HydroMet
CORPORATION LIMITED

A.B.N. 71 002 802 646

May 27th 2004.

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

Dear Sir/Madam

FOUR YEAR CONTRACT WITH SMORGON STEEL.

The Board of Directors of HydroMet Corporation Limited takes great pleasure in announcing that Hydromet has signed a 4 year agreement with Smorgon Steel to process up to 15,000 metric tonnes per annum of Electric Arc Furnace (EAF) dust produced at its Laverton Victoria and Newcastle NSW steel mills.

- Smorgon will pay Hydromet a treatment fee for the dust as processed.
- The project has an estimated combined revenue potential over the four years of up to $16 Million comprising treatment fees from Smorgon and sale of zinc sulphate produced from zinc extracted from the dust.
- The Smorgon agreement along with the Onesteel agreement of January 2002 will result in over 20,000 tonnes per annum of EAF dust being processed at Hydromet's Unanderra NSW facility.
- Hydromet's unique recycling technology will be utilised to produce Zinc Sulphate from the dust, at the same time developing other zinc based products widely used in agricultural and industrial applications. Residual dust from the zinc recovery process will be chemically encapsulated to enable environmentally acceptable disposal to landfill.
- Zinc Sulphate is an important agricultural and animal feed chemical for both the domestic and export markets.
- The Smorgon agreement represents further recognition of the Hydromet recycling and treatment technology applied to recover and recycle the valuable zinc resource as an alternative to disposal of EAF dust to landfill or long term storage.

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- Processing will commence in June 2004 with additional zinc based products expected to emerge over the next 12 months.

With recently signed waste recycling contracts, the significant increase in the world market price for selenium along with strong selenium demand in China we expect the June half result to be profitable. Steps have been taken to secure additional ongoing selenium bearing residues to further improve revenue. The potential for production of selenium chemicals from selenium recovered from the recycling process is also being examined.

Negotiations are in progress on a number of other projects capable of increasing revenue by up to $4.Million per annum.

We expect that with ongoing contribution from existing projects and the implementation of others coming online that sustainable profits will continue to emerge in the 2004/05 financial year. The prospective contribution from additional zinc products from EAF dust sources is both environmentally and commercially rewarding and at the same supporting Australian manufacturing and recycling technology.

Yours Faithfully

Gregory W Wrightson.
Managing Director.