



A.B.N. 71 002 802 646

9 March 2009.

A Strong Partnership for the Future

It is with great pleasure that the Board of HydroMet announces the forging of a new and exciting partnership with one of the world's leading Used Lead Acid Battery ("ULAB") recycling companies, Jiangsu Chunxing Alloy Co Ltd (Chunxing) of Nanjing, People's Republic of China.

The company has entered into a binding agreement with Chunxing for the placement of new shares in Hydromet as outlined below. The placement is subject to Chunxing receiving approval from the government of the Peoples Republic of China. In addition a commercial agreement for the supply of lead products to Chunxing along with a technical co – operation agreement has been signed.

After discussions regarding the relative merits of a close association between the parties conducted over the past nine months the Board of Hydromet has approved the issue of 49,924,000 ordinary shares (approximately 15% of Hydromet's issued capital) in a private placement at 6 cents per share to Chunxing. The share placement is expected to be completed in the next 30 days upon the approval from the government of People's Republic of China.

Chunxing is the largest lead recycling company in China with four operating plants located at various provinces in China. The current processing capacity is approximately 500,000 tonnes per annum of ULABs and with planned expansion to 1 Million tonnes per annum. The privately owned company has in excess of 30 years experience of secondary lead smelting and is the only waste metal recycling company in China recognised by the Chinese government under the National Circular Economy programme which supports selected organisations to expand their specific expertise through foreign investment strategies such as the Hydromet shareholding.

The Board believes that the following benefits of the involvement with Chunxing will place Hydromet in a much stronger position within the ULAB recycling and secondary lead production markets within Australia and the Pacific.

- Chunxing's secondary smelter experience will be invaluable in the development and expansion of Hydromet's secondary smelter project.
- The joint experience of both organisations will facilitate the exchange of important information and process practices to the benefit of both parties. Chunxing has extensive lead smelter equipment design and technology expertise which will complement our own resources and knowledge.

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- Under a commercial agreement Hydromet will supply Chunxing with lead products currently produced by our battery recycling operation at Unanderra and ultimately the lead output from our recently approved Newcastle smelter.
- Future expansion of lead production through a range of lead bearing industrial wastes will also be a key diversification feature of our business.
- With the volatile metal market, financial market turmoil and uncertainty experienced since 2008 we believe that joining with Chunxing will be invaluable in working through the challenges ahead and will place us in a positive position to take advantage of improved conditions as they emerge.

Funds from the placement will be applied to working capital and the continuing development of the smelter project.

A representative of Chunxing will join Hydromet's Board and we look forward to a long and fruitful relationship as both companies pursue their future growth strategies.

A handwritten signature in black ink, appearing to read 'Gregory W Wrightson', with a long horizontal flourish extending to the right.

Gregory W Wrightson
Managing Director.