



A.B.N. 71 002 802 646

26 March 2008

Dear Shareholder,

OFFER TO PARTICIPATE IN THE HYDROMET SHARE PURCHASE PLAN

On behalf of the Board of Directors I am pleased to advise that Hydromet Corporation Limited (ASX code: HMC) has introduced a Share Purchase Plan ("the Plan").

Pursuant to the Plan, Hydromet is offering an opportunity for its shareholders in Australia and New Zealand registered on 25 March 2008 to purchase fully paid ordinary shares ("the Shares") directly from Hydromet Corporation Limited for amounts of \$1,000, \$3,000 or \$5,000 per shareholder. On successful application for shares under the Plan, each applicant will, in addition, be issued without any further payment with one option (the "Option") for each two shares applied for, entitling that applicant to apply at any time up to and including 30 June 2010 for one ordinary share at an exercise price of \$0.17 per share.

The subscription price of the Share is \$0.10 each which is at an approximately 7.4% discount to the average of the closing market price of the share over the five trading days on which sales of the shares are recorded on ASX Limited (ASX) immediately preceding the announcement date (26 March 2008) under the Plan. Shareholders who subscribe for \$1,000 will receive 10,000 shares. Shareholders who subscribe for \$3,000 will receive 30,000 shares. Shareholders who subscribe for \$5,000 will receive 50,000 shares.

Hydromet will apply for official quotation of the Shares and the Options on ASX as soon as they are issued. The Shares will, on issue rank equally with existing ordinary shares in all respects.

The Plan provides for the issue of a maximum of 63,000,000 shares and 31,500,000 options raising a total of \$6,300,000 on issue of the Shares and \$5,355,000 on exercise of the options. The majority of the funds to be raised will be used for expansion of the battery crushing facility; field work leading to further evaluation of Stanton Prospect and the development of the secondary lead smelter project.

If application are received for a total number of shares which is in excess of the maximum of 63,000,000, the applications will be allocated to shareholders in the order of the date which the applications are received. Application money received in excess of the number of shares allotted will be returned to the applicants without interest.

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You are advised to consult your professional adviser prior to deciding to apply for the Shares under the Plan.

To participate in the Plan, your Application Form together with the application money should reach the share registry office at Computershare Investor Services Pty Limited, GPO Box 253, Sydney, NSW 2001 by 5:00 pm (Eastern Standard Time) on 25 April 2008 (the Closing Date). Payment of application money should be by cheque drawn on an Australian bank and made payable to "Hydromet Corporation Limited".

If you have any queries relating to the Plan, please contact the Company Secretary on 02 4271 1822 or email pipt@hydromet.com.au.

I take this opportunity to thank our shareholders for their support.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Gregory W Wrightson', with a large, stylized flourish extending from the bottom of the signature.

Gregory W Wrightson
Managing Director