Appendix 4 E

Preliminary final report

Name of entity:	**Hydromet Corporation Limited**

1 Details of the reporting period

Current period:	1 July 2007 – 30 June 2008
Previous corresponding period:	1 July 2006 – 30 June 2007

2 Results for announcement to the market

$A'000

2.1 Revenues from ordinary activities	up	73.2%	to	$34,639
2.2 Profit from ordinary activities after tax attributable to members	up	13.3 %	to	$2,556
2.3 Net profit attributable to members	up	13.3 %	to	$2,556

2.4 Dividends	Amount per security	Franked amount per security
Interim dividend	0.1 ¢	0.1 ¢
Final dividend	0.1 ¢	0.1 ¢

2.5 Record date for determining entitlements to dividends	31 October 2008

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

The $2.6 million profit reported for 2008 reflects the success of establishing our battery recycling facility, the continuing involvement in precious metals/selenium/tellurium business and the adverse impact of the decline in the lead price experienced in May to June 2008. The steep decline in the lead price during May and June 2008 resulted in our having to accept a write down of battery stocks, finished goods and some forward lead sales valuations at reporting date.

With the Australian dollar appreciating significantly from a monthly average of 86.75 US cents in July 2007 to 95.12 US cents in June 2008 the affect was to reduce our revenue stream from the majority of our Group sales which were trade in USD currency.

The battery recycling plant at Unanderra continued to prove processing capability with the approval to increase our annual throughput rate from 12,000 tonnes per year to 36,000 tonnes per year, received in February 2008. In May 2008 we reached our 1,800 tonne per month objective in our plans to run processing up to 2,500 tonnes per month by early 2009. We secured a number of export and local customer trials and ongoing sales for lead products generated by the process with further customer spread expected in FY2009. The battery collection network expanded over the year with cost of battery increasing significantly as the lead price escalated.

A development application for a 20,000 tonne per year secondary lead smelter to be located at our Tomago facility was lodged with the various regulatory authorities in March 2008. At the date of this report, the application is under review by the regulators and we expect a decision by September 2008. A worldwide study of state of the art secondary lead smelting technology was conducted in May 2008 to define a short list of preferred equipment and suppliers. Final budget estimates are expected by September 2008.

Our Tomago operation continues to maintain a strong level of activity and with the upgrade of the selenium processing plant completed in June 2008 will have additional capacity to process multi feed in parallel to optimise output and earning capacity. Our place in specialised treatment of these valuable smelter residues continues to be recognised around the world with increased processing activity forecast for FY2009.

The electric arc furnace dust (EAF dust) contract with Smorgon Steel was completed in March 2008 after the dust was placed with a competitor for apparent zinc recovery via a process which is expected to be operating in 2009. Hydromet was unable to compete at the treatment fee level offered by our competitor. In August 2008 we have conducted a plant trial to use the acid recovered from our battery recycling plant to confirm its suitability to produce zinc sulphate. A high grade zinc feed was used in the trial and proved successful. The process will enable us to retain a position in supplying zinc sulphate to the domestic agricultural fertiliser market.

The waste recycling industry in Australia remains fluid as consolidation continues across the industry. We have examined a number of small recycling businesses over the past year for potential acquisition however were unable to identify any capable of adding value or synergy with our existing operations or development plans.

3 Consolidated income statements

In thousands of AUD	Note*	Consolidated 2008	2007 Restated**
Revenue from sales of goods		31,687	13,124
Revenue from rendering of services		1,461	1,248
	8	33,148	14,372
Other income	9	130	113
Changes in inventories of finished goods & WIP		(2,286)	(162)
Raw materials and consumables used		(17,847)	(3,313)
Direct production costs		(5,514)	(2,495)
Personnel expenses	10	(4,899)	(2,796)
Depreciation and amortisation expenses		(565)	(579)
Consultants and professional services		(393)	(196)
Insurance expenses		(237)	(160)
Property rental and site costs		(82)	(42)
Net loss on sale of property, plant and equipment		(14)	(29)
Other expenses		(742)	(492)
Results from operating activities		699	4,221
Financial income		1,672	68
Financial expense		(604)	(1,004)
Net financing costs	11	1,068	(936)
Profit before income tax		1,767	3,285
Income tax benefit	12	1,177	12
Profit from continuing operations		2,944	3,297
Discontinued operation			
Loss from discontinued operation, net of income tax	7	(388)	(1,042)
Profit for the period attributable to equity holders of the Company		2,556	2,255

* Refer to the Notes of the financial statements attached.

** See discontinued operation – note 7 in the financial statements attached.

Statements of recognised income and expense

In thousands of AUD	Note*	Consolidated 2008	2007 Restated**
Effective portion of change in fair value of cash flow hedges		-	(150)
Income and expense recognised directly in equity		-	(150)
Profit for the period		2,556	2,255
Total recognised income and expense for the period	20	2,556	2,105
Attributable to equity holder of the Company		2,556	2,105

* Refer to the Notes of the financial statements attached.

** See discontinued operation – note 7 in the financial statements attached.

4 Consolidated balance sheets

In thousands of AUD	Note*	Consolidated 2008	2007
Assets			**Restated****
Cash and cash equivalents	19a	1,944	1,628
Trade and other receivables	18	5,498	5,285
Inventories	17	6,204	3,815
Prepayments for current assets		1,411	58
Other investments, including derivatives	15	407	-
Current tax assets	16	-	14
Assets classified as held for sale		-	382
Total current assets		15,464	11,182
Deferred tax assets	16	1,925	-
Property, plant and equipment	13	10,219	9,838
Intangible assets	14	1,045	663
Total non-current assets		13,189	10,501
Total assets		28,653	21,683
Liabilities			
Trade and other payables, incl. derivatives	27	3,676	3,095
Loans and borrowings	22	2,430	2,693
Employee benefits	23	672	634
Current tax payable	16	143	-
Deferred income	25	12	77
Provisions	26	3,039	1,052
Total current liabilities		9,972	7,551
Loans and borrowings	22	1,120	1,372
Employee benefits	23	172	67
Deferred tax liabilities	16	426	-
Provisions	26	12	3
Total non-current liabilities		1,730	1,442
Total liabilities		11,702	8,993
Net assets		16,951	12,690
Equity			
Share capital	20	67,242	65,585
Reserves	20	530	(150)
Accumulated losses	20	(50,821)	(52,745)
Total equity	20	16,951	12,690

* Refer to the Notes of the financial statements attached.

** See discontinued operation – note 7 in the financial statements attached.

5 Consolidated statement of cash flows

In thousands of AUD	Note*	Consolidated 2008	2007
Cash flows from operating activities			
Cash receipts from customers		34,529	17,069
Cash paid to suppliers and employees		(33,310)	(17,841)
Cash generated from/(used in) operations		1,219	(772)
Interest paid		(391)	(410)
Interest received		97	77
Net cash used in operating activities	19b	925	(1,105)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(1,206)	(2,190)
Proceeds from sale of property, plant and equipment	13	63	20
Net cash used in investing activities		(1,143)	(2,170)
Cash flows from financing activities			
Payment of finance lease liabilities	22	(351)	(231)
Proceeds from the issue of share capital	20	1,714	1,575
Proceeds from the issue of convertible notes	22	-	413
Repurchase of own shares	20	(29)	-
Dividends paid	20	(632)	-
Repayments of borrowings	22	(1,633)	(524)
Proceeds from borrowings	22	1,464	1,200
Net cash from financing activities		533	2,433
Net increase/(decrease) in cash and cash equivalents		315	(842)
Cash and cash equivalents at 1 July		1,628	2,474
Effect of exchange rate fluctuations on cash held		1	(4)
Cash and cash equivalents at 30 June	19a	1,944	1,628

*Refer to the Notes of the financial statements attached.

6 Details of dividends/distributions

6.1	Date the dividend (distribution) is payable	14 November 2008
6.2	+Record date to determine entitlements to the dividend (distribution)	31 October 2008

			Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
6.3	**Final dividend:**	Current year	0.1 ¢	0.1 ¢	- ¢
6.4		Previous year	0.1 ¢	0.1 ¢	- ¢
6.5	**Interim dividend:**	Current year	0.1 ¢	0.1 ¢	- ¢
6.6		Previous year	- ¢	- ¢	- ¢

7 Details of dividend reinvestment plan

The Board of Hydromet resolved to suspend the dividend reinvestment plan in this 2008 final dividend payment.

8 Statement of retained earnings showing movements

Refer Note 20 of the attached financial statements.

9 Net tangible assets per security

The net tangible asset per security was 4.78 cents. Net tangible assets are the net assets of the Company less the intangible assets. The number of shares used for the calculation of the net tangible assets per share is 332,828,280 shares.

10 Control gained or lost over entities during the period

N/A

11 Details of associates and joint venture entities

N/A

12 Other significant information

N/A

13 Accounting Standards used by foreign entities

N/A

14 Commentary on the results for the period

14.1 Earning per security
Refer Note 21 of the attached financial statements

14.2 Returns to shareholder
Refer attached financial statements and the accompanied notes.

14.3 Significant features of operating performance
Refer attached financial statements and the accompanied notes.

14.4 Segment reporting
Refer Note 6 of the attached financial statements.

14.5 Trend in performance

Year	Total Revenue $'000	Net Profit/(loss) after Tax $'000	Total Assets $'000
2008	34,639	2,556	28,653
2007	20,005	2,255	21,683
2006	13,564	(875)	15,340
2005*	16,507	2,021	17,846
2004*	9,697	(990)	14,106

*Figures for year 2004 and 2005 were calculated in accordance with previous Australian GAAP.

14.6 Other factors
Refer the attached Financial Report.

15 Audit/review of accounts upon which this report is based

- [x] The accounts have been audited.
- [ ] The accounts have been subject to review.
- [ ] The accounts are in the process of being audited or subject to review.
- [ ] The accounts have *not* yet been audited or reviewed.

16 Accounts not yet audited or reviewed

N/A

17 Qualification of audit/review

N/A

Hydromet Corporation Limited

ABN 71 002 802 646

Annual Financial Report

30 June 2008

Offices and officers

Principal registered office
Lot 3 Five Islands Road
Unanderra NSW 2526

Telephone: 02 4271 1822
Facsimile: 02 4271 6151
www.hydromet.com.au

Company Secretary
Mr Pipvide S Tang, MBA, CPA

Offices
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Hydromet Operations (Southern) Limited
Lot 3 Five Islands Road
Unanderra NSW 2526

Telephone: 02 4271 1822
Facsimile: 02 4271 6151

Minmet Operations Pty Limited
25 School Drive
Tomago NSW 2322

Telephone: 02 4964 8266
Facsimile: 02 4966 5958

Location of share registry
Sydney
Computershare Investor Services Pty Limited
Level 3 60 Carrington Street
Sydney NSW 2000

Telephone: 02 8234 5000
Facsimile: 02 8235 8150
Investor enquiries: 1300 850 505
www.computershare.com

Auditor
KPMG
Level 3
63 Market Street
PO Box 866
Wollongong NSW 2500

Hydromet Corporation Limited 30 June 2008 Annual Financial Report

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Chairperson's report
For the year ended 30 June 2008

Results and final dividend
For the year ended 30 June 2008, the Company has made an after tax profit of $2.6 million from a total revenue of $33 million, compared to the previous year profit of $2.3 million from a revenue of $14.3 million. The Board is pleased to declare a final dividend of 0.1cents per share bringing total dividends for the full year to 0.2 cents per share, compared to 0.1 cents in the previous year.

The year end results have not been to our full satisfaction, despite our excellent results achieved in the first half year. Due to the dramatic fall in the LME lead price in the second half year the Company has absorbed a significant write down both in the inventory and the forward sales contracts for the lead products sold, thus resulting in a loss in the second half of the year. Furthermore, strengthening of the Australian dollar resulted in a negative impact on our results as all our sales revenues depended on export earnings which are transacted in US currency. The total write-down was $1.8 million.

Despite the above short term set back, the Board strongly believes that today the Company has moved from strength to strength, growing the group's revenue streams, sustaining profits and building a sound and innovative metal recycling business in Australia.

Achievements in lead-acid battery recycling
Our achievement in the lead–acid battery recycling field within such a short time has been remarkable, both from the commercial and technical performance point of view. We have become the second largest lead acid battery recycler in Australia covering up to about 25% of the Australian market. The barrier to entry into the above market has been a challenging one for us, as historically this market and processing has been dominated by a single player.

Going forward in our lead business, we have clearly set our vision and targets for a long term growth plan. In this regard, we have already taken steps to establish a secondary lead smelter at our MinMet site in Tomago. An environmental impact study along with a development application has been forwarded to authorities and the proposal is currently being reviewed for determination. We are very optimistic that the outcome will be positive and expect a decision from the reviewing authorities by the end of September. The Company is also involved in feasibility studies with interested parties to explore a prospective JV with HydroMet for the smelter project. If the proposed venture is established we strongly believe the partnership will significantly add value to the project in terms of financial and operational aspects. The outcome of these studies is expected to be known by the end of the year. Furthermore, we are exploring the potential to produce value added lead chemicals, using lead product recovered from our battery feed. These chemicals would be sold into the Australian mining industry and replace imported products. Traditionally HydroMet has manufactured these chemicals and is well equipped to revisit this venture with this low cost feed source.

Growth in our selenium and precious metals activities
Our selenium and tellurium operation at MinMet in Tomago has performed very well. It has become a very mature and profitable business. Our operation at MinMet is highly recognised internationally, attracting a number of overseas clients with evergreen contracts established. The Selenium price has remained stable at US$30-32/lb with supply and demand fairly balanced and HydroMet taking a sustainable international market share both in the feed material and the finished product sales. We intend to further develop this business by exploring new feed materials and additional product lines.

Chairperson's report (continued)

New emerging market for tellurium in solar cell modules

Recently, there has been a surge in the tellurium price on the world market, currently trading at around US$100/lb. With the metal finding a new market application in the manufacture of solar cell modules, demand for tellurium is expected to increase. It has been established that due to the high absorption properties of the thin film solar modules manufactured from cadmium telluride the capital cost of solar farms is likely to be significantly reduced. A major US company has begun to produce these high performance thin film solar modules using cadmium telluride. MinMet currently produces tellurium as an upgraded concentrate from a by–product of our selenium feed streams. In the future, we expect to enjoy a healthy return from these new products. In order to realise the full value of our products we have embarked on a project to develop a new process to further upgrade the concentrate to a highly purified tellurium metal form.

Further development of Stanton mining lease in Northern Territory

The board has taken a very strategic decision in regard to our Stanton cobalt-nickel-copper prospect in the Northern Territory with the view to explore various options for developing this resource to increase shareholder value. Considering the current high price of cobalt, nickel and copper, there seems to be a potential opportunity for the Company to establish a long term cobalt related business from the reserve. We have engaged an experienced geologist to conduct further exploration work which includes infill drilling in areas already identified along with specified further drilling in other targeted areas with the objective of expanding the current identified resource. The above work is to begin in early September. Our consultant carried out a site visit to Stanton in May to conduct soil sampling and mobile metal ions (MMI) sampling. Review of the above results is expected to give guidelines for further potential target areas to be drilled. Outcome of this drilling program is expected to be available by late November.

Future growth plans

We intend to continue to explore other avenues of business expansion through our own development and/or by acquisition or by joint ventures of synergistic businesses. To date our expansion success has been through the earlier project based route which has been time consuming and challenging. Our strategy for the future is to bring more diversified projects on line in either the metal/chemical or waste related fields. This strategy will allow us to weather the future uncertainty arising from single metal or project revenue dependencies.

