



A.B.N. 71 002 802 646

12th July 2010

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**Entitlement Issue of Options Withdrawn**

The Board wishes to advise shareholders that the Entitlements Issue Offer which closed on July 7<sup>th</sup> did not meet the expected outcome and that the underwriter Martin Place Securities Pty Limited advised Hydromet on 12<sup>th</sup> July 2010 under Clause 14 of the Underwriting Agreement of its intention to terminate that agreement. The Company has decided to withdraw from the offer.

Under the terms of the Offer Document actual funds raised under this offer will be returned to shareholders as soon as practicable.

The Board believes that the recent volatility of both the stock and commodities markets adversely affected the application level resulting in the decision by Martin Place Securities to terminate.

While the Offer result was unexpected and disappointing your Board remains committed to pursuing fundraising options to bring the important approved secondary lead smelter to fruition. The project represents an outstanding opportunity to capitalise on our established used lead acid battery collection success, established and mature customer base, existing solid infrastructure and experienced personnel which have already contributed to the success of our Unanderra battery recycling facility. Progression to the smelter secures our established lead business for the long term and provides the platform to further benefit from alternative lead sources identified and developed over the past 12 months.

With regard to business activity we have met planned battery processing objectives in the June quarter and will continue to lift productivity in preparation for transition to the smelter once full funding is realised. At the same time management will continue to optimise its activities in Lead, Selenium, Tellurium and Precious Metals processing which have proven successful in combating commodity market and exchange rate volatility. Measurable efficiency improvements to our Selenium recovery activities at Tomago have enabled us to reduce the processing timeframe by up to 30% for our current contracted feed supply sources. We will fill the spare capacity with additional Selenium bearing feeds which further improve performance.

At Unanderra we will commence pilot plant recovery of lead from Cathode Ray Tube (CRT) monitors and television screens in the September quarter with initial development work producing excellent results from the combination of three major industrial waste streams to achieve high lead recovery rates. The process under development represents a major breakthrough in the recycling opportunity and solution for the three difficult waste streams here in Australia compared to the existing alternative

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of export for processing overseas. The unique process will generate revenue from treatment fees for the wastes processed and realisation of the lead value tied up in the CRT glass.

For shareholders information the smelter project has progressed as follows :

- Tilting rotary furnace selection completed - Australian manufacture. The furnace through state of the art technology provides Hydromet with the versatility to process lead and other metal bearing residues.
- Baghouse selection completed – Australian manufacture.
- Building and services contractor selected – Newcastle based.
- Conditional approval up to \$5 Million for equipment finance received from Hydromet's banker.
- Smelter preferred funding composition :
  - From internal sources \$4 Million
  - From equipment finance \$5 “
  - To be finalised \$4 “
  - Total budgeted capital cost of smelter \$12.3 Million.

With respect to Hydromet's performance for the financial year ended June 2010 we can report that subject to audit :

- Processed 26,246 tonnes of used lead acid batteries (1.75 million batteries).
- Produced 20,521 tonnes of lead product containing 14,384 tonnes of lead.
- Commenced production of Lead Nitrate for market assessment in the gold mining industry in Western Australia.
- Commenced development work for the recovery of lead from CRT glass and other industrial waste streams.
- Processed 220 tonnes of Selenium, Tellurium, and Precious Metal bearing feeds.
- Produced 102 tonnes of Selenium, 14 tonnes of Tellurium and 4 parcels of precious metal concentrate refined to recover Gold, Silver, Platinum, and Palladium.

Although the commodity market and exchange rate continued to fluctuate over the twelve months we managed fluctuations focusing on increasing productivity of all activities, managing exposure to lead price variation and exchange rate cover to minimise the impact on results.

In FY11 we will concentrate on consolidating and expanding our battery recycling operation to maintain throughput at 3,000 tonnes per month, improve product quality to optimise lead value. At Newcastle we will capitalise on processing efficiency gains realised in FY10.

We will now move to explore alternative funding options to complete the smelter requirement and keep the market informed of progress.

Yours sincerely,



Gregory Wrightson  
Managing Director