



A.B.N. 71 002 802 646

24 May 2010

The Manager,
Company Announcements Office,
Australian Securities Exchange,
20 Bridge Street,
Sydney NSW 2000.

Dear Sir/Madam,

Non-renounceable entitlement offer of New Option

Hydromet Corporation Limited (“the Company”) (ASX code: HMC) is pleased to announce a 1 for 1 pro-rata non-renounceable entitlement issue of options (“New Options”) to existing shareholders which will raise approximately \$4.5 million and enable the Company to complete the funding arrangements for the planned secondary lead smelter at Tomago, NSW and to meet the Company’s working capital requirements.

The offer will be extended only to shareholders with registered addresses in Australia and New Zealand.

The offer will allow eligible shareholders to acquire one New Option at a price of \$0.01 for every share held at the record date of 4 June 2010. The option entitles the holder to acquire one fully paid ordinary share in the Company at a price of \$0.04 each (“exercise price”) and will expire on 30 June 2012.

Eligible shareholders are also allowed to subscribe for a greater number of New Options than their entitlement as shown on the Entitlement and Acceptance Form. Subscriptions in excess of Entitlements will be allotted out of the shortfall, if any, on a pro-rata basis to shortfall subscribers.

Each New Option carries an additional right whereby if a New Option is exercised by 30 September 2010, one additional option for each New Option exercised (“Piggy Back Option”) will be issued to the option holder for no consideration. Each Piggy Back Option entitles the holder to acquire one new fully paid ordinary share in the Company at a price of \$0.08 on or before 30 September 2012.

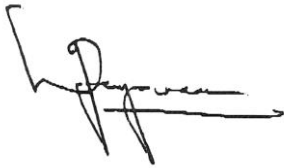
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The offer is fully underwritten by Martin Place Securities Pty Limited (“MPS”). In addition to the underwriting agreement, the Company has entered into a Marketing Assistance Agreement with MPS to encourage early exercise of the New Options by 30 September 2010.

Full details of this entitlement offer are contained in the Offer Document lodged with the ASX today. The Offer Document together with Entitlement and Acceptance Form will be despatched to all eligible shareholders on 10 June 2010. A copy of the Offer Document is available at www.hydromet.com.au and on www.asx.com.au.

In accordance with Listing Rule 3.10, attached is an Appendix 3B – New Issue Announcement, Application for Quotation of Additional Securities.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dr Lakshman Jayaweera', with a long horizontal line extending to the right.

Dr Lakshman Jayaweera
Chairperson