

September 2007

Shareholder Update

Since listing on the ASX on the 16th of July 2007, Hydrotech International has been actively working towards a rapid commercial implementation of the technology surrounding the Multi Pulse Sequencing System and its utilization in the prevention of water ingress into masonry structures. It is management's desire to provide shareholder updates on the progress of such developments and to let them know what the company has been working towards.

Hydrotech (Europe)

Hydrotech continues to gain acceptance of the MPS system and a project example on major asset managers infrastructure. The targets are Network Rail, London Underground, AMScott (Highways Agency), Scottish Passenger Transport (SPT), British Nuclear Group (BNG), British Airports Authority (BAA), Devonport (Nuclear sub port), Water Authority (Severn Trent, Wessex Water and Thames Water), The MOD and Thames Barrier (Environment Agency)

Once HTI (Europe) has recordable success in the UK with the asset managers and support in terms of Marketing and PR, the second tier targets are individual clients, Consultants and Architects. The targets are Network Rail, Metronet, Tube Lines, URS (American Corporation in the UK), Atkins, Scott Wilson, Gifford's Mott McDonalds, Aker Kvaerner, Lazer, Ove Arup, Faber Maunsell, Sellafield Maintenance, Pickeverhards, Limehouse Link, Pell Freshman, Tesco, Denorwick (power station), Tie Construction (Edinburgh Rail Link), Banks and Museums.

The third tier is to look at Councils, Insurance Companies and contractors. The targets are MK, Oxford and Gloucester councils, Marsh, Crawford's and Nuttall's.

With Marketing and focused PR we will be able to fully support our current and future Licensees and see more projects issuing from them.

Operation

The staff initially require training in the MPS system and the conditions that make it a successful product. The first Priority will be to produce the Knowledge documents, individual manuals for Design, Electrical Installation and Civil Installation. The training will take around 2 months so that they are proficient enough to undertake normal work in their own capacity. The site engineers will also produce training courses for Licensees. The designers will produce worked examples of designs and a process that allows HTI to gain ISO certification.

The operation staff will also support the sales staff in feasibility studies and project proposals.

Once projects are realised the staff will be allocated. It is assumed that the designers will be able to deliver 5 projects a month each once trained. It is assumed that the site engineers will be able to look after 8 sites a month each once trained.

Projects

The company continues to engage in active evaluation with a vast array of organisations that have a requirement for the technology.

A.M.Scott (one of the UK's largest highways and infrastructure group)

Has been suffering from damage to bridge overpasses on the major Motorways. Contract values vary as determined by the scale and scope of remediation work required but a range of between £100,000 to £1.1mln per contract is considered relatively accurate. The Highways Agency owns all of the UK road network so large potential into the future.

Network Rail

Hydrotech is currently working on remediation of one specific station for Network Rail presently. Once HTI have completed the first site the rest of the Network will be fully open to it. On completion of the environmental study (providing a positive outcome) there are some 10,000 tenanted arches open to Hydrotech. There is a scope of work potential in this work alone for up to 5 years. National Rail is also spending an estimated £5.5 billion on the Thames Link project and £420million on Reading station alone.

Metronet

Awaiting Sign off of Walthamstow Central Project. There is the opportunity of 91 stations over a five year period. An estimate of 44 stations being MPS applicable presently being evaluated presents a good opportunity to HTI.

Margal

Licence agreement is to be signed within the next week. HTI expects to have started two contracts with Margal before March 2008. Margal have access into Tubelines and to Electricity suppliers. They will ensure quality control of the electrical aspect of the MPS system.

Hydrotech (Asia)

Hydrotech Asia Limited is registered in Hong Kong. At present the company has only one office established in the region and that is located in Hong Kong.

The area of operations of Hydrotech Asia and its initial target markets will include Hong Kong, Peoples' Republic of China (PRC), Macau, Taiwan, Thailand, Malaysia and Singapore. The target market may be expanded in the future to include other countries within the Asian region.

The General Manager Asia is based in Hong Kong and he will be responsible for the management of all operations of the company within the region.

Opportunities

In accordance with our current knowledge there is no other competitor who is offering or marketing applications of the MPS technology within the Asian region.

Specialist waterproofing and concrete repair companies do operate within the region but they are offering treatments by more conventional means such as crack injection, removal of spalling concrete and repair by special mortars or the application of specialist coatings and membranes.

Hydrotech Asia therefore has an opportunity to be the first company offering the MPS technology on projects of significant scale within the region.

As the MPS technology is new to the Asian region, and relatively new in large scale structures internationally, an important first step in marketing the application will be demonstrating to clients that the technology does function effectively and that it can provide protection against water ingress in the long term at a reasonable cost.

The technical viability of the system can be demonstrated by reference to previous applications in Europe and UK, the current trial for London Underground, some small scale installations already undertaken in Hong Kong, a trial currently being conducted on a utility tunnel in PRC, and independent testimonials of the system's performance.