Acknowledgements

I am very grateful for our dedicated management, employees and their families who have contributed to this very successful story. Their valuable contribution and their professionalism are greatly appreciated.

I am also very grateful to all our customers, service providers and clients who believed in our efficient and trustworthy services.

On behalf of the board, I also would like to thank our shareholders for their patience and loyal support.

We look forward to more profitable years ahead.

Dr Lakshman Jayaweera
Chairperson
Date this 28 August 2008

Directors' report
For the year ended 30 June 2008

The directors present their report together with the financial report of Hydromet Corporation Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2008 and the auditor's report thereon.

Directors' report (continued)
For the year ended 30 June 2008

1. Directors
The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Dr Lakshman D Jayaweera, MSc, PhD Chairperson Executive Director	Dr Jayaweera is one of the founders and the head of the technical team of the Company. He holds a PhD in chemical engineering and has considerable experience in mineral processing and hazardous waste recycling. Director since 1991- Deputy Chairperson from September 2000 to January 2001 and appointed Chairperson in January 2001.
Mr Timothy R Allen Deputy Chairperson Independent Non-Executive Director	Mr Allen has extensive engineering and banking experience with qualifications in mining, engineering and economics and is a member of the Securities Institute of Australia. He is also the chairperson of Central West Gold NL. Member of the audit and remuneration committee. Director since October 2001 - appointed Deputy Chairperson in February 2006.
Mr Gregory W Wrightson Managing Director	Mr Wrightson has over 25 years experience in chemical manufacturing and was appointed General Manager of the Company in 1997. Director since 1998 - appointed Managing Director in September 2000.
Mr Stephen H Kwan, MPhil Independent Non-Executive Director	Mr Kwan has over 26 years experience in metals and chemicals trading and is a co-founder of the Kee Shing Group in Hong Kong. Member of the audit and remuneration committee. Director since 1991.
Mr Pipvide S Tang, MBA, CPA Director - Finance	Mr Tang has more than 25 years experience in accounting, corporate finance and administration. He is also a director of Optima ICM Limited. Director from 1991 to 1996. Appointed Director in 1997. Mr Tang was a Non-Executive Director from August 2000 to August 2004.

2. Company secretary
Mr. Pipvide S Tang MBA, CPA was appointed to the position of company secretary in April 2003. Mr. Tang was the secretary of the Company from 1991 to 1996. He has over 15 years experience as company secretary of publicly listed companies in Australia and overseas and has held the role of company secretary with another listed public company for the past six years.

Directors' report (continued)
For the year ended 30 June 2008

3. Directors' meetings
The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit and Remuneration Committee Meetings	
	A	**B**	**A**	**B**
Dr LD Jayaweera	8	8	-	-
Mr TR Allen	8	8	2	2
Mr GW Wrightson	7	8	-	-
Mr SH Kwan	8	8	2	2
Mr PS Tang	8	8	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

4. Corporate governance statement
This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of directors
Role of the board
The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for the operation and administration of the Company to the executive chairperson, managing director and executive management. Responsibilities are delineated by formal authority delegations.

Board processes
To assist in the execution of its responsibilities, the board has established an audit and remuneration committee, which operates under a charter approved by the board. The charter and the operating procedures are reviewed on a regular basis. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds six scheduled meetings each year, plus any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairperson, managing director and company secretary. Standing items include the managing director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Directors' report (continued)
For the year ended 30 June 2008

4.1 Board of directors (continued)

Director education

The Group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the directors' report on page 5 of this report. The composition of the board is determined using the following principles:

- a minimum of five directors, with a broad range of expertise both nationally and internationally
- a majority of directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies
- the directors (except for the managing director) are subject to re-election every three years
- enough directors to serve on the audit and remuneration committee without overburdening the directors or making it difficult for them to fully discharge their responsibilities
- the roles of chairperson and managing director are not exercised by the same director
- the audit and remuneration committee is comprised of non-executive directors.

Due to the size of the Company, resources available and the specialised nature of the Company's business, the Company did not meet Corporate Governance Council recommendations in the following areas:

- the board comprises two independent non-executive directors and three executive directors
- an executive director is the chairperson
- the audit and remuneration committee is responsible for the functions of the nomination committee and consists of two non-executive directors as members.

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer
- has no material* contractual relationship with the Company or another Group member other than as a director of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the director's ability to act in the best interests of the Company.

Directors' report (continued)
For the year ended 30 June 2008

4.1 Board of directors (continued)
Composition of the board (continued)

* *the board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least ten per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.*

4.2 Audit and remuneration committee
The audit and remuneration committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The chairperson may not be the chairperson of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group, the remuneration of executives and directors and the composition of the board.

The members of the audit and remuneration committee during the year were:
- Mr. TR Allen (Chairperson) – Independent Non-Executive
- Mr SH Kwan, MPhil - Independent Non-Executive.

The external auditors, the managing director and director of finance, are invited to audit and remuneration committee meetings at the discretion of the committee. The committee met two times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 6.

The managing director and the director of finance declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2008 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the audit and remuneration committee and the board of directors during the year without management being present.

The audit and remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other Group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The audit and remuneration committee also oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's managing director. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary. The committee identifies potential candidates. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The audit and remuneration committee also review annually the effectiveness of the board, individual directors, and senior executives. The other directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Group, and monitoring compliance with regulatory requirements and ethical standards.

Directors' report (continued)
For the year ended 30 June 2008

4.2 Audit and remuneration committee (continued)
The reviews generate recommendations to the board, which votes on them. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and the Company. Directors displaying unsatisfactory performance are required to retire.

The committee also conducts an annual review of the performance of the managing director and the senior executives reporting directly to him and the results are discussed at a board meeting.

The responsibilities of the audit and remuneration committee include:
- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is adequate for shareholder needs
- assessing corporate risk assessment process
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- assessing the adequacy of the internal control framework and the Company's code of ethical standards
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified in the fraud control environment
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions.

The audit and remuneration committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results
- review the draft annual and half-year financial report, and recommend board approval of the financial report
- review the results and findings of the audit, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report - audited
4.3.1 Principles of compensation - audited
Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the three Company and Group executives. During the financial year the Company and the Group had employed only three executives who are not directors of the Company and the Group.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The audit and remuneration committee advises the board on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies locally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
  - the amount of incentives within each key management person's compensation.

Compensation packages include fixed compensation and long-term incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes statutory superannuation to post-employment defined contribution superannuation plans nominated by the personnel. The plans are administered by independent corporate trustees.

All directors of the Company are entitled to receive a post-employment cash benefit at the date of their retirement as director of the Company. The benefit is calculated as $15,000 for each year, or pro rata for part of a year, of service as director of the Company commencing from 1 July 2006. This benefit, under all circumstances, will not exceed the payment limit calculated in accordance with S200G(2) of the Corporations Act 2001.

Fixed compensation
Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the audit and remuneration committee through a process that considers individual, segment and overall performance of the Group and competitiveness in the market place. A senior executive's compensation is also reviewed on promotion.

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report – audited (continued)
4.3.1 Principles of compensation – audited (continued)
Long-term incentive

Options were issued on 3 December 2007 under the Executive Share Option Plan (ExSOP) (made in accordance with thresholds set in plans approved by shareholders at the 2002 AGM), and it provided for directors to receive up to an aggregate of 10,000,000 options over ordinary shares for no consideration. These options had an exercise price of 16.76 cents and expired on the earlier of 30 June 2010 or the date a director ceases office in the Company. The price of shares on the date of granting the options was 16 cents. There were differing vesting dates. 5,000,000 options granted are exercisable from the date of grant. 2,500,000 options are exercisable from 1 July 2008 and 2,500,000 options are exercisable from 1 July 2009. The ability to exercise the options was not conditional on the consolidated entity achieving certain performance hurdles.

No options have been exercised during the financial year.

The audit and remuneration committee considers that the above compensation structure is generating the desired outcome. The evidence for this is firstly, the Company has been able to maintain a very stable key management team in the past few years, and secondly, the Company has benefited from this with improved performance in the past two years.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholders wealth, the audit and remuneration committee have regard to the following indices in respect of the current financial year and the previous three financial years.

In thousands of AUD	**2008**	**2007**	**2006**	**2005**
Net profit/(loss) attributable to equity holders of the parent	2,556	2,255	(875)	2,021
Dividends paid and payable	0.2 cent	0.1 cent	-	-
Change in share price	0.6 cents	2.7 cents	-1.6 cents	2.6 cents
Return on capital employed	17.24%	20.78%	-9.27%	21.31%

Net profit amounts for years 2005 were calculated in accordance with previous Australian GAAP. Net profit/(loss) amounts for 2006 to 2008 have been calculated in accordance with Australian Accounting Standards (AASBs).

Dividends, changes in share price, and return of capital are included in the total shareholder return calculation which is one of the performance criteria assessed for key management personnel's compensation.

The overall level of key management personnel's compensation takes into account the performance of the Group over a number of years. Over the past four years the Group's profit from ordinary activities after income tax has grown at an average rate per annum of over 8 percent. During the same period average key management personnel compensation has grown by approximately 22 per cent per annum.

Other benefits

Key management personnel can receive additional non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include provision of fully maintained motor vehicles, payment of insurance premiums in respect of directors' and officers' liability, legal expense insurance contracts, and the Company pays fringe benefits tax on these benefits, where applicable.

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report – audited (continued)
4.3.1 Principles of compensation – audited (continued)
Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2004 AGM, is not to exceed $200,000 per annum and is set based on reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to $40,000 per annum. Non-executive directors also receive a base fee of $5,000 per annum if they are appointed as directors of subsidiary companies. The chairperson and committee members receive no extra fees. Directors' fees cover all main board activities and membership of the committee.

Other than the share options issued under ExSOP approved by shareholders at the 2002 AGM, non-executive directors receive no performance related remuneration.

Non-executive directors may receive additional payments for services required by the Company which are outside normal board and committee activities.

All non-executive directors are also entitled to receive a post-employment cash benefit at the date of their retirement as director of the Company. The benefit is calculated as $15,000 for each year, or pro rata for part of a year, of service as director of the Company commencing from 1 July 2006. This benefit, under all circumstances, will not exceed the payment limit calculated in accordance with S200G(2) of the Corporations Act 2001.

Directors' report (continued)

For the year ended 30 June 2008

4.3 Remuneration report – audited (continued)

4.3.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited

During the reporting period the Company had three executives who were not directors of the Company. Details of the nature and amount of each major element of remuneration of each director of the Company and the named executives are:

		Short-term			Post-employment		Other long term	Other compen -sation	Share-based payments		S300A(1)(e) (vi) Value of options as proportion of remuneration %
In AUD		Salary & fees $	Non-Monetary benefits $	Total $	Superannuation benefits $	Retirement benefit*** $	Long service leave $	Insurance Premium $	Options and rights $	Total $	
Directors											
Non-executive director											
Mr SH Kwan	2008	39,999	-	39,999	3,600	8,335	-	6,949	53,505	112,388	47.6%
	2007	34,999	-	34,999	3,150	8,173	-	6,092	-	52,414	-
Mr TR Allen	2008	49,999	-	49,999	4,500	11,390	-	6,949	53,505	126,343	42.3%
	2007	47,499	-	47,499	4,275	11,026	-	6,092	-	68,892	-
Mr SB Wolfe*	2008	-	-	-	-	-	-	-	-	-	-
	2007	18,389	-	18,389	1,655	6,000	-	6,092	-	32,136	-
Executive director											
Dr LD Jayaweera	2008	237,059	35,860	272,919	20,700	8,335	14,788	6,949	53,505	377,196	14.2%
Chairperson	2007	213,884	37,322	251,206	18,900	8,173	27,048	6,092	-	311,419	-
Mr GW Wrightson	2008	229,783	25,113	254,896	20,700	8,335	3,779	6,949	53,505	348,164	15.4%
Managing Director	2007	219,542	29,261	248,803	18,900	8,173	5,777	6,092	-	287,745	-
Mr PS Tang+	2008	140,027	33,355	173,382	11,700	8,335	-	6,949	53,505	253,871	21.1%
Director- Finance	2007	109,571	29,467	139,038	9,900	8,173	-	6,092	-	163,203	-
Executives											
Mr IP Wilson**	2008	91,691	12,987	104,678	7,610	-	-	-	-	112,288	-
GM - Operation	2007	42,500	3,751	46,251	3,825	-	-	-	-	50,076	-
Mr P Segura	2008	143,958	23,657	167,615	11,970	-	11,046	-	13,376	204,007	6.6%
Site Manager	2007	131,775	21,559	153,334	11,970	-	-	-	-	165,304	-
Mr BJ Wyborn	2008	137,256	22,957	160,213	11,751	-	11,892	-	13,644	197,500	6.9%
Site Manager	2007	135,401	23,918	159,319	12,610	-	-	-	-	171,929	-
Total compensation:	2008	1,069,772	153,929	1,223,701	92,531	44,730	41,505	34,745	294,545	1,731,757	17.0%
key management personnel (consolidated)	2007	953,560	145,278	1,098,838	85,185	49,718	32,825	36,552	-	1,303,118	-
Total compensation:	2008	788,558	107,315	895,873	68,810	44,730	18,567	34,745	267,525	1,330,250	20.1%
key management personnel (Company)	2007	686,384	99,801	786,185	60,605	49,718	32,825	36,552	-	965,885	-

* Mr. SB Wolfe resigned on 23 November 2006.

** Mr. IP Wilson was appointed on 2 April 2007 and resigned on 17 December 2007.

*** The amount is the present value of benefit attributed to current year.

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report (continued)
4.3.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (continued)
Notes in relation to the table of directors' and executive officers' remuneration - audited
(i) The fair value of the options is calculated at the date of grant using the Hull-White option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
3 December 2007	2.5 years	$0.0535	$0.1676	$0.16	48.3%	6.75%	0.6%

(ii) The Company pays insurance premiums that cover certain directors and officers. The premium is split between the Company directors only. The average premium per person has been included in remuneration.

4.3.3 Equity instruments - audited
All options refer to options over ordinary shares of Hydromet Corporation Limited, which are exercisable on a one-for-one basis under the ExSOP approved by shareholders at the 2002 AGM.

4.3.4 Options and rights over equity instruments granted as compensation - audited
Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2008
Directors						
Mr. SH Kwan	2,000,000	3 December 2007	0.0535	0.1676	30 June 2010	1,000,000
Mr. TR Allen	2,000,000	3 December 2007	0.0535	0.1676	30 June 2010	1,000,000
Dr LD Jayaweera	2,000,000	3 December 2007	0.0535	0.1676	30 June 2010	1,000,000
Mr. GW Wrightson	2,000,000	3 December 2007	0.0535	0.1676	30 June 2010	1,000,000
Mr. PS Tang	2,000,000	3 December 2007	0.0535	0.1676	30 June 2010	1,000,000
Executives						
Mr. IP Wilson	1,000,000	3 December 2007	0.0535	0.1676	17 December 2007	500,000
Mr. P Segura	500,000	3 December 2007	0.0535	0.1676	30 June 2010	250,000
Mr. BJ Wyborn	510,000	3 December 2007	0.0535	0.1676	30 June 2010	255,000

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report (continued)
4.3.4 Options and rights over equity instruments granted as compensation – audited (continued)

	Number of options granted during 2007	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2007
Directors						
Mr. SH Kwan	-	-	-	-	-	500,000
Mr. TR Allen	-	-	-	-	-	500,000
Dr LD Jayaweera	-	-	-	-	-	500,000
Mr. GW Wrightson	-	-	-	-	-	500,000
Mr. PS Tang	-	-	-	-	-	500,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. For options granted in the current year, 50% of the options granted are exercisable from grant date. 25% are exercisable from 1 July 2008 and 25% are exercisable from 1 July 2009. The ability to exercise the options was not conditional on the consolidated entity achieving certain performance hurdles.

