



9 February, 2009

Mr M Foy
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Matthew,

I refer to your fax dated 5 February, 2009.

In relation to your questions, the Company wishes to advise the following:-

- 1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?*

As the Company disclosed in the Appendix 4C dated 30 January 2009, the current cash reserves as at 31 December, 2008, were \$1,495,000, and these have been reduced as expected by January's budgeted net cash flow. The Company recognises that it needs to increase its cash resources before the end of the financial year. The Company also disclosed that the Directors are mindful of the cash position/net burn rate, hence are currently actively pursuing a number of strategic options to preserve the financial position of the Company.

As would be expected, the Company has not escaped the flow on effects from the extreme slump in world economies and global markets, and this has had an impact on its ability to generate sales (within the expected timeframe), effecting the financial performance - which is not dissimilar to many other small cap companies at present. Nevertheless, the Directors remain firmly of the view that the MPS system is a very credible technology with a large market it can penetrate. However, given the bureaucratic demographics of the types of organisations the major sales are likely to come from, coupled with the fact that our clients are too suffering from the world recession, this has given rise to delays in sales occurring within our expected timeline.

Many of the Directors have substantial holdings in the Company, and therefore are well aligned with shareholders objectives. The Company recognises there is a requirement that the Directors employ different initiatives to ensure than any gap

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in available cash for operating resources is 'bridged'. The current list of confirmed and likely contracts is growing with increasing positivity (and this is partly due to strategic changes that the Board made some months ago), but the income to be derived from some of these contracts can be some months away depending on the type of construction involved. It is also worth noting that many of the Company's confirmed contracts involve trial periods as a way of assessing the efficacy of MPS, with the potential future flow on business from other structures within the clients' group suffering water ingress issues of substantial magnitude.

2. *Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?*

The Company recognises that it will need to continue its strategic review to ensure future cash resources are available to fund its operations. Discussions on this issue are advanced and the Company will be in a position to advise the market the outcomes by the end of February 2009.

3. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?*

The commercialisation of the MPS technology in selected world regions remains as the Company's prime business objective.

As part of the Company's ongoing oversight, the Directors review and refine, wherever necessary, the strategic direction of the Company so as to achieve its objectives. This is done in conjunction with, and upon the reports of, executive management.

Currently, as the strategic direction is reviewed, a variety of initiatives are being considered by the Company involving:

- significant operating cost reductions involving salary reductions and office location rationalisation,
- licensing arrangements of the MPS system in different global regions (advanced discussions with interested parties involving initial lump sum payments and ongoing royalties on sales); and
- investment partnerships (advanced discussions with financially secure parties),

with a mandate to bridging the gap of where further cash resources are required, until cash flows commence from contracts.

4. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?*

The Company confirms that to the best of its knowledge it is in compliance with the Listing Rules, in particular Listing Rule 3.1 and there is no information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities that has not been advised to the ASX (other than that information which falls under the exceptions to Listing Rule 3.1 as set out in Listing Rule 3.1A).

5. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.*

The Company confirms its compliance with Listing Rule 12.2. It has a 'sound' Balance Sheet and does not have any debt financing instruments in place. The Company recognises that it needs to ensure that free cash resources are available to fund its operations until such time that the income streams from its sales operations exceed the cost of running its business; the strategic objectives as set by the Board are designed to meet this objective.

Regards,

A handwritten signature in black ink that reads "F Boucher". The signature is written in a cursive style with a large, looping initial "F".

Fiona Boucher
Company Secretary