Principal Objectives

The principal objective of the company is to market, design, install and maintain applications of the MPS technology within the Asian region.

As our current resources are limited it is considered necessary to prioritise the countries where our marketing will initially be focused.

Initial marketing will be aimed at clients who are already experiencing water ingress problems in their existing structures, as it is perceived that they have a more immediate need for our applications.

Marketing on the basis of providing our technology in new structures will be a second priority. However, this may be pursued at an earlier stage in PRC where the level of central government control over technical standards is high and we are likely to have the opportunity to make presentations on our technology to the higher levels of the relevant PRC government ministries.

Management and Structure

Hydrotech Asia currently employs four permanent staff in the Hong Kong office, namely:

- Director and General Manager Asia, Mr Peter Arbon
- Marketing Director for PRC and Hong Kong, Ms Jennifer Hong
- Interpreter and Office Assistant, Ms Winnie Ching
- Accountant, Mr Clement Tam

It is proposed that two additional engineering staff will be employed by the Hong Kong office over the next few months as the need for technical inputs on design and supervision of installation work increases.

To provide more effective resources to service the very large and geographically diverse market in the PRC it is proposed that we proceed immediately with the establishment of a representative office in Beijing. Discussions have been held with Mr Jiang Nan, a PRC national (and also Australian permanent resident), fluent in both oral and written Chinese and English, and with more than 20 years relevant experience in the management of internationally funded projects and consultancies in PRC, initially as an employee of the Ministry of Water Resources and Electric Power and other State Agencies and over the last 12 years with international consultant Snowy Mountains Engineering Corporation.

Current and planned activities

HONG KONG

Four installations have previously been made in Hong Kong to address cases of water ingress in buildings, over a period from 1998 to 2000. These installations were in Cityplaza 4 Building at Taikoo Shing, the Airport Express Central Station, International Finance Centre One and the Hang Seng Bank Headquarters Building.

It is proposed that approaches be made to suitable contractors in Hong Kong with the objective of entering into non-exclusive collaboration agreements similar to those currently in force in the UK. Contractors who may be suitable include Gammon, who are owned by Balfour Beatty, China State Construction & Engineering Co, and Shui On Group, who have a specialist concrete repair division, are included in the Works Bureau's List of Approved Contractors for "Repair and Restoration of Historic Buildings" in Hong Kong and have undertaken the commercial restoration of the major Xintiandi historic site in Shanghai.

Secondly it is proposed that further discussions be initiated with the MTRC and KCRC on the potential use of the MPS system both as a solution to existing water ingress problems and as a system that can be installed during the initial construction of tunnels and underground stations to prolong the life of the concrete and reduce maintenance costs.

CHINA

Marketing in China has been very active over the past year and an extensive list of project opportunities has been identified. This marketing has been undertaken by our Marketing Director, Ms Jennifer Hong, working in cooperation with Mr Han Junguo of Shanghai Joint Waterproofing Company Technique Ltd, with whom we have a 5-year collaboration agreement to provide marketing and installation services in PRC.

The most advanced of these opportunities is the Zhengzhou Electric Cable Tunnel, where we have installed the MPS system on a short section of the tunnel on a trial basis. The system is performing satisfactorily and we are now in a position to proceed to negotiate with the client to enter into a contract for installation in the first section of the tunnel.

It is proposed to proceed to establish a representative office in Beijing. The experience and contacts of the proposed General Manager PRC, Mr Jiang Nan, will greatly increase our ability to market our technology to senior staff in the PRC government agencies. Mr Jiang's technical knowledge and very extensive experience in negotiating and managing contracts and consultancies in the PRC will also increase our ability to provide the follow up necessary to convert project leads into revenue earning MPS installations.

China has more concrete dams than any other country in the world and dam leakage is an extensive problem. It is our intention to promote the use of MPS technology in this area through Mr Jiang's extensive contacts in the Ministry of Power, Ministry of Water Resources and the hydropower sector in general.

The establishment of the Beijing office will result in some duplication of our current PRC marketing efforts being managed via Hong Kong and the effectiveness of these will be reviewed. One option would be to revise the arrangement for the current Marketing Director to a commission basis only. However, this review should probably be deferred until a more concerted effort has been made to follow up on the current list of potential projects, as a good "hit-rate" on these projects may make it viable to continue with both marketing resources.

MACAU

Macau has good potential for MPS applications because of the large number of major property developments with basements being built on reclamations with a high water table. Some initial discussions have been held with contacts in Macau, but no specific project opportunities have been identified to date.

THAILAND

An initial enquiry has been made to Sino-Thai Engineering, the third largest M&E and Civil contractor in Thailand, to explore their interest in entering into an agreement to promote MPS applications in Thailand.

There continue to be many and varied projects being presented for evaluation. The priority of management is to ensure that the company pursues realistic but scalable projects to ensure that the company delivers the best return on investment for its shareholders.

Should there be any further queries please refer to the website or contact:

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