4.3.5 Modification of terms of equity-settled share based payment transactions - audited
No terms of equity-settled share based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

4.3.6 Exercise of options granted as compensation – audited
During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

During the financial year ended 30 June 2007, the following shares were issued on the exercise of options previously granted as compensation:

2007	Number of shares	Amount paid $/share
Directors		
Mr. TR Allen	500,000	0.08
Dr LD Jayaweera	2,000,000	0.08
Mr. GW Wrightson	2,000,000	0.08
Mr. PS Tang	2,000,000	0.08

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2007 financial year.

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report (continued)
4.3.7 Analysis of options and rights over equity instruments granted as compensation - audited
Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed below:

Directors	Options granted		% vested in year	% forfeited /expired in year	Financial years in which grant vests
	Number	Date			
Mr. SH Kwan	1,000,000	3 December 2007	100%	-%	2008
	500,000	3 December 2007	-%	-%	2009
	500,000	3 December 2007	-%	-%	2010
Mr. TR Allen	1,000,000	3 December 2007	100%	-%	2008
	500,000	3 December 2007	-%	-%	2009
	500,000	3 December 2007	-%	-%	2010
Dr LD Jayaweera	1,000,000	3 December 2007	100%	-%	2008
	500,000	3 December 2007	-%	-%	2009
	500,000	3 December 2007	-%	-%	2010
Mr. GW Wrightson	1,000,000	3 December 2007	100%	-%	2008
	500,000	3 December 2007	-%	-%	2009
	500,000	3 December 2007	-%	-%	2010
Mr. PS Tang	1,000,000	3 December 2007	100%	-%	2008
	500,000	3 December 2007	-%	-%	2009
	500,000	3 December 2007	-%	-%	2010
Executives					
Mr. IP Wilson	500,000	3 December 2007	100%	100%	2008
	250,000	3 December 2007	-%	100%	2009
	250,000	3 December 2007	-%	100%	2010
Mr. P Segura	250,000	3 December 2007	100%	-%	2008
	125,000	3 December 2007	-%	-%	2009
	125,000	3 December 2007	-%	-%	2010
Mr. BJ Wyborn	255,000	3 December 2007	100%	-%	2008
	127,500	3 December 2007	-%	-%	2009
	127,500	3 December 2007	-%	-%	2010

Directors' report (continued)
For the year ended 30 June 2008

4.3 Remuneration report (continued)
4.3.8 Analysis of movement in options -audited
The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and the named Company executives are detailed below.

	Grant in year $ (i)	Value of options exercised in year $ (ii)	Lapsed in year $ (iii)
Directors			
Mr. SH Kwan	107,000	-	-
Mr. TR Allen	107,000	-	-
Dr LD Jayaweera	107,000	-	-
Mr. GW Wrightson	107,000	-	-
Mr. PS Tang	107,000	-	-
Executives			
Mr. IP Wilson	53,500	-	53,500
Mr. P Segura	26,750	-	-
Mr. BJ Wyborn	27,285	-	-

(i) The value of options granted in the year is the fair value of the options calculated at grant date using the Hull-White option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in year 1 July 2007 to 1 July 2009).

(ii) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised in the year.

(iii) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Hull-White option-pricing model.

4.4 Risk management
Oversight of the risk management system
The board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The managing director and the director of finance have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group.

Risk profile
The board reviews regularly the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as action by customers, competitors, government policy changes, environment, occupational health and safety, the impact of exchange rate and product price movements, difficulties in sourcing feed materials, and problems in the development of technical processes.

Directors' report (continued)
For the year ended 30 June 2008

4.4 Risk management (continued)
Risk management and compliance and control
The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel. It comprises the Company's internal compliance and control systems, including:
- Operating unit control – Operating units confirm compliance with financial controls and procedures
- Functional speciality reporting – Key areas subject to regular reporting to the board include environmental, legal and occupation health and safety matters
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

In this regard, the Company has an Environmental Policy Statement, Occupational Health and Safety Policy Statement and Quality Policy Statement which set out the standards in accordance with which each director, officer and employee of the Company is expected to act. The requirement to comply with these policies is communicated to all employees. The statements are available at the office of the Company.

Comprehensive practices have been established to ensure:
- capital expenditure and revenue commitments above a certain size obtain prior board approval
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to metal price hedging and forward exchange rate management are included in note 28 of the financial statements
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- business transactions are properly authorised and executed
- the quality and integrity of personnel (see below)
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below)
- environmental regulation compliance (see below).

Quality and integrity of personnel
Written confirmation of compliance with policies in the Code of Conduct Manual is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting
The managing director and the director of finance have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Directors' report (continued)
For the year ended 30 June 2008

4.4 Risk management (continued)
Environmental regulation

The Group's operations are subject to licence requirements issued under the Protection of the Environment Operations Act 1997 ('POEO Act') in relation to its business of processing industrial residues and manufacturing chemical products including treatment processes, immobilisation of by products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State Department of Environment and Conservation.

The Group is committed to achieving a high standard of environmental performance. Site managers are responsible for management and monitoring of compliance with the various licences, environmental regulations and specific requirements of site environmental licence conditions under which the facilities operate.

Site managers report environmental performance to the Group managing director on a monthly basis who then reports to the board. Performance against the licence conditions are reported to the managing director, board of directors and various state regulators on an annual basis and were substantially achieved across all operations. There has been no material non-compliance in relation to these licences' requirements during the financial year.

The Company continuously reviews its existing environmental systems and procedures with the objective of upgrading these via the implementation of an environmental management system, which will integrate with the safety management system and will apply uniformly across the Group.

The POEO Act remains under review by the NSW Department of Environment and Conservation (DEC) and will lead to further changes to regulations and group a number of regulations under the one Act.

Hydromet is committed to seeking improvement in environmental management and awareness of its employees to ensure continuing compliance with its obligations.

Occupational health and safety

As with environmental matters, Hydromet is acutely conscious of its health and safety obligations to its workforce who, by the very nature of our industry, are exposed to a range of chemicals and hazardous materials in carrying out their work.

Occupational health and safety issues are governed by the OHS Regulation 2001 in New South Wales and monitored by Workcover Authority.

Continuing advancement has been made with the integrated safety management system during the financial year. Training of managers and operations personnel is a continuous process to ensure a duty of care philosophy is adopted across the Group.

4.5 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Ethical Standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 32 to the financial statements.

Directors’ report (continued)
For the year ended 30 June 2008

Code of conduct
The Group has advised each director, manager and employee that they must comply with the Ethical Standards Policy. The policy is available to be viewed in the office of the Company, and it covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core company values and objectives
- fulfilling responsibilities to shareholders by delivering shareholder value
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced
- employment practices such as occupational health and safety, employment opportunities, community activities, sponsorships and donations
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- conflicts of interest
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain
- confidentiality of corporate information
- fair dealing
- protection and proper use of the Company’s assets
- compliance with law
- reporting of unethical behaviour.

Trading in general Company securities by directors and employees
The key elements of the Trading in General Company Securities by Directors and Employees Policy set out in the Ethical Standards Policy are:

- identification of those restricted from trading – directors and senior executives (all employees from site manager upwards) may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - except between three (3) and thirty (30) days after either the release of the Company’s half-year and annual results to the ASX, the annual general meeting or any major announcement
  - whilst in possession of price sensitive information not yet released to the market
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to raise awareness that the Company prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Company requires annual declarations of compliance with this particular policy
- to raise awareness that the Company prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period
- to require details to be provided of intended trading in the Company’s shares
- to require details to be provided of the subsequent confirmation of the trade
- the identification of processes for unusual circumstances where discretion may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is available at the office of the Company.

Directors' report (continued)
For the year ended 30 June 2008

4.6 Communication with shareholders
The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. In summary, the Continuous Disclosure Policy operates as follows:

- the managing director and the director of finance, who also acts as the company secretary, are responsible for interpreting the company's policy and where necessary informing the board. The director of finance is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered
- the full annual financial report is available to all shareholders
- the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5. Principal activities
The principal activities of the consolidated entity during the course of the financial year were the processing of industrial residues and the manufacture of value added chemical products therefrom and process of used lead acid battery (motor vehicle battery) to recover lead metal and oxide as feed material for secondary lead smelters.

There were no other significant changes in the nature of the activities of the Group during the year.

Objectives
The Group's objectives include:
- Increasing the collection, processing and sale of lead products from the estimated 90,000 to 100,000 tonnes of used lead acid batteries generated in Australia each year. In FY 2008 HydroMet processed 18,000 tonnes of used batteries or 19% of Australia's annual arising. Our target is 36,000 tonnes per year or 38% of arising.
- Modifying our management of risks associated with the lead production industry to minimize exposure to cost and selling price fluctuation associated with the likely continuing volatility of the metals markets.
- Obtaining development consent; finalising capital expenditure, forecast operating costs and timeframe for the secondary lead smelter planned for our Tomago facility.
- Conducting plant trials to confirm the use of waste battery acid for the production of zinc sulphate at our Unanderra facility.
- Conducting plant trials for the production of lead nitrate from lead products generated from our battery recycling facility at Unanderra.

Directors' report (continued)
For the year ended 30 June 2008

Objectives (continued)
- Further expansion of our precious metals/selenium/tellurium recovery project and revenue at the Company's Tomago facility.
- Delivering a sustainable and adequate return on capital employed.
- Implementing major in house waste treatment projects to minimise the Company's reliance on external effluent treatment providers. In house treatment of effluent streams will reduce operating costs significantly.
- Increasing our customer base and their satisfaction with our services and products.

In order to meet these objectives the following targets have been set for the 2009 financial year and beyond:
- Gain approval for the secondary smelter application by the end of September 2008.
- Complete assessment of zinc sulphate and lead nitrate production opportunities utilising primary lead product and by product streams from the battery recycling plant at Unanderra.
- Fully utilise the recent plant upgrade completed at the Tomago facility to optimise the benefits of processing precious metals/selenium and tellurium from smelter residues from around the world.
- Continue to maintain our copper chemical business at the Tomago facility and assess the potential to develop further product options.
- Continue to evaluate other related business options/opportunities capable of increasing our activity base at both Unanderra and Tomago.
- Grow market share in existing waste treatment and product sales to increase revenue and operating activities.
- Review pricing, productivity and operating expenditures regularly.
- Continue to develop new business projects to maximise utilisation of the Group's infrastructure and resources.

6. Operating and financial review
Overview of the Group
The $2.6 million profit reported for 2008 reflects the success of establishing our battery recycling facility, the continuing involvement in precious metals/selenium/tellurium business and the adverse impact of the decline in the lead price experienced in May to June 2008. The steep decline in the lead price during May and June 2008 resulted in our having to accept a write down of battery stocks, finished goods and some forward lead sales valuations at reporting date.

With the Australian dollar appreciating significantly from a monthly average of 86.75 US cents in July 2007 to 95.12 US cents in June 2008 the affect was to reduce our revenue stream from the majority of our Group sales which were trade in USD currency.

The battery recycling plant at Unanderra continued to prove processing capability with the approval to increase our annual throughput rate from 12,000 tonnes per year to 36,000 tonnes per year, received in February 2008. In May 2008 we reached our 1,800 tonne per month objective in our plans to run processing up to 2,500 tonnes per month by early 2009. We secured a number of export and local customer trials and ongoing sales for lead products generated by the process with further customer spread expected in FY2009. The battery collection network expanded over the year with cost of battery increasing significantly as the lead price escalated.

A development application for a 20,000 tonne per year secondary lead smelter to be located at our Tomago facility was lodged with the various regulatory authorities in March 2008. At the date of this report, the application is under review by the regulators and we expect a decision by September 2008. A worldwide study of state of the art secondary lead smelting technology was conducted in May 2008 to define a short list of preferred equipment and suppliers. Final budget estimates are expected by September 2008.

Directors' report (continued)
For the year ended 30 June 2008

6 Operating and financial review (continued)

Overview of the Group (continued)

Our Tomago operation continues to maintain a strong level of activity and with the upgrade of the selenium processing plant completed in June 2008 will have additional capacity to process multi feed in parallel to optimise output and earning capacity. Our place in specialised treatment of these valuable smelter residues continues to be recognised around the world with increased processing activity forecast for FY2009.

The electric arc furnace dust (EAF dust) contract with Smorgon Steel was completed in March 2008 after the dust was placed with a competitor for apparent zinc recovery via a process which is expected to be operating in 2009. Hydromet was unable to compete at the treatment fee level offered by our competitor. In August 2008 we have conducted a plant trial to use the acid recovered from our battery recycling plant to confirm its suitability to produce zinc sulphate. A high grade zinc feed was used in the trial and proved successful. The process will enable us to retain a position in supplying zinc sulphate to the domestic agricultural fertiliser market.

The waste recycling industry in Australia remains fluid as consolidation continues across the industry. We have examined a number of small recycling businesses over the past year for potential acquisition however were unable to identify any capable of adding value or synergy with our existing operations or development plans.

Shareholder returns

In thousands of AUD	**2008**	**2007**	**2006**	**2005**	**2004**
Net profit/(loss) attributable to equity holders of the parent	2,556	2,255	(875)	2,021	(990)
Basic EPS (cents)	0.804	0.754	(0.296)	0.71	(0.37)
Dividends paid/payable	648	317	-	-	-
Dividend per share (cents)	0.2	0.1	-	-	-
Change in share price (cents)	0.6	2.7	-1.6	2.6	-0.5
Return on capital employed	17.24%	20.78%	-9.27%	21.31%	-11.69%

Net profit amounts for 2004 and 2005 were calculated in accordance with previous Australian GAAP. Net profit/(loss) amounts for 2006 to 2008 have been calculated in accordance with Australian Accounting Standards (AASBs).

Investments for future performance

The full exploitation of the battery recycling project will be the main focus in FY2009 with the objective of obtaining approval for a secondary lead smelter.

We expect continuing strong performance in the battery recycling project to build on throughput rates and product output during FY2009. Growing our access to used battery feed via a wider supply network, close supplier relationships and further increase in our lead product customer base will place Hydromet in a favourable position moving forward to the smelter project in the next few years.

The Company is also involved in feasibility studies with interested parties to explore prospective JV arrangements with HydroMet for the secondary lead smelter project. The object of the studies is to identify parties that can contribute to battery collection, lead smelting and sales of lead products for the project.

Diversification of the battery recycling project to produce lead and acid based chemicals will be pursued along with product quality enhancements to capitalise on the earning capacity for the project particularly where metal price volatility is a likely continuing feature of the market.

Directors' report (continued)
For the year ended 30 June 2008

6 Operating and financial review (continued)
Review of financial condition

During the financial year, the Group has redeemed $1,650,000 debentures. There were no outstanding debentures at the end of the financial year.

On 3 December 2007 the Company issued 20,000,000 share options under the Employee Share Option Plan and Executive Share Option Plan that entitle employees and key management personnel of the Group to purchase shares in the Company at $0.1676 per share on or before 30 June 2010. Since the date of grant 1,240,000 of these options issued to employees expired due to termination of employment.

On 4 December 2007 the Company made a share buy-back offer to the shareholders who held less than a marketable parcel of shares in the Company. As a result 177,638 shares (2007: nil) was bought back and cancelled by the Company in February 2008. The total consideration paid was $29,666.

