



A.B.N. 71 002 802 646

2<sup>nd</sup> June 2008

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

Dear Sir/Madam,

#### **Market Update**

The Directors of HydroMet wish to advise the following market update:

With the majority of group product sales now directed to the export market, the continuing volatility of the Lead price combined with the strong A\$ will affect June 2008 half year results for the group. After the December 2007 half year profit of \$3.56 Million the final year's profits are still expected to be well ahead of last year and an increase in dividend is anticipated.

Battery recycling plant productivity has continued to increase and additional lead product customers have been secured over the past five months as planned. Further lead product quality enhancements and other battery bi product recycling prospects are continuing which will offset increasing feed material and processing costs.

Our development application for a secondary lead smelter at our Tomago plant was lodged in March and is in the processing phase with relevant regulatory authorities. We are hopeful of receiving development consent in the September quarter. HydroMet representatives have completed a worldwide review and assessment of state of the art secondary smelter manufacturers and will have preferred candidates and capital budget estimates available by the end of June.

In May a plant uprate programme of our Selenium and Tellurium recovery plant in Tomago was completed with productivity and quality improvement benefits to follow in FY09.

A site visit to our Stanton Prospect (Cobalt) mine in the Northern Territory by consultant geologists has been carried out in May with soil samples recovered for further analysis and evaluation. An infilling drilling programme is planned for this year's dry season to determine the likelihood of further accessible deposits at the site.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Gregory W Wrightson", written over a horizontal line.

Gregory W Wrightson  
Managing Director

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