

HYDROMET CORPORATION LIMITED

ABN 71 002 802 646

SUPPLEMENTARY PROSPECTUS

Important Notice

This Supplementary Prospectus has been issued by Hydromet Corporation Limited (“**Hydromet**” or “**the Company**”), is dated 31 May 2010 and was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on that date. This Supplementary Prospectus supplements the Entitlements Issue Offer Document dated 24 May 2010 (“**the Offer Document**”) issued by Hydromet and lodged with ASIC on that date.

This Supplementary Prospectus is supplemental to, and must be read in conjunction with, the Offer Document. ASIC and the Australian Stock Exchange (“**ASX**”) take no responsibility for the contents of this Supplementary Prospectus or the Offer Document.

Pursuant to Section 719(4) of the Corporations Act 2001 the Offer Document is taken to include this Supplementary Prospectus.

Terms used in this Supplementary Prospectus have the same meaning as in the Offer Document unless otherwise defined or the contrary intention appears. If there is a conflict between the Offer Document and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

The Offer Document and this Supplementary Prospectus should both be read in their entirety before deciding to invest in the securities offered by the Offer Document. The directors consider an investment in the securities to be speculative and recommend that you consult your professional adviser as to the course you should follow as soon as possible.

1. Piggy Back Options

As set out in section 1.1.1 of the Offer Document, the Company is making a fully underwritten, non-renounceable pro rata offer of Options (the “**Offer**”). Eligible Shareholders as defined in the Offer Document will be entitled to apply for one option for every existing share held in the Company on the Record Date (“**New Option**”).

Each New Option will carry an additional right whereby if the New Option is exercised by 30 September 2010, one (1) additional option will be issued at no cost to the optionholder (“**Piggy Back Option**”). The issue of a Piggy Back Option is dependent upon the exercise of a New Option by the specific optionholder. Neither the issue of Piggy Back Options or the exercise of the Piggy Back Options are being underwritten by Martin Place Securities Pty Ltd (“**MPS**”).

In section 1.3 of the Offer Document the Company notes that it will apply to the ASX within 7 days of the date of the Offer Document for official quotation by ASX of the New Options offered under the Offer Document. The Company will not be applying for quotation of any Piggy Back Options which may be issued pursuant to the terms of the Offer Document therefore the Piggy Back Options will not be listed on the ASX. Accordingly, the following paragraph is to be inserted into the terms of the Piggy Back Options in Section 5.3 (r) of the Offer Document:

“(v) condition 5.3 (s) will not apply.”

The ASX granted the Company a waiver from Listing Rule 7.16 which prohibits a company from having more options on issue than underlying shares. The waiver was granted on the basis that unless pursuant to the Offer, the Company would not grant additional options until such time as the Company has more ordinary fully paid shares on issue than options. As a Piggy Back Option will only be issued following the exercise of a New Option, the Company does not believe there will be a breach of Listing Rule 7.16 consequent upon the issue of the Piggy Back Options as the number of ordinary shares on issue will be increased on the exercise of the New Options by the same number of Piggy Back Options issued.

As set out in section 1.5 of the Offer Document, a Shortfall Facility will be established enabling Eligible Shareholders to subscribe for New Options in excess of their Entitlement. The Piggy Back Options will not be included in the Shortfall Facility but will attach to the New Options subscribed for from the Shortfall Facility.

2. Purpose of the Offer

The paragraph in section 1.2 of the Offer Document is hereby deleted in its entirety and replaced with the following paragraph:

“The amount the Company expects to raise from the Offer is \$4,545,122.80. The Company intends to use the funds raised in the following manner:

Additional funding for the secondary lead smelter at Tomago	\$	3,400,000
Costs of this Offer	\$	350,000
Working Capital	\$	795,122
TOTAL	\$	4,545,122

3. Capital Structure of the Offer

The table in section 3.1 of the Offer Document is hereby deleted in its entirety and replaced with the following table:

	Existing capital structure	New Options offered under this Offer Document ¹	Capital structure after the Offer ²	Capital structure after 30 September 2010 ³	Capital structure after 30 September 2012 ⁴
Ordinary Shares	454,512,280 shares fully paid		454,512,280 shares fully paid	909,024,560 shares fully paid	1,363,536,840 shares fully paid
Existing Options Listed	8,760,000 options expire 30/6/2010.		8,760,000 options expire 30/6/2010.		
Unlisted	18,280,000 options expire 30/6/2010.		18,280,000 options expire 30/6/2010.		
New Options Listed		454,512,280 options expire 30/6/2012	454,512,280 options expire 30/6/2012		
Piggy Back Options Unlisted				454,512,280 options expire 30/9/2012	

1 Assumes existing options are not exercised prior to Record Date.

2 Offer is fully underwritten.

3 Assumes existing options are not exercised and 100% of New Options are exercised.

4 Assumes 100% of Piggy Back Options are exercised.

4. Potential Dilutionary Risk

A new paragraph (l) is hereby inserted into section 4.1 of the Offer Document:

Potential Dilutionary Risk

- (l) If a shareholder does not take up their entitlements under this Offer, the maximum dilutionary effect would be the shareholder would hold one-third of their current shareholding. This assumes that 100% of the New Options are exercised and 100% of the Piggy Back Options are exercised.

An Eligible Shareholder who exercises their right to apply for options under this Offer and then exercises the New Options but does not exercise the Piggy Back Options, would also suffer a dilutionary effect depending on the number of Piggy Back Options exercised.

5. Directors' Interests and Related Parties

The first paragraph of section 5.7 is deleted in its entirety and replaced with the following paragraph:

This document is a Supplementary Prospectus to Hydromet Corporation Limited's Entitlements Issue Offer Document dated 24 May 2010. It must be read together with the original Entitlements Issue Offer Document.

“Mr Timothy Allen is a consultant to Martin Place Securities Pty Limited (“MPS”). Mr Allen will receive up to a maximum of 10% of the underwriting fee payable to MPS, depending on the percentage of options taken up by Eligible Shareholders.

Consents

This Supplementary Prospectus has been approved by unanimous resolution of the Directors of the Company and is lodged with ASIC pursuant to Section 719 of the Corporations Act. Each Director of the Company has consented in writing, and has not withdrawn their consent, to the lodgement of this Supplementary Prospectus.

Dated: 31 May 2010



Dr Lakshman D. Jayaweera
Chairman