On 7 May 2008 the Company issued 17,540,000 ordinary shares and 8,770,000 listed options to shareholders under the Share Purchase Plan. The new equity fund of $1.754 million was used for expansion of the battery crushing facility, the development of the secondary lead smelter and the field work leading to further evaluation of Stanton Prospect.

In July 2007 the Group negotiated a $500 thousand (2007: nil) overdraft facility from its principal banker for one of its subsidiaries. The facility was not utilised as at reporting date.

In May 2008 the Company re-negotiated the import finance facility from its principal banker. As a result the facility was increased from $2 million to $3 million.

The net cash generated from operating activities during the year was $925 thousand (2007: used in operating activities $1,105 thousand). The net cash used in investing activities was $1,143 thousand (2007: $2,170 thousand). Net cash provided by financing activities was $533 thousand (2007: $2,433 thousand). The cash balance at the end of the financial year was $1,944 thousand (2007: $1,628 thousand).

Review of principal businesses

Residues treatment

The Minmet operation at Tomago facility maintained a strong position in the selenium market in 2008 and expanded its processing activity through additional feed secured during the year. Minmet emerged strongly from the affects of a fallen selenium market in the FY2008 with better than forecast productivity, revenue and profit contribution for the year.

The selenium monthly average price ranged from US$36 per lb in July 2007, peaking at US$37.36 per lb in March 08 and finishing the financial year at US$32 per lb.

Additional processing equipment was installed in the June 2008 quarter to increase productivity and reduce processing cycle time. The improvements are expected to yield planned benefits in FY 2009.

The EAF dust project contract with Smorgon Steel came to an end in March 2008 after being awarded to a competitor for a more attractive treatment fee which the Group was unable to compete with. Through the EAF dust recycling process the Group had established a solid position in the Australian agricultural fertiliser market. We have successfully conducted a plant trial in August 2008 to produce zinc sulphate using acid recovered from the battery recycling process. Recycling of the acid is expected to provide a cost benefit and enable us to produce up to 1,200 tonnes per annum of zinc sulphate. The successful outcome for the acid will benefit the battery recycling project and allow the Group to retain a position in the fertiliser market.

Directors' report (continued)
For the year ended 30 June 2008

6 Operating and financial review (continued)
Review of principal businesses (continued)
Used lead acid battery
The Unanderra facility was primarily involved in battery recycling operation, developing product markets and improving product quality as we gradually increased productivity through the facility.

The battery recycling plant performed in line with our expectations reaching our 1,800 tonne per month target in May 2008. In February 2008 we received approval to increase our annual throughput of batteries from 12,000 to 36,000 tonnes.

During the financial year the monthly average cash lead price escalated from US$3,083 per tonne in July 2007 to a high of US$3,719 in October 2007 before a correction levelling out to US$3,078 in February 2008 and a rapid and sharp decline in May and June this year to finish at US$1,862 for June.

As a consequence of the May/June lead price collapse we were required to adjust our feedstock, finished goods and some forward sales values to reporting date pricing resulting an overall write down of $1.8 million. Our hedging policy did not cover existing lead in battery feedstock and covering only a level of sales which required the most significant valuation adjustment.

There are a number of elements which influence cost of feed, conversion costs and selling price of lead product to our customers. Each element has the capacity to affect profitability and requires a number of measures to minimise risk. These are closely monitored however the severe correction experienced in May/June 2008 resulted in the stock and forward sale revenue adjustments referred to.

We were successful in securing sufficient battery feed supplies to meet our plan and output expectation. The rapid lift in the lead price referred to above also flowed through to the scrap battery price from our collection network. The Group's entry to the battery recycling business brought the existing monopoly on local recycling to an end and assisted to fuel the scrap price during the rising lead price conditions. With the decline in June the scrap battery price has returned to more realistic levels and will be an important element to further expansion and containment of operating costs in FY 2009 and beyond.

Other operations
The sale option agreement with a party interested in the Stanton Prospect expired in November 2007.

In May 2008 the Board enlisted the services of a consultant geologist to prepare an infill drilling program to examine mineralisation at selected points of the lease. The drilling and analytical program will be conducted in September to determine possible deposit improvements from existing information and assist in a possible development strategy for the mine lease.

The Cobalt price has increased significantly over the FY 2008 starting at US$25.44 monthly average in July 2007 to US$42.72 in June 2008. The price peaked at US$48 per lb in March 2008.

Cobalt is used in the aerospace industry in aircraft alloys along with a range of other applications from soil supplements to pigment production.

Significant changes in the state of affairs
The significant changes in the state of affairs of the Group that occurred during the financial year under review are described in "review of financial condition" on page 24.

Directors' report (continued)

For the year ended 30 June 2008

7 Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2008				
Final 2007 ordinary	0.1	317	Franked	16 November 2007
Interim 2008 ordinary	0.1	315	Franked	28 March 2008
Total amount		632		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

After the balance sheet date the following dividend was proposed by the directors. The dividends have not been provided and there are no income tax consequences.

Final 2008 ordinary	0.1	333	Franked	14 November 2008

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

	Note	Total amount $'000
Dividends have been dealt with in the financial report as:		
- Dividends	20	632
- Noted as a subsequent event	20	333

8 Event subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9 Likely developments

- We expect the used battery collection market to become more orderly in FY 2009 and cost of scrap to return to more realistic levels as the market settles after the recent lead price upheaval.
- Continue to develop our lead product customer base with new prospects for 2009.
- Obtain DA approval for a secondary lead smelter at our Tomago, NSW site.
- Decide on equipment suppliers for the smelter.
- Finalise finance arrangements for the secondary smelter.
- Continue to develop market opportunities for lead product from the battery recycling project.
- Complete prospective zinc sulphate production utilising acid from the battery recycling project.
- Complete evaluation for the production of lead nitrate from lead products generated by the battery recycling plant.
- Optimise plant upgrade at Tomago to increase selenium, tellurium and precious metals recovery.
- From the infill drilling program planned for September 2008, revise the financial model regarding the future development of the Stanton project.

Directors' report (continued)
For the year ended 30 June 2008

10 Directors' interests
The relevant interest of each director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Hydromet Corporation Limited	
	Ordinary shares	Options over ordinary shares
Mr TR Allen	350,000	2,025,000
Dr LD Jayaweera	32,514,007	2,050,000
Mr SH Kwan	46,000	2,000,000
Mr PS Tang	2,959,000	2,050,000
Mr GW Wrightson	1,138,300	2,030,000

11 Share options
Options granted to directors and officers of the Company
During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and three officers of the Company and the Group as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
Mr TR Allen	2,000,000	\$0.1676	30 June 2010
Dr LD Jayaweera	2,000,000	\$0.1676	30 June 2010
Mr SH Kwan	2,000,000	\$0.1676	30 June 2010
Mr PS Tang	2,000,000	\$0.1676	30 June 2010
Mr GW Wrightson	2,000,000	\$0.1676	30 June 2010
Officers			
Mr IP Wilson	1,000,000	\$0.1676	17 December 2007
Mr P Segura	500,000	\$0.1676	30 June 2010
Mr BJ Wyborn	510,000	\$0.1676	30 June 2010

All options were granted during the financial year. No options have been granted since the end of the financial year.

Mr. Wilson resigned on 17 December 2007 and according to the terms and conditions of the options the 1,000,000 unexercised options expired on the date of resignation.

Unissued shares under options
At the date of this report unissued ordinary shares of the Company under option are:

	Expiry date	Exercise price	Number of shares
Unlisted directors' options	30 June 2010	\$0.1676	10,000,000
Unlisted employees' options	30 June 2010	\$0.1676	8,760,000
Listed options	30 June 2010	\$0.17	8,770,000

The unlisted directors' and employees' options expire on the earlier of their expiry or termination of the director's and employee's employment. Further details are included in the Remuneration report on pages 10 to17.

All options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

Directors' report (continued)

For the year ended 30 June 2008

12 Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Dr LD Jayaweera, Mr GW Wrightson, Mr SH Kwan, Mr PS Tang and Mr TR Allen and the former director, Mr. SB Wolfe, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premium

Since the end of the previous financial year the Company has paid insurance premiums of $34,745 in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, including senior executive officers of the Company and directors, and executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

13 Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit and remuneration committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit and remuneration committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' report (continued)
For the year ended 30 June 2008

13 Non-audit services (continued)
Details of the amount paid to the auditor of the Company, KPMG and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2008	**2007**
	$	**$**
Audit service:		
Audit and review of financial reports (KPMG Australia)	90,751	91,829
Services other than statutory audit:		
Other regulatory audit service		
Worker compensation review (KPMG Australia)	-	1,050
Other services		
Taxation compliance services (KPMG Australia)	28,545	5,500
Taxation compliance services (KPMG New Zealand)	5,960	12,019
Research & development tax concession (KPMG Australia)	15,037	-
	49,542	18,569

14 Lead auditor's independence declaration
The lead auditor's independence declaration is set out on page 90 and forms part of the directors' report for the financial year ended 30 June 2008.

15 Rounding off
The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

GW Wrightson
Director

Dated at Unanderra this 28th day of August 2008.

Balance Sheets
As at 30 June 2008

		Consolidated		Company	
In thousands of AUD	**Note**	**2008**	**2007 Restated***	**2008**	**2007 Restated**
Assets					
Cash and cash equivalents	19a	1,944	1,628	1,712	1,559
Trade and other receivables	18	5,498	5,285	209	8
Inventories	17	6,204	3,815	-	-
Prepayments for current assets		1,411	58	16	17
Other investments, including derivatives	15	407	-	-	-
Current tax assets	16	-	14	-	14
Assets classified as held for sale		-	382	-	-
Total current assets		15,464	11,182	1,937	1,598
Receivables	18	-	-	17,598	12,385
Other investments, including derivatives	15	-	-	8,595	7,951
Deferred tax assets	16	1,925	-	625	-
Property, plant and equipment	13	10,219	9,838	230	299
Intangible assets	14	1,045	663	-	-
Total non-current assets		13,189	10,501	27,048	20,635
Total assets		28,653	21,683	28,985	22,233
Liabilities					
Trade and other payables, including derivatives	27	3,676	3,095	188	175
Loans and borrowings	22	2,430	2,693	42	64
Employee benefits	23	672	634	283	224
Current tax payable	16	143	-	143	-
Deferred income	25	12	77	-	-
Provisions	26	3,039	1,052	-	-
Total current liabilities		9,972	7,551	656	463
Loans and borrowings	22	1,120	1,372	16,728	11,280
Employee benefits	23	172	67	92	51
Deferred tax liabilities	16	426	-	16	-
Provisions	26	12	3	12	3
Total non-current liabilities		1,730	1,442	16,848	11,334
Total liabilities		11,702	8,993	17,504	11,797
Net assets		16,951	12,690	11,481	10,436
Equity					
Share capital	20	67,242	65,585	67,242	65,585
Reserves	20	530	(150)	530	-
Accumulated losses	20	(50,821)	(52,745)	(56,291)	(55,149)
Total equity	20	16,951	12,690	11,481	10,436

* See discontinued operation – note 7.

The notes on pages 36 to 86 are an integral part of these consolidated financial statements.

Income statements
For the year ended 30 June 2008

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007 Restated*	Company 2008	Company 2007 Restated
Revenue from sales of goods		31,687	13,124	-	-
Revenue from rendering of services		1,461	1,248	205	20
	8	33,148	14,372	205	20
Other income	9	130	113	66	-
Changes in inventories of finished goods & WIP		(2,286)	(162)	-	-
Raw materials and consumables used		(17,847)	(3,313)	-	(2)
Direct production costs		(5,514)	(2,495)	-	(38)
Personnel expenses	10	(4,899)	(2,796)	(1,814)	(1,336)
Depreciation and amortisation expenses		(565)	(579)	(61)	(64)
Reversal of impairment of provision for intercompany loans and investments		-	-	551	3,251
Consultants and professional services		(393)	(196)	(272)	(101)
Insurance expenses		(237)	(160)	(76)	(76)
Property rental and site costs		(82)	(42)	(15)	(17)
Net loss on sale of property, plant and equipment		(14)	(29)	(14)	(29)
Other expenses		(742)	(492)	(344)	(360)
Results from operating activities		699	4,221	(1,774)	1,248
Financial income		1,672	68	1,159	67
Financial expense		(604)	(1,004)	(81)	(114)
Net financing expense	11	1,068	(936)	1,078	(47)
Profit/(loss) before income tax		1,767	3,285	(696)	1,201
Income tax benefit	12	1,177	12	1,882	1,229
Profit from continuing operations		2,944	3,297	1,186	2,430
Discontinued operation					
Loss from discontinued operation, net of income tax	7	(388)	(1,042)	-	-
Profit for the period attributable to equity holders of the Company		2,556	2,255	1,186	2,430
Earnings per share:					
Basic earnings per share (cents)	21	0.804	0.754		
Diluted earnings per share (cents)	21	0.804	0.748		

*See discontinued operation – note 7.

The notes on pages 36 to 86 are an integral part of these consolidated financial statements.

Statements of recognised income and expense

For the year ended 30 June 2008

		Consolidated		Company	
In thousands of AUD	**Note**	**2008**	**2007 Restated***	**2008**	**2007 Restated**
Effective portion of changes in fair value of cash flow hedges		-	(150)	-	-
Income and expense recognised directly in equity		-	(150)	-	-
Profit for the period		2,556	2,255	1,186	2,430
Total recognised income and expense for the period	20	2,556	2,105	1,186	2.430
Attributable to equity holders of the Company		2,556	2,105	1,186	2,430

*See discontinued operation – note 7.

The notes on pages 36 to 86 are an integral part of these consolidated financial statements.

Statements of cash flows
For the year ended 30 June 2008

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cash flows from operating activities					
Cash receipts from customers		34,529	17,069	110	179
Cash paid to suppliers and employees		(33,310)	(17,841)	(2,012)	(2,004)
Cash generated from/(used in) operations		1,219	(772)	(1,902)	(1,825)
Interest paid		(391)	(410)	(142)	(37)
Interest received		97	77	88	67
Net cash from/(used in) operating activities	19b	925	(1,105)	(1,956)	(1,795)
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	(1,206)	(2,190)	(69)	(153)
Proceeds from sale of property, plant and equipment	13	63	20	63	20
Loans to subsidiaries to finance working capital		-	-	-	(1,451)
Net cash used in investing activities		(1,143)	(2,170)	(6)	(1,584)
Cash flows from financing activities					
Payment of finance lease liabilities	22	(351)	(231)	(151)	(80)
Proceeds from issue of share capital	20	1,714	1,575	1,714	1,575
Proceeds from issue of convertible notes	22	-	413	-	413
Repurchase of own shares	20	(29)	-	(29)	-
Dividends paid	20	(632)	-	(632)	-
Loans from subsidiaries		-	-	1,145	837
Repayments of borrowings	22	(1,633)	(524)	-	-
Proceeds from borrowings	22	1,464	1,200	66	156
Net cash from financing activities		533	2,433	2,113	2,901
Net increase/(decrease) in cash and cash equivalents		315	(842)	151	(478)
Cash and cash equivalents at 1 July		1,628	2,474	1,559	2,041
Effect of exchange rate fluctuations on cash held		1	(4)	2	(4)
Cash and cash equivalents at 30 June	19a	1,944	1,628	1,712	1,559

The notes on pages 36 to 86 are an integral part of these consolidated financial statements.

