



19<sup>th</sup> February 2009

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

Update of Strategic Review

The Company wishes to provide the market with an update on its ongoing strategic initiatives being undertaken by the Board, to as best ensure that Hydrotech is successful in its objectives, especially in light of the current economic conditions.

As of today, the Board has taken the following decisions in agreement with Directors and staff:-

- Significant across the board salary cuts from March 1, 2009
- All non-executive directors to forego directors fees (in line with myself, having not claimed fees since my appointment)
- The closure of the UK office – ongoing management of UK relationships will be undertaken by the Norwegian office, who have been working closely with the two major potential clients for some time
- Selective staff reductions have been made in Norway, Hong Kong and China
- Some functions within the Group will be outsourced

On an ongoing basis, our calculations show that these measures will result in the monthly cash burn rate falling from \$355,000 to \$185,000, and the first years annualised savings being approximately \$2,040,000.

Ongoing negotiations are continuing with major parties to make and investments/partnerships with the Company, but at this stage it appears deals of a purely licensing nature are remote, due to the current world recession.

The interest in the MPS technology in the Asian region continues to grow strongly, and it is hoped that these initiatives will free up further resources to grow the operations and sales in this area. However, the challenge realistically is the long lead time with regards to cash inflows from these projects.

In conclusion, the still Board firmly believes it has an extremely worthwhile technology to market, and will continue to explore all avenues for success.

We look forward to providing the market with further updates by the end of February as agreed, as the Strategic Review proceeds.

For further information on Hydrotech, please view our website at [www.hydro-usl.com](http://www.hydro-usl.com)

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

Philip Gray  
Chairman