at beginning of quarter/year to date	1,258	2,258
1.22 Exchange rate adjustments to item 1.20	0	0
1.23 Cash at end of quarter	1,038	1,038

+ 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	57
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 - 18
Executive Directors	\$A'000 - 39

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

+ 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	1,038	1,258
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)	1,038	1,258

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: 30 July 2010

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.