Index to notes to the financial statements

Index to significant accounting policies

Notes to the financial statements

1. Reporting entity

Hydromet Corporation Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Lot 3, Five Islands Road, Unanderra, NSW 2526, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the processing of industrial residues and manufacturing of value added products therefrom and process of used lead acid battery to recycle all materials within (see note 6).

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were approved by the board of directors on 28 August 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- Share-based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 13 – measurement of the recoverable amounts of cash-generating units
- Note 16 – utilisation of tax losses
- Note 24 – measurement of share-based payments
- Note 26 – provisions
- Note 28 – valuation of financial instruments

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(n).

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit of loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and metal price risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedge item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currency and metal prices. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency and metal sales gains and losses.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• buildings and freehold improvements	40 years
• plant and equipment	4 -8 years
• office equipment and fixtures	4 -8 years
• motor vehicles	4 -7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit and loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The Group's hydrometallurgical processing technology (Hydroproc process), which has an indefinite useful life, is systematically tested for impairment at each balance sheet date. The useful life of Hydroproc process is assessed annually.

(v) Exploration and evaluation assets

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

Exploration, evaluation and development costs are stated at cost less impairment losses (see accounting policy h).

Notes to the financial statements

3. Significant accounting policies (continued)

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Notes to the financial statements

3. Significant accounting policies (continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(ii) Waste disposal

Hazardous by-products are produced during the operations carried out by the Group. The Group has established strict procedures to ensure that all these hazardous by-products are disposed of safely. A provision for waste disposal costs in respect of these by-products is recognised when they are generated.

(iii) Penalty payment

Convertible notes were issued by the Company in March 2007 at their face value. The notes mature in 30 months from the date of issue and entitle a fixed rate interest payment over the terms and a penalty payment of 5% of the face value of the notes payable to the holders on redemption if the Company fails to achieve a basic earning per share of 1 cent in 2009 financial year and the share price is less than ten cents. A provision for the penalty payment is recognised evenly over the terms of the convertible notes.

(iv) Price adjustment on sales

The Group engaged in sales of metal products with selling price subject to assay confirmation on arrival of the products at customers' works and the market price of the products quoted on agreed future quotation period. Provision for price adjustment on yet to agree assay and sales price transactions are recognised when the market price of the metal products are different from the provisional invoice price as at the reporting date.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of return and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For export sales of lead and selenium products, transfer occurs upon loading the goods onto the relevant carrier for international shipment. For export sales of precious metal transfer occurs upon the final assay of the material and the date of settlement is agreed with the customer. For local sales of chemical products transfer occurs upon receipt by the customer.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to tracking of work performed.

Advanced service fee received from customers for uncompleted processing is recognised as deferred income. The fee is recognised in profit or loss in proportion to the stage of subsequent completion of the process.

Notes to the financial statements

3. Significant accounting policies (continued)

(l) Government grants

An unconditional government grant related to export market development is recognised in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(n) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit and loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements

3. Significant accounting policies (continued)

(o) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Hydromet Corporation Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax – consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable/ receivable to/from other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

At 30 June 2008, no tax funding or tax sharing agreement has been entered into by the members of the tax-consolidated group.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Notes to the financial statements

3. Significant accounting policies (continued)

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter- segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statement, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segment (see note 6). Under the management approach, the Group will present segment information in respect of used battery recycling and selenium processing.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statement. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Notes to the financial statements

3. Significant accounting policies (continued)

(t) New standards and interpretations not yet adopted (continued)

- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statement and will not constitute a change in accounting policy for the Group. The Group determined the revised standard has no material effect on its future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - *Share-based Payment:* Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- AASB 2008-7 Amendments to Australian Accounting Standards – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*: the key changes include removing definition of cost method in IAS27; all dividends from subsidiaries, jointly controlled entities or associates to be recognised as income in the separate financial statements of the investor; receipt of dividend may be an indicator of impairment if certain criteria are met and specified accounting for certain transactions where a newly formed entity becomes the new parent of another entity in the group. AASB 2008-7 is effective for annual report periods beginning on or after 1 January 2009. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- The AUASB is working towards the development of a reporting framework for scientific and environmental information relating to sustainability. Starting 1 July 2008, Australian organisations will need to report quantitative data to the Australian Greenhouse Office (AGO) on emissions produced. The AGO will expect annual reports on organisational usage of carbon/energy. Those reports will need to be audited in terms of non-financial information. It is not yet clear as to what kind of assurance framework will be put in place to manage this. The Group has not yet determined the potential effect of this new reporting framework.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Derivatives

The fair value of forward exchange contracts and commodity swap contracts are based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Notes to the financial statements

4. Determination of fair values (continued)

(iv) Share-based payment transactions

The fair value of employee share options is measured using the Hull-White option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contact, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

5. Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The senior management team is responsible for developing and monitoring risk management policies. The management team reports regularly to the board of directors on its activities.

Risk management policies are established to identify and analyse the risk faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The board is assisted in its oversight role by the management team. The management team undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the Company it arises from receivables due from customers and subsidiaries.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 32 percent (2007: 21 percent) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

Notes to the financial statements

5. Financial risk management (continued)

Credit risk (continued)

The management team has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases trade references. Purchase limits are reviewed by management on each individual sale transaction. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment or advance deposit basis.

More than 71percent (2007: 53 percent) of the Group's customers have been transacting with the Group for over two years, and no losses have occurred. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, reputation in the industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a list, and future sales are made on a prepayment or advance deposit basis with approval of management.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Company limits its exposure to receivables and loans due from wholly-owned subsidiaries by exercising direct financial management control of the subsidiaries.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component that relates to individually significant exposures.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in note 27.

Liquidity risk

Liquidity risk is the risk that the Company and Group will not be able to meet their financial obligations as they fall due. The Company and Group's approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company and Group's reputation.

The Company and Group uses direct costing to cost their products and services, which assist them in monitoring cash flow requirements and optimising their cash return on investments. Typically the Company and Group ensure that they have sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- $0.5 million overdraft facility that is secured by a charge over the Group's assets. Interest payable at the rate of Westpac Overdraft Business Rate plus 1.9%.
- $3 million import revolving facility that can be drawn down to finance importation of feed materials. The facility has a 180 day tenor. Interest would be payable at the rate of 180 days bank bill plus 1.9%.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and metal prices will affect the Company and Group's income or the value of their holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company and Group enter into derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board. Generally the Company and Group seek to apply hedge accounting in order to manage volatility in profit or loss.

Notes to the financial statements

5. Financial risk management (continued)

Market risk (continued)

Currency risk

The Company and Group are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currency in which these transactions primarily are denominated is U.S. dollars (USD).

Depending on the movement trend of the currencies, the Company and Group hedge a portion of their trade receivables and trade payables denominated in a foreign currency. The Company and Group use forward exchange contracts to hedge their currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The principal amounts and interest on borrowings of the Group's USD bank loans, taken out by AUD functional currency Group entities, is expected to be matched by the cash flows generated by the underlying operations of the Group, primarily USD. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company and Group ensures that their net exposures are kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Company and Group adopt a policy of ensuring their exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering fixed interest rate borrowing contracts with the principals.

Metal price risk

The Group is exposed to metal price risk on sales and purchases that are determined according to metal prices in post-sales/purchases quotation periods. The Company is not exposed to metal price risk.

Depending on the movement trend of the metal prices, the Group hedges a portion of its forecast sales/purchases. The Group uses commodity swap transaction contracts to hedge its metal price risk. All of the commodity swap transaction contracts have maturities of less than one year after the reporting date. Where necessary, the commodity swap transaction contracts are rolled over at maturity.

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The board of directors also monitors the level of dividends to ordinary shareholders.

The board encourages employees of the Group to hold ordinary shares of the Company. Currently the Company maintains an employees share option plan and an executive share option plan. At present employees hold 11 percent of ordinary shares, or 18 percent assuming that all outstanding share options vest and /or are exercised.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital of 20 percent; during the year ended 30 June 2008 the return was 17.2 percent (2007: 20.8 percent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7.9 percent (2007: 9.5 percent).

The Group does not have a defined share buy-back plan. In December 2007 the Company made a share buy-back offer to the shareholders who held less than a marketable parcel of shares in the Company. As a result 177,638 shares (2007: nil) was bought back and cancelled by the Company in February 2008. The total consideration paid was $29,666.

Notes to the financial statements

5. Financial risk management (continued)

Capital management (continued)

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements**.**

6. Segment reporting

Business segments

The Group comprises the following main business segments:

- Residues treatment. The treatment of industrial residues and production of chemical/metal products therefrom.
- Used lead acid battery. The breaking of used lead acid battery and recycling of all components within.

Geographical segments

The consolidated entity operates processing plants and administration offices in Australia only.

Business segments

	Residues treatment		**Used battery**		**Consolidated**	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
External revenues	13,483	14,591	21,156	5,414	34,639	20,005
Segment revenues	13,483	14.591	21,156	5,414	34,639	20,005
Segment result	1,107	1,568	2,559	3,292	3,666	4,860
Unallocated expenses					(2,531)	(1,997)
Results from operating activities					1,135	2,863
Net finance incomes/(costs)					77	(620)
Income tax benefit					1,344	12
Profit for the period					2,556	2,255
Segment assets	11,112	13,992	11,897	5,833	23,009	19,825
Unallocated assets					5,644	1,858
Total assets					28,653	21,683
Segment liabilities	4,635	4,342	4,574	1,894	9,209	6,236
Unallocated liabilities					2,493	2,757
Total liabilities					11,702	8,993
Capital expenditure	153	265	686	1,772	839	2,037
Unallocated capital expenditure					69	153
Total capital expenditure					908	2,190
Depreciation	413	428	252	255	665	683
Unallocated depreciation					61	63
Total depreciation					726	746

7. Discontinued operation

In late 2007, the Group was advised by a customer that they have entered into an agreement to place their Electric Arc Furnace Dust (EAF Dust) with a competitor under economic consideration. In March 2008 the Group completed the treatment of the last batch of EAF Dust at Unanderra facility and ceased EAF Dust treatment and zinc sulphate production. The EAF Dust operation formed part of the Group's residues treatment business.

Notes to the financial statements

7. Discontinued operation (continued)

The EAF Dust operating results was not a discontinued operation as at 30 June 2007 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

The Group commenced modification to the EAF Dust processing plant in April 2008 to accommodate the lead product quality enhancement process. The Group is also studying the process to produce zinc sulphate from other feed material and expects a decision will be made in the first half of the 2009 financial year. There were no retirements or disposal of assets as a result of the cessation of the EAF Dust treatment operation.

In thousands of AUD	**2008**	**2007**
Results of discontinued operation		
Revenue	1,491	5,633
Expenses	(2,046)	(6,675)
Results from operating activities	(555)	(1,042)
Income tax credit	167	-
Profit/(loss) for the period	(388)	(1,042)
Basic earnings/(loss) per share (cents)	(0.12)	(0.35)
Diluted earnings/(loss) per share (cents)	(0.12)	(0.34)
Cash flows from (used in) discontinued operation		
Net cash from operating activities	302	(331)
Net cash from investing activities	1	(153)
Net cash from financing activities	-	179
Net cash from (used in) discontinued operation	303	(305)

8. Revenue

	Consolidated						**Company**	
In thousands of AUD	**Continuing operations**		**Discontinued operation (see note 7)**		**Total**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Sales	31,687	13,124	868	975	32,555	14,099	-	-
Services	1,461	1,248	623	4,658	2,084	5,906	205	20
	33,148	14,372	1,491	5,633	34,639	20,005	205	20

9. Other income

	Consolidated		**Company**	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Export market development grant	27	-	27	-
Amortisation of financial guarantee contract liabilities	-	-	33	-
Freight income	-	53	-	-
Options fee received	72	50	-	-
Other	31	10	6	-
	130	113	66	-

Notes to the financial statements

10. Personnel expenses

		Consolidated		Company	
In thousands of AUD	Note	2008	2007	2008	2007
Wages and salaries		2,784	1,798	828	751
Other associated personnel expenses		554	359	232	241
Contributions to defined contribution superannuation funds	23	599	358	275	224
Equity-settled share-based payment transactions	24	491	-	315	-
Increase in liability for directors' retirement		45	50	45	50
Increase in liability for annual leave		305	121	65	21
Increase in liability for long service leave		121	110	54	49
		4,899	2,796	1,814	1,336

11. Finance income and expense

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Recognised in profit and loss				
In thousands of AUD				
Interest income on bank deposits	94	68	88	67
Ineffective portion of changes in fair value of cash flow hedges	478	-	-	-
Net change in fair value of financial assets at fair value through profit or loss	1,100	-	-	-
Dividend income from subsidary	-	-	1,000	-
Foreign exchange gain	-	-	71	-
Finance income	1,672	68	1,159	67
Interest expense on financial liabilities measured at amortised cost	(390)	(342)	(81)	(37)
Ineffective portion of changes in fair value of cash flow hedges	-	(49)	-	-
Net change in fair value of financial assets at fair value through profit or loss	-	(375)	-	-
Net change in fair value of cash flow hedges transferred from equity	(150)	-	-	-
Net foreign exchange loss	(64)	(238)	-	(77)
Finance expense	(604)	(1,004)	(81)	(114)
Net finance income and expense	1,068	(936)	1,078	(47)
The above finance income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:				
Total interest income on financial assets	94	68	88	67
Total interest expenses on financial liabilities	(390)	(342)	(81)	(37)
Recognised directly in equity				
Effective portion of changes in fair value of cash flow hedges	-	(150)	-	-
Finance income recognised directly in equity, net of tax	-	(150)	-	-

Notes to the financial statements

12. Income tax expense

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current tax expense				
Current year	111	618	(1,317)	-
Adjustments for prior years	44	(12)	44	(12)
	155	606	(1,273)	(12)
Deferred tax expense				
Origination and reversal of temporary differences	401	95	736	-
Recognition of previously unrecognised temporary differences	(638)	(95)	(83)	-
Recognition of previously unrecognised tax losses	(1,257)	-	(1,257)	-
Adjustment due to change of accounting policy	-	-	-	(1,217)
Utilisation of previously unrecognised tax losses	(5)	(618)	(5)	-
	(1,499)	(618)	(609)	(1,217)
Total income tax benefit	(1,344)	(12)	(1,882)	(1,229)
Incomes tax benefit from continuing operations	(1,177)	(12)	(1,882)	(1,229)
Income tax benefit from discontinued operation	(167)	-	-	-
	(1,344)	(12)	(1,882)	(1,229)

Numerical reconciliation between tax-expense and pre-tax accounting profit

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Profit for the period	2,556	2,255	1,186	2,430
Total income tax benefit	(1,344)	(12)	(1,882)	(1,229)
Profit excluding income tax	1,212	2,243	(696)	1,201
Income tax using the Company's domestic tax rate of 30% (2007: 30%)	364	673	(209)	360
Non-assessable non-exempt loss	-	12	-	12
Non-deductible expenses	149	28	94	4
Current year loss utilised by the consolidated group	-	-	-	598
Non-assessable income	-	-	(465)	(974)
Other deductible expenses	(1)	-	(1)	-
Recognition of previously unrecognised temporary differences	(638)	(95)	(83)	-
Recognition of previously unrecognised tax losses	(1,257)	-	(1,257)	-
Adjustment due to change in accounting policy	-	-	-	(1,217)
Utilisation of previous unrecognised tax losses	(5)	(618)	(5)	-
	(1,388)	-	(1,926)	(1,217)
Under/(over) provided in prior years	44	(12)	44	(12)
Income tax benefit on pre-tax net profit	(1,344)	(12)	(1,882)	(1,229)

Notes to the financial statements

13. Property, plant and equipment

In thousands of AUD	Consolidated Land and buildings	Consolidated Plant and equipment	Consolidated Motor vehicles and office equipment	Consolidated Under construction	Consolidated Total	Company Plant and equipment	Company Motor vehicles and office equipment	Company Total
Cost or deemed cost								
Balance at 1 July 2006	6,131	5,232	679	1,345	**13,387**	157	493	**650**
Additions	933	1,066	191	-	**2,190**	-	153	**153**
Transferred to plant and equipment	-	1,345	-	(1,345)	**-**	-	-	**-**
Disposals	-	(58)	(131)	-	**(189)**	(157)	(100)	**(257)**
Balance at 30 June 2007	7,064	7,585	739	-	**15,388**	-	546	**546**
Balance at 1 July 2007	7,064	7,585	739	-	**15,388**	-	546	**546**
Additions	131	672	105	298	**1,206**	-	69	**69**
Disposals	-	(20)	(112)	-	**(132)**	-	(113)	**(113)**
Balance at 30 June 2008	7,195	8,237	732	298	**16,462**	-	502	**502**
Depreciation and impairment losses								
Balance at 1 July 2006	854	3,675	354	-	**4,883**	59	245	**304**
Depreciation for the year	96	579	71	-	**746**	11	53	**64**
Disposals	-	(25)	(54)	-	**(79)**	(70)	(51)	**(121)**
Balance at 30 June 2007	950	4,229	371	-	**5,550**	-	247	**247**
Balance at 1 July 2007	950	4,229	371	-	**5,550**	-	247	**247**
Depreciation for the year	108	540	81	-	**729**	-	61	**61**
Disposals	-	-	(36)	-	**(36)**	-	(36)	**(36)**
Balance at 30 June 2008	1,058	4,769	416	-	**6,243**	-	272	**272**
Carrying amounts								
At 1 July 2006	5,277	1,557	325	1,345	**8,504**	98	248	**346**
At 30 June 2007	6,114	3,356	368	-	**9,838**	-	299	**299**
At 1 July 2007	6,114	3,356	368	-	**9,838**	-	299	**299**
At 30 June 2008	6,137	3,468	316	298	**10,219**	-	230	**230**

Leased motor vehicles

The Group leases motor vehicles under a number of finance lease agreements. All leases provide the Group with the option to purchase the motor vehicles at a beneficial price. The leased motor vehicles secure lease obligations (see note 22). At 30 June 2008, the net carrying amount of leased motor vehicles was $256 thousand (2007: $308 thousand).

Security

To secure banking facilities all assets with a carrying amount of $28,653 thousand at 30 June 2008 (2007: $21,683 thousand) are subject to registered fixed and floating charges (see note 22).

Property, plant and equipment under construction

During the year ended 30 June 2008 the Group lodged a development application with the authorities to construct a secondary lead smelter on its Tomago site. Plant design and assessment of equipment were commenced with cost incurred up to the reporting date totalling $298 thousand (2007: nil).

Notes to the financial statements

14. Intangible assets

	Consolidated			Company		
In thousands of AUD	Hydroproc Process	Exploration and evaluation	Total	Hydroproc Process	Exploration and evaluation	Total
Cost						
Balance at 1 July 2006	2,217	382	2,599	-	-	-
Transferred to assets classified as held for sale	-	(382)	(382)	-	-	-
Balance at 30 June 2007	2,217	-	2,217	-	-	-
Balance at 1 July 2007	2,217	-	2,217	-	-	-
Transferred from assets classified as held for sale	-	382	382			
Balance at 30 June 2008	2,217	382	2,599	-	-	-
Amortisation and impairment losses						
Balance at 1 July 2006	1,554	-	1,554	-	-	-
Balance at 30 June 2007	1,554	-	1,554	-	-	-
				-	-	-
Balance at 1 July 2007	1,554	-	1,554	-	-	-
Balance at 30 June 2008	1,554	-	1,554	-	-	-
Carrying amounts						
At 1 July 2006	663	382	1,045	-	-	-
At 30 June 2007	663	-	663	-	-	-
At 1 July 2007	663	-	663	-	-	-
At 30 June 2008	663	382	1,045	-	-	-

Hydroproc process

Hydroproc process is the technology applied by the Group in its operations. Hydroproc process is classified as an indefinite life asset as the Group's cash-generating units are applying the technology to process the industrial residue and produce chemicals therefrom. Hydroproc process has been under continuous development to enhance its capability and efficiency.

The recoverable amount of Hydroproc process was estimated based on its value in use and was determined by discounting the future cash flows generated from the continuing use of Hydroproc process by the cash-generating units of the Group and was based on the following key assumptions:

- actual operating results;
- the five-year business plan; and
- a five percent growth rate for cash flows for a further fifteen-year period.

A pre-tax discount rate of 14 percent (2007: 12 percent) has been used in discounting the projected cash flows. The recoverable amount of the unit was determined to be higher than its carrying amount and no impairments were incurred during the financial year.

Notes to the financial statements

14. Intangible assets (continued)

Exploration and evaluation assets

The Stanton Prospect

The Stanton cobalt project is located in the Northern Territory and comprises an exploration license covering 275 square kilometres and a mining lease with an area extent of 1,650 ha.

Intensive exploration programs in the form of geophysical and geochemical surveys and drillings have been conducted by various parties since 1990. An indicated resource of 700,000 tonnes of cobalt mineral was estimated with inferred resources of over one million tonnes.

The recoverable amount of this cash-generating unit was estimated to be higher than the carrying amount of the unit and no impairment was required. The recoverability of the carrying amount of the exploration and evaluation asset is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

15. Other investments, including derivatives

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Non-current investment				
Investment in subsidiaries	-	-	13,595	13,384
Impairment loss	-	-	(5,000)	(5,433)
	-	-	8,595	7,951
Current investment				
Derivatives used for hedging	407	-	-	-

During the year the Company granted share-based payment to employees of two subsidiaries under the Employee Share Option Plan (ESOP). As the options were granted for the benefit of the subsidiaries, the fair value of the options granted amounted to $187 thousand (2007: nil) and is accounted for as investment in subsidiary.

During the year the Company issued a guarantee to secure a bank overdraft facility for a subsidiary. The fair value of the guarantee amounted to $24 thousand (2007: nil) and is accounted for as investment in subsidiary.

An impairment loss of $551 thousand (2007: $3,251 thousand) was reversed during the current financial year and included in the profit and loss as a write back to provision for inter-company loans and investments. The reversal is owing to the improvement in performance and net asset values of subsidiaries during the year under review.

The Group's exposure to credit and currency risks related to other investments is disclosed in note 28.

16. Tax assets and liabilities

The current tax liability for the Group of $143 thousand (2007: $14 thousand asset) and for the Company of $143 thousand (2007: $14 thousand asset) represents the amount of income taxes payable in respect of current and prior financial periods.

The current liability, excluding income tax receivable from the New Zealand tax authority of $12 thousand, includes the income tax payable by all members of the tax consolidated group.

Notes to the financial statements

16. Tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Deductible temporary differences	-	668	-	83
Tax losses	99	1,250	99	1,250
Unrealised capital losses	302	277	-	-
	401	2,195	99	1,333

The deductible temporary differences, tax losses and capital losses do not expire under current tax legislation. Deferred tax assets with respect to deductible temporary differences and tax losses are not recognised with respect to these items because it is not probable that future taxable profit will be available against which the Group and Company can utilise the benefits therefrom.

The deferred tax assets with respect to capital losses has not been recognised because it is not probable that future taxable capital gains will be available against which the Group can utilise the benefit therefrom.

During the year ended 30 June 2008 $1,895 thousand (2007: nil) of previously unrecognised deductible temporary differences and tax losses were recognised as management considered it probable that future taxable profits would be available against which they could be utilised. Management revised its estimates following the successful commissioning of the used lead battery processing plant and increased productivity of the selenium operation. The operating activities of these two operations were estimated to improve the future results of the Group.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	198	-	(297)	-	(99)	-
Provision and accrued entitlements	1,153	-	-	-	1,153	-
Accrued expenses	23	-	-	-	23	-
Tax loss carry-forwards	486	-	-	-	486	-
Other	65	-	(129)	-	(64)	
Net tax assets (liabilities)	1,925	-	(426)	-	1,499	-

Company	Assets		Liabilities		Net	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	9	-	-	-	9	-
Provision and accrued entitlements	110	-	-	-	110	-
Accrued expenses	15	-	-	-	15	-
Tax loss carry-forwards	486	-	-	-	486	-
Other	5	-	(16)	-	(11)	-
Net tax assets (liabilities)	625	-	(16)	-	609	-

Notes to the financial statements

16. Tax assets and liabilities (continued)

Movement in temporary differences during the year

	Balance 1 July 2006	Recognised in profit or loss	Recognised in equity	Balance 30 June 2007	Recognised in profit or loss	Recognised in equity	Balance 30 June 2008
Consolidated							
In thousands of AUD							
Property, plant and equipment	-	-	-	-	(99)	-	(99)
Provisions and accrued entitlements	-	-	-	-	1,153	-	1,153
Accrued expenses	-	-	-	-	23	-	23
Tax losses	-	-	-	-	486	-	486
Other	-	-	-	-	(64)	-	(64)
	-	-	-	-	1,499	-	1,499

	Balance 1 July 2006	Recognised in profit or loss	Recognised in equity	Balance 30 June 2007	Recognised in profit or loss	Recognised in equity	Balance 30 June 2008
Company							
In thousands of AUD							
Property, plant and equipment	-	-	-	-	9	-	9
Provisions and accrued entitlements	-	-	-	-	110	-	110
Accrued expenses	-	-	-	-	15	-	15
Tax losses	-	-	-	-	486	-	486
Other	-	-	-	-	(11)	-	(11)
	-	-	-	-	609	-	609

Movement in unrecognised deferred tax assets and liabilities during the year

	Balance 1 July 2006	Additions	Recognition	Balance 30 June 2007	Additions	Recognition	Balance 30 June 2008
Consolidated							
In thousands of AUD							
Deductible temporary differences	714	(46)	-	668	-	(668)	-
Tax losses	1,872	(622)	-	1,250	-	(1,151)	99
Unrealised capital losses	252	25	-	277	25	-	302
	2,838	(643)	-	2,195	25	(1,819)	401

	Balance 1 July 2006	Additions	Recognition	Balance 30 June 2007	Additions	Recognition	Balance 30 June 2008
Company							
In thousands of AUD							
Deductible temporary differences	83	-	-	83	-	(83)	-
Tax losses	1,872	(622)	-	1,250	-	(1,151)	99
	1,955	(622)	-	1,333	-	(1,234)	99

Notes to the financial statements

17. Inventories

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Raw materials and consumables	3,583	3,479	-	-
Work in progress	109	136	-	-
Finished goods	2,512	200	-	-
Inventories carried at fair value less costs to sell	6,204	3,815	-	-

In the 2008 financial year raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $19,505 thousand (2007: $5,687 thousand). Due to fluctuation of market price of the products and raw material $339 thousand (2007: nil) were written off in the reporting period and are included in raw materials and consumables used.

18. Trade and other receivables

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current				
Trade receivables	4,502	5,028	205	-
Other receivables	996	257	4	8
	5,498	5,285	209	8
Non-current				
Loans to subsidiaries	-	-	17,598	12,385
	-	-	17,598	12,385

Loans to subsidiaries shown net of impairment losses amount to $27,329 thousand (2007: $27,447 thousand) recognised in current and previous years, that arise from the net shareholder's funds of the subsidiaries being less than the loans due to the Company. The impairment loss reversed in the current year was $118 thousand (2007: $2,101 thousand).

Loans are made by the Company to wholly owned subsidiaries to fund their working capital. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 28.

19a. Cash and cash equivalents

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Bank balances	1,294	757	1,062	688
Call deposits	650	871	650	871
Cash and cash equivalents in the statement of cash flows	1,944	1,628	1,712	1,559

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

Notes to the financial statements

19b. Reconciliation of cash flows from operating activities

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities				
Profit for the period	2,556	2,255	1,186	2,430
Adjustments for:				
Depreciation	726	746	61	64
Amortisation of borrowing cost	4	-	4	
Scrapping of property plant and equipment	22	60	-	30
Effect of exchange rate fluctuations on cash held	(2)	4	(2)	4
Reversal of impairment losses on investment	-	-	(433)	(1,151)
Reversal of impairment losses on loans to subsidiaries	-	-	(118)	(2,101)
Fair value of guarantee classified as investment in subsidiary	-	-	(24)	(96)
Change in fair value of cash flow hedge	150	(150)	-	-
Equity-settled share-based payment transaction	502	-	315	-
Income tax benefit	(1,343)	-	(1,882)	(1,217)
Dividend income from subsidiary	-	-	(1,000)	-
Loss on sale of property, plant and equipment	14	29	14	29
Operating profit/(loss) before changes in working capital and provisions	2,629	2,944	(1,879)	(2,008)
Change in trade and other receivables	(1,969)	(2,805)	(198)	160
Change in inventories	(2,389)	(3,050)	-	1
Change in trade and other payables	491	1,744	15	(49)
Change in provisions and employee benefits	2,163	62	106	101
Net cash from/(used in) operating activities	925	(1,105)	(1,956)	(1,795)

Notes to the financial statements

20. Capital and reserves

Reconciliation of movement in capital and reserves

In thousands of AUD	Share capital	Hedging reserve	Compound instrument equity reserve	Equity compensation reserve	Accumulated losses	Total equity
Consolidated						
Balance at 1 July 2006	64,010	-	-	-	(55,000)	9,010
Effective portion of change in fair value of cash flow hedges	-	(150)	-	-	-	(150)
Profit for the year	-	-	-	-	2,255	2,255
Issue of ordinary shares	1,000	-	-	-	-	1,000
Issue of convertible note, net of tax	28	-	-	-	-	28
Share option exercised	547	-	-	-	-	547
Balance at 30 June 2007	65,585	(150)	-	-	(52,745)	12,690
Balance at 1 July 2007	65,585	(150)	-	-	(52,745)	12,690
Total recognised income and expense transferred to profit or loss	-	150	-	-	-	150
Profit for the year	-	-	-	-	2,556	2,556
Transfer to Compound instrument reserve	(28)	-	28	-	-	-
Issue of ordinary shares	1,714	-	-	-	-	1,714
Shares bought back and cancelled	(29)	-	-	-	-	(29)
Dividend to equity holders	-	-	-	-	(632)	(632)
Equity settled transactions, net of tax	-	-	-	502	-	502
Balance at 30 June 2008	67,242	-	28	502	(50,821)	16,951

Notes to the financial statements

20. Capital and reserves (continued)

Reconciliation of movement in capital and reserves (continued)

In thousands of AUD	Share capital	Hedging reserve	Compound instrument equity reserve	Equity compensation reserve	Accumulated losses	Total equity
Company						
Balance at 1 July 2006	64,010	-	-	-	(58,059)	5,951
Profit for the year	-	-	-	-	2,430	2,430
Issue of ordinary shares	1,000	-	-	-	-	1,000
Issue of convertible note, net of tax	28	-	-	-	-	28
Share option exercised	547	-	-	-	-	547
Adjustment due to change of accounting policy	-	-	-	-	480	480
Balance at 30 June 2007	65,585	-	-	-	(55,149)	10,436
Balance at 1 July 2007	65,585	-	-	-	(55,149)	10,436
Prior year adjustment	-	-	-	-	(1,696)	(1,696)
Profit for the year	-	-	-	-	1,186	1,186
Transfer to compound instrument reserve	(28)	-	28	-	-	-
Issue of ordinary shares	1,714	-	-	-	-	1,714
Shares bought back and cancelled	(29)	-	-	-	-	(29)
Dividend to equity holders	-	-	-	-	(632)	(632)
Equity settled transactions, net of tax	-	-	-	502	-	502
Balance at 30 June 2008	67,242	-	28	502	(56,291)	11,481

Share capital

	Ordinary Shares	
In thousands of shares	**2008**	**2007**
On issue at 1 July	315,466	295,298
Issued for cash	17,540	13,333
Shares bought back and cancelled	(178)	-
Exercise of share options	-	6,835
On issue at 30 June – fully paid	332,828	315,466

The Group has also issued share options and convertible notes (see note 22).

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Notes to the financial statements

20. Capital and reserves (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Compound instrument reserve

The compound instrument reserve comprises the equity portion of the convertible notes issued by the Company. The initial carrying amount of a compound financial instrument is allocated to its equity and liability components: the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Equity compensation reserve

The equity compensation reserve comprises the fair value of the options issued to employees as share based payment (see note 24).

Dividends

Dividends recognised in the current year by the Group are:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
2008				
Final 2007 ordinary	0.1	317	Franked	16 November 2007
Interim 2008 ordinary	0.1	315	Franked	28 March 2008
Total amount		632		

No dividends were recognised in 2007 financial year.

Franked dividends declared or paid during the year were franked at the tax rate of 30 percent.

After 30 June 2008 the directors proposed a fully franked final dividend of 0.1 cents per ordinary share for 2008. The dividends are payable on 14 November 2008. The total amount of the dividends payable is $333 thousand. The dividends have not been provided for. The declaration and subsequent payment of dividends has no income tax consequences.

The financial effect of the dividend has not been brought to account in the financial statements for the financial year ended 30 June 2008 and will be recognised in subsequent financial reports.

	Company	
In thousands of AUD	**2008**	**2007**
Dividend franking account		
30 percent franking credits available to shareholders of Hydromet Corporation Ltd for subsequent financial years	3,103	3,217

Notes to the financial statements

20. Capital and reserves (continued)

Dividends (continued)

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

a) franking credits that will arise from the payment of the current tax liabilities
b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $143 thousand (2007: $135 thousand). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $156 thousand (2007: nil) franking credits.

Shares reserved for issue under options

As 30 June 2008 the Company has 8,770,000 (2007: nil) listed options and 18,760,000 (2007: nil) employees' and directors' options on issue.

Each listed option entitles the holder to subscribe one ordinary share of the Company at $0.17 each on or before 30 June 2010.

Details of the employees' options are disclosed in note 24.

21. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $2,556 thousand (2007: $2,255 thousand) and a weighted average number of ordinary shares outstanding of 317,990 thousand (2007: 299,109 thousand), calculated as follows:

Profit attributable to ordinary shareholders

	Consolidated					
	2008			2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit/(loss) attributable to ordinary shareholders	2,944	(388)	2,556	3,297	(1,042)	2,255

Weighted average number of ordinary shares

		Consolidated	
In thousands of shares	Note	2008	2007
Issued ordinary shares at 1 July	20	315,466	295,298
Effect of share options exercised	20	-	1,948
Effect of share buy-back	20	(71)	-
Effect of shares issued in May 2008	20	2,595	-
Effect of shares issued in May 2007	20	-	1,863
Weighted average number of ordinary shares at 30 June	20	317,990	299,109

Notes to the financial statements

21. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2008 was based on profit attributable to ordinary shareholders of $2,594 thousand (2007: $2,272 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 4,500 thousand (2007: 4,500 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	Consolidated					
	2008			2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to ordinary shareholders (basic)	2,944	(388)	2,556	3,297	(1,042)	2,255
Interest expense on convertible notes, net of tax	38	-	38	17	-	17
Profit attributable to ordinary shareholders (diluted)	2,982	(388)	2,594	3,314	(1,042)	2,272

Weighted average number of ordinary shares (diluted)

		Consolidated	
In thousands of shares	Note	2008	2007
Weighted average number of ordinary shares (basic)		317,990	299,109
Effect of conversion of convertible notes	22	4,500	4,500
Weighted average number of ordinary shares (diluted) at 30 June		322,490	303,609

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

22. Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate, liquidity rate and foreign currency risk, see note 28.

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Current liabilities				
Secured bank loans	2,173	800	-	-
Finance lease liabilities	257	260	42	64
Debentures	-	1,633	-	-
	2,430	2,693	42	64
Non-current liabilities				
Finance lease liabilities	703	959	163	227
Convertible notes	417	413	417	413
Loans from subsidiaries	-	-	16,148	10,640
	1,120	1,372	16,728	11,280

Notes to the financial statements

22. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated				30 June 2008		30 June 2007	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loans	USD	5.50%	2008	2,173	2,173	800	800
Debentures	AUD	12.00%	2007-2008	-	-	1,650	1,633
Convertible notes	AUD	9.00%	2009	450	417	450	413
Finance lease liabilities	AUD	7.26%	2008-2012	960	960	1,219	1,219
Total interest-bearing liabilities				3,583	3,550	4,119	4,065

Company				30 June 2008		30 June 2007	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Convertible notes	AUD	9.00%	2009	450	417	450	413
Finance lease liabilities	AUD	7.80%	2008-2012	205	205	291	291
Loans from subsidiaries	AUD	free	no fixed terms	16,148	16,148	10,640	10,640
				16,803	16,770	11,381	11,344
Total interest-bearing liabilities				655	622	741	704
Total non interest-bearing liabilities				16,148	16,148	10,640	10,640

The bank loans are secured over registered second fixed and floating charges over all assets of Hydromet Corporation Limited and first fixed and floating charges over the assets of Hydromet Operations (Southern) Limited and Minmet Operations Pty Limited.

Convertible notes

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Proceeds from the issue of convertible notes	450	450	450	450
Transaction costs	(5)	(9)	(5)	(9)
Net proceeds	445	441	445	441
Amount classified as equity	(28)	(28)	(28)	(28)
Carrying amount of liability at 30 June	417	413	417	413

The amount of the convertible notes classified as equity of $28 thousand is not net of attributable transaction cost as it is immaterial.

The notes are convertible, at the option of the holder, to ordinary shares of the Company at the price of 10 cents per share on or at any time before their maturity. Unconverted notes become repayable on maturity.

Debentures

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Issue of debentures	-	1,650	-	-
Transaction costs capitalised	-	(17)	-	-
Carrying amount of liability at 30 June	-	1,633	-	-

Notes to the financial statements

22. Loans and borrowings (continued)

Debentures (continued)

The debenture holders have a fixed and floating charge over the assets of the Company. The Company has issued no debentures during the year.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Future Minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008	Future Minimum lease payments 2007	Interest 2007	Present value of minimum lease payments 2007
Consolidated						
Less than one year	317	60	257	341	81	260
Between one and five years	761	58	703	1,073	114	959
	1,078	118	960	1,414	195	1,219
The Company						
Less than one year	53	11	42	85	21	64
Between one and five years	175	12	163	249	22	227
	228	23	205	334	43	291

The Group's lease liabilities are secured by the leased assets of $2,064 thousand (2007: $2,284 thousand), as in the event of default, the leased assets revert to the lessor.

The Group motor vehicle finance lease liabilities of $240 thousand (2007: $309 thousand) expire from one to four years. At the end of the lease term, the Group has the option to purchase the motor vehicles at 0 to 50 per cent of original value, a price deemed to be a fair purchase option. The Group plant and equipment finance lease liability of $720 thousand (2007: $910 thousand) expires in five years. At the end of the lease term the Group is entitled to claim ownership of the assets.

23. Employee benefits

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current				
Salaries and wages accrued	52	77	19	17
Liability for annual leave	421	354	147	117
Liability for long service leave*	199	203	117	90
Total employee benefits - current	672	634	283	224
Non-current				
Liability for long service leave*	84	23	4	7
Liability for retirement benefit	88	44	88	44
Total employee benefits – non-current	172	67	92	51

* Adjustments have been made to comparative amounts for the liability for long service leave to accurately split the liability between current and non-current.

Notes to the financial statements

23. Employee benefits (continued)

Defined contribution superannuation funds

The Group makes contributions to several defined contribution funds nominated by the employees for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The funds are administered by independent corporate trustees.

The amount recognised as an expense was $614 thousand for the financial year ended 30 June 2008 (2007: $513 thousand).

Retirement benefit

All directors of the Company are entitled to receive a post-employment cash benefit at the date of their retirement as director of the Company. The benefit is calculated on $15,000 for each year, or pro rata for part of a year, of service as director of the Company commencing from 1 July 2006. This benefit, under all circumstances, will not exceed the payment limit calculated in accordance with S200G(2) of the Corporations Act 2001.

The amount recognised as an expense was $45 thousand for the financial year ended 30 June 2008 (2007: $50 thousand).

24. Share-based payments

The Company has an Employee Share Option Plan (ESOP) approved by the shareholders at the Company's annual general meeting on 29 September 2000.

The ESOP is available to all eligible employees to receive options over ordinary shares for no consideration. Each option is convertible to one ordinary share. The exercise price of the option is determined in accordance with the rules of the plan. The entitlement of each employee was determined by the board.

To be eligible, employees must be employed by any entity in the Group at the time of grant. Share options are issued in the name of the participating employee. All options are to be settled by physical delivery of shares.

On 3 December 2007, the Company granted 47 employees, including 6 key management personnel, with 20,000,000 options over ordinary shares for no consideration.

The terms and conditions of the grants are as follows:

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to employees on 3 December 2007	3,995,000	In service on grant date	2.5 years
Option grant to employees on 3 December 2007	1,997,500	In service on 1 July 2008	2.5 years
Option grant to employees on 3 December 2007	1,997,500	In service on 1 July 2009	2.5 years
Option grant to key management on 3 December 2007	6,005,000	In service on grant date	2.5 years
Option grant to key management on 3 December 2007	3,002,500	In service on 1 July 2008	2.5 years
Option grant to key management on 3 December 2007	3,002,500	In service on 1 July 2009	2.5 years
Total share options	20,000,000		

Since the grant of the options 2 employees and 1 key management personnel terminated their employment with the Group. According to the rule of the ESOP their option entitlements of 1,240,000 options expired on the date of termination.

Notes to the financial statements

24. Share-based payment (continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at 1 July	-	-	$0.08	15,315,000
Granted during the period	$0.1676	20,000,000	-	-
Exercised during the period	-	-	$0.08	6,835,000
Expired during the period	$0.1676	1,240,000	$0.08	8,480,000
Outstanding at 30 June	$0.1676	18,760,000	-	-
Exercisable at 30 June	$0.1676	9,380,000	-	-

The options outstanding at 30 June 2008 have an exercise price of $0.1676 and contractual life of 2.5 years.

No options were exercised during the year. The weighted average share price at the date of exercise for share options exercised in the 2007 financial year was $0.078.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Hull-White option-pricing model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Fair value of share options and assumptions	Key management personnel 2008	Key management personnel 2007	Employees 2008	Employees 2007
Fair value at grant date	$0.0535	-	$0.0535	-
Share price	$0.16	-	$0.16	-
Exercise price	$0.1676	-	$0.1676	-
Expected volatility (weighted average volatility)	48.3%	-	48.3%	-
Option life (expected weighted average life)	2.5 years	-	2.5 years	-
Expected dividends	0.6%	-	0.6%	-
Risk-free interest rate (based on government bonds)	6.75%	-	6.75%	-

Employee expenses

		Consolidated		Company	
In AUD		2008	2007	2008	2007
Share options granted in 2008 - equity settled		501,879	-	315,146	-
Allocated to discontinued operation		(10,728)	-	-	-
Total expense recognised as employee cost	10	491,151	-	315,146	-

25. Deferred income

Deferred income amounted to$12 thousand (2007: $77 thousand) was classified as current consists of customer advances for treatment fee in respect of unprocessed industrial residues received.

Notes to the financial statements

26. Provisions

In thousands of AUD	Site restoration	Waste disposal	Penalty payment	Price adjustment on sales	Total
Consolidated					
Balance at 1 July 2007	716	336	3	-	1,055
Provision used during the period	(23)	(177)	-	-	(200)
Provision made during the period	-	371	9	1,949	2,329
Provision reversed during the period	(133)	-	-	-	(133)
Balance at 30 June 2008	560	530	12	1,949	3,051
Non-current	-	-	12	-	12
Current	560	530	-	1,949	3,039
	560	530	12	1,949	3,051
The Company					
Balance at 1 July 2007	-	-	3	-	3
Provision made during the period	-	-	9	-	9
Balance at 30 June 2008	-	-	12	-	12
Non-current	-	-	12	-	12

Site restoration

A provision of $560 thousand was made in previous financial years in respect of environmental clean-up costs of a disposal pond located at the site of a subsidiary. The removal of the pond will improve the value of the site and it is the intention of the Company to carry out the work once resources are available.

The Group has an operation located at a client's site to provide on-site services to the client. Upon termination of the services, the site is to be returned to the client in original condition. A provision of $156 thousand was made in previous financial years in respect of the site restoration. During the 2008 financial year the Group reached an agreement with the client to terminate the services and the Group was released from any further obligation to restore the site. The Group has spent $23 thousand on site restoration during the year and an unused provision of $133 thousand was reversed.

Waste disposal

Hazardous by-products are produced during the manufacturing processes carried out by HydroMet Operations (Southern) Limited, MinMet Operations Pty Limited and HydroMet Operations Limited. The subsidiaries have established strict procedures to ensure that all such hazardous by-products are disposed of safely.

Provisions have been made for the estimated costs of disposal of these by-products on hand during the previous financial years. These provisions are sufficient to meet the disposal requirements of current environmental legislation. However, these operations are subject to rapidly changing environmental legislation in various jurisdictions and potential future obligations to meet changing environmental legislation. The directors are not aware of any impending changes to the disposal requirements or of any current breaches of legislation.

Penalty payment

In March 2007, the Company issued $450,000 convertible notes at their face value. The notes have a coupon rate of 9% per annum and mature in 30 months from date of issue. The notes are convertible to ordinary shares of the Company at the price of 10 cents per share on or at any time before their maturity. The notes will be redeemed at their face value on maturity if the holders fail to convert the notes to ordinary shares. A penalty payment of 5% of the face value of the notes will be paid to the holders on redemption if the Group fails to achieve a basic earning per share of 1 cent in 2009 financial year and the share price is less than ten cents. During the 2008 financial year the Company has provided $9 thousand for this penalty payment.

Notes to the financial statements

26. Provisions (continued)

Price adjustment on future sales

The Group engaged in sales of metal products with selling price subject to assay confirmation on arrival of the products at customers' works and the market price of the products quoted on agreed future quotation period. Provision for price adjustment on yet to agree assay and sales price transactions are recognised when the market price of the metal products are different from the provisional invoice price as at the reporting date. During the 2008 financial year the Group has provided $1,949 thousand (2007: nil) in respect of these sale transactions.

27. Trade and other payables, including derivatives

	Note	Consolidated		Company	
In thousands of AUD		**2008**	**2007**	**2008**	**2007**
Trade payables		1,939	2,117	59	73
Non-trade payables and accrued expenses		1,737	823	56	20
Derivatives used for hedging	28	-	155	-	-
Liabilities for financial guarantees		-	-	73	82
		3,676	3,095	188	175

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

The Company has guaranteed a finance lease liability and bank overdraft of a subsidiary. Under the terms of the financial guarantee contract, the Company or the Group will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and face values of the liabilities guaranteed were as follows:

In thousands of AUD	**Year of maturity**	**30 June 2008 Face value**	**30 June 2007 Face value**
Bank overdraft of subsidiary	Quarterly review	500	-
Finance lease liability of subsidiary	2011	1,043	1,043

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 36. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in note 36.

The method used in determining the fair value of these guarantees has been disclosed in note 4.

Notes to the financial statements

28. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount			
	Note	Consolidated		Company	
In thousands of AUD		**2008**	**2007**	**2008**	**2007**
Financial assets at fair value through profit or loss	15	407	-	-	-
Loans and receivables	18	5,498	5,285	17,807	12,393
Current tax assets	16	-	14	-	14
Cash and cash equivalents	19a	1,944	1,628	1,712	1,559
		7,849	6,927	19,519	13,966

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount			
	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Australia	1,816	1,494	-	-
Europe	1,587	520	-	-
Asia Pacific	1,074	2,815	205	-
Other regions	25	199	-	-
	4,502	5,028	205	-

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount			
	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Wholesale customers	352	1,808	-	-
Manufacturer customers	4,150	3,220	205	-
	4,502	5,028	205	-

The Group's most significant customer, a European smelter, accounts for $1,416 thousand of the trade receivables carrying amount at 30 June 2008 (2007: $262 thousand). Three subsidiaries account for $2,507 thousand, $14,497 thousand and $594 thousand (2007: $2,215 thousand, $10,557 thousand and $437 thousand) of the Company's loans carrying amount.

Impairment losses

The aging of the Group's trade receivables at the reporting date was:

In thousands of AUD	**Gross 2008**	**Impairment 2008**	**Gross 2007**	**Impairment 2007**
Not past due	3,829	-	4,940	-
Past due 0-30 days	673	-	-	-
Past due 31-120 days	-	-	88	-
	4,502	-	5,028	-

Notes to the financial statements

28. Financial instruments (continued)

The movement in the allowance for impairment in respect of loan and receivable during the year was as follows:

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Balance at 1 July	-	-	27,447	29,548
Impairment loss reversed	-	-	(118)	(2,101)
Balance at 30 June	-	-	27,329	27,447

Loans to subsidiaries shown net of impairment losses amount to $27,329 thousand (2007: $27,447 thousand) recognised in current and previous years, and arise from the net shareholder's funds of the subsidiaries that were less than the loans due to the Company.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 120 days which relates to customers that have a good credit history with the Group.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated
30 June 2008
In thousands of AUD

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Secured bank loans	2,173	2,204	2,204	-	-	-
Convertible notes	417	499	20	21	458	-
Finance lease liabilities	960	1,078	165	152	296	465
Trade and other payables	3,819	3,819	3,676	143	-	-
	7,369	7,600	6,065	316	754	465

30 June 2007
In thousands of AUD

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Secured bank loans	800	803	803	-	-	-
Convertible notes	413	540	20	21	41	458
Finance lease liabilities	1,219	1,414	172	172	409	661
Debentures	1,633	1,774	878	896	-	-
Trade and other payables*	2,940	2,940	2,940	-	-	-
Derivative financial liabilities						
Commodity swaps used for hedging	155	155	155	-	-	-
	7,160	7,626	4,968	1,089	450	1,119

* Excludes derivatives (shown separately).

Notes to the financial statements

28. Financial instruments (continued)

Company

30 June 2008

In thousands of AUD

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Loan from subsidiaries	16,148	16,148	-	-	-	-	16,148
Convertible notes	417	499	20	21	458	-	-
Finance lease liabilities	205	228	33	20	34	141	-
Trade and other payables	331	258	115	143	-	-	-
	17,101	17,133	168	184	492	141	16,148

30 June 2007

In thousands of AUD

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Loan from subsidiaries	10,640	10,640	-	-	-	-	10,640
Convertible notes	413	540	20	21	41	458	-
Finance lease liabilities	291	333	42	42	63	186	-
Trade and other payables*+	175	93	93	-	-	-	-
	11,519	11,606	155	63	104	644	10,640

* Excludes derivatives (shown separately).
+ Financial guarantee does not incur a contractual cash flow.

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

	2008			2007		
In thousand of AUD	Carrying amount	Expected cash flows	6 months or less	Carrying amount	Expected cash flows	6 months or less
Commodity swaps:						
Assets	407	407	407	-	-	-
Liabilities	-	-	-	(155)	(155)	(155)
	407	407	407	(155)	(155)	(155)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss.

	2008			2007		
In thousand of AUD	Carrying amount	Expected cash flows	6 months or less	Carrying amount	Expected cash flows	6 months or less
Commodity swaps:						
Assets	407	407	407	-	-	-
Liabilities	-	-	-	(155)	(155)	(155)
	407	407	407	(155)	(155)	(155)

Notes to the financial statements

28. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In thousand of AUD	AUD	USD	NZD	AUD	USD	NZD
		30 June 2008			30 June 2007	
Trade and other receivables	1,427	4,477	13	1,638	3,647	14
Loans and borrowings	(1,377)	(2,173)	-	(3,265)	(800)	-
Cash and cash equivalents	1,243	701	-	1,187	441	-
Trade and other payables	(2,964)	(907)	-	(2,326)	(691)	-
Gross balance sheet exposure	(1,671)	2,098	13	(2,766)	2,597	14
Estimated forecast sales	409	36,519	-	4,526	28,248	-
Estimated forecast purchases	(12,030)	(4,336)	-	(8,206)	(4,982)	-
Gross exposure	(11,621)	32,183	-	(3,680)	23,266	-
Net exposure	(13,292)	34,281	13	(6,446)	25,863	14

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

In thousand of AUD	AUD	USD	NZD	AUD	USD	NZD
		30 June 2008			30 June 2007	
Trade and other receivables	209	-	13	8	-	14
Loans and borrowings	(622)	-	-	(704)	-	-
Cash and cash equivalents	1,011	701	-	1,118	441	-
Trade and other payables	(277)	-	-	(110)	-	-
Loans to subsidiaries, net	1,450	-	-	1,745	-	-
Net balance sheet exposure	1,771	701	13	2,057	441	14

The Company and Group entered into forward exchange contracts during the financial year. As at 30 June 2008, there were no forward exchange contracts outstanding.

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
USD 1	1.1245	1.2995	1.0389	1.1783
NZD 1	0.8634	0.8933	0.7931	0.9070

Notes to the financial statements

28. Financial instruments (continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
USD	(210)	(210)	(70)	(70)
NZD	(1)	(1)	(1)	(1)
30 June 2007				
USD	(236)	(236)	(40)	(40)
NZD	(1)	(1)	(1)	(1)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	2008	2007	2008	2007
Fixed rate instruments				
Financial liabilities	(3,550)	(4,065)	(622)	(704)
Variable rate instruments				
Financial assets	1,944	1,628	1,712	1,559

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change in interest rates at the reporting date would not affect the Group's and Company's equity.

Notes to the financial statements

28. Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
Effect in thousands of AUD	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2008				
Variable rate instruments	19	(19)	19	(19)
Cash flow sensitivity	19	(19)	19	(19)
30 June 2007				
Variable rate instruments	16	(16)	16	(16)
Cash flow sensitivity	16	(16)	16	(16)

Metal price risk

Exposure to metal price risk

The Group's exposure to lead metal price risk at balance date was as follows:

	Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Commodity swap instruments				
Financial assets	407	-	-	-
Financial liabilities	-	(155)	-	-
	407	(155)	-	-

The following lead price applied during the year:

	Average price		Reporting date spot price	
In USD	**2008**	**2007**	**2008**	**2007**
Lead price per mt	2,891	1,695	1,736	2,647

	Maximum price		Minimum price	
In USD	**2008**	**2007**	**2008**	**2007**
Lead price per mt	3,975	2,660	1,736	976

Notes to the financial statements

28. Financial instruments (continued)

Fair value sensitivity analysis for commodity swap instruments

A 10 percent increase of lead price at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rate, remain constant. Management believe the 10 percent variation is a reasonable reflection of the expected lead price movement over the coming financial year after giving consideration to the price volatility in the past two years. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
Lead price	216	216	-	-
30 June 2007				
Lead price	62	62	-	-

A 10 percent decrease of lead price at 30 June would have had the equal but opposite effect on the equity and profit or loss by the amounts shown above, on the basis that all other variables remain constant.

Fair values

The fair values of financial assets and liabilities shown in the balance sheets are approximately their carrying amounts.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2008	2007
Derivatives	2.0%	5.5%
Loans and borrowings	8.0% - 12.0%	8.00% - 14.50%
Leases	7.2% - 8.8%	7.2% - 8.8%

29. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Less than one year	4	12	2	2
Between one and five years	8	4	-	2
	12	16	2	4

The Company and the Group lease a number of small items of capital equipment under operating leases. The leases typically run for a period of 3 to 5 years. None of the lease agreements include contingent rentals. During the year ended 30 June 2008 $12 thousand was recognised as an expense in the income statement in respect of operating leases (2007: $14 thousand).

Notes to the financial statements

30. Capital and other commitments

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	152	4	-	-

31. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote
Royalty payment
Under the terms of a royalty agreement entered into by a subsidiary, the Group has an obligation to pay a total of $600 thousand (2007: $600 thousand) to two parties if the Group decides to mine is made on an exploration and evaluation asset. A further royalty payment of 1% of the net smelter return generated from the sale of any mineral produced from the assets is payable to a party for a period of 10 years from the date on which commercial mining commences.

32. Related parties

Key management personnel compensation
The key management personnel compensation included in 'personnel expenses' (see note 10) is as follows:

	Consolidated		Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Short-term employee benefits	1,258,446	1,135,390	930,618	822,737
Long-term employee benefits	41,505	32,825	18,567	32,825
Post-employment benefits	137,261	134,903	113,540	110,323
Share-based payments	294,545	-	267,525	-
	1,731,757	1,303,118	1,330,250	965,885

Individual directors and executives compensation disclosures
Information regarding individual directors and executive compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions
A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Notes to the financial statements

32. Related parties (continued)

Other key management personnel transactions (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

In AUD		Transactions value year ended 30 June		Balance outstanding as at 30 June	
Related parties to key management personnel	**Transaction**	**2008**	**2007**	**2008**	**2007**
Mr TR Allen – Lenvat Pty Limited	Consulting	-	10,000	-	-
Mr SB Wolf – Tennant Limited	Sales revenue	-	29,040	-	29,040

The Company used the consulting services of Lenvat Pty Limited, a company significantly influenced by Mr TR Allen to provide advice over the issue of convertible notes. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

The Group sold chemical product to Tennant Limited, a company significantly influenced by Mr SB Wolf. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

From time to time, key management personnel of the Group, its subsidiaries or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Hydromet Corporation Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007	Granted as compensation	Exercised	Expired	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
Mr TR Allen	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Mr SH Kwan	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Dr LD Jayaweera	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Mr GW Wrightson	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Mr PS Tang	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Executives							
Mr IP Wilson	-	1,000,000	-	1,000,000	-	500,000	-
Mr P Segura	-	500,000	-	-	500,000	250,000	250,000
Mr BJ Wyborn	-	510,000	-	-	510,000	255,000	255,000

Notes to the financial statements

32. Related parties (continued)

Options and rights over equity instruments (continued)

	Held at 1 July 2006	Granted as compensation	Exercised	Expired	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors							
Mr TR Allen	2,000,000	-	(500,000)	(1,500,000)	-	500,000	-
Mr SH Kwan	2,000,000	-	-	(2,000,000)	-	500,000	-
Dr LD Jayaweera	2,000,000	-	(2,000,000)	-	-	500,000	-
Mr GW Wrightson	2,000,000	-	(2,000,000)	-	-	500,000	-
Mr PS Tang	2,000,000	-	(2,000,000)	-	-	500,000	-
Executives							
Mr P Segura	225,000	-	-	(225,000)	-	-	-
Mr BJ Wyborn	510,000	-	(100,000)	(410,000)	-	-	-

No options held by key management personnel are vested but not exercisable at 30 June 2008. No options were outstanding as at 30 June 2007.

In May 2008 four key management personnel had purchased in aggregate of 155,000 listed options (2007: nil) under the share purchase plan offered to all shareholders. Refer to the directors' report in page 5 for details.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Hydromet Corporation Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors					
Mr TR Allen	1,800,000	50,000	-	(1,500,000)	350,000
Mr SH Kwan	46,000	-	-	-	46,000
Dr LD Jayaweera	36,527,511	706,496	-	(4,720,000)	32,514,007
Mr GW Wrightson	1,078,300	60,000	-	-	1,138,300
Mr PS Tang	2,859,000	100,000	-	-	2,959,000
Executives					
Mr P Segura	138,000	-	-	-	138,000
Mr BJ Wyborn	130,000	30,000	-	-	160,000

	Held at 1 July 2006	Purchases	Received on exercise of options	Sales	Held at 30 June 2007
Directors					
Mr TR Allen	2,300,000	-	500,000	(1,000,000)	1,800,000
Mr SH Kwan	46,000	-	-	-	46,000
Dr LD Jayaweera	41,544,395	12,983,116	2,000,000	(20,000,000)	36,527,511
Mr GW Wrightson	578,300	-	2,000,000	(1,500,000)	1,078,300
Mr PS Tang	859,000	-	2,000,000	-	2,859,000
Executives					
Mr P Segura	138,000	-	-	-	138,000
Mr BJ Wyborn	30,000	-	100,000	-	130,000

No shares were granted to key management personnel during the period as compensation in 2007 or 2008.

Notes to the financial statements

32. Related parties (continued)

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries to fund their working capital. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2008, such loans to subsidiaries totalled $5,213 thousand (2007: $2,445 thousand).

For the financial year ended 30 June 2008, the following loans have been recognised as receivable/payable from/to subsidiaries:

In thousands of AUD

Subsidiary	Receivable	Impairment loss	Carrying amount
Hydromet Operations Limited	22,876	19,775	3,101
Hydromet Operations (Southern) Limited	14,497	-	14,497
Hydromet Operations (Tasmania) Limited	1	1	-
Hydromet Technologies Pty Limited	5,577	5,577	-
Enviromet Operations Limited	1,038	1,038	-
Hydromet Corporation Debenture Nominees Pty Limited	937	937	-
Hydromet Operations (NT) Pty Limited	1	1	-
	44,927	27,329	17,598

	Payable	Impairment loss	Carrying amount
Minmet Trust	13,628	-	13,628
Mineral Estates Limited	2,515	-	2,515
Kia Pacific Gold Pty Limited	5	-	5
	16,148	-	16,148

33. Group entities

	Country of incorporation	Ownership interest 2008 %	2007 %
Parent entity			
HydroMet Corporation Limited			
Significant subsidiaries			
HydroMet Operations (Southern) Limited	Australia	100	100
HydroMet Technologies Pty Limited	Australia	100	100
HydroMet Operations (NT) Pty Limited	Australia	100	100
HydroMet Operations (Tasmania) Pty Limited	Australia	100	100
Mineral Estates Pty Limited	Australia	100	100
Subsidiaries of which are:			
MinMet Operations Pty Limited	Australia	100	100
Kia Pacific Gold Pty Limited	Australia	100	100
HydroMet Operations Limited	Australia	100	100
Subsidiary of which is:			
Enviromet Operations Pty Limited	Australia	100	100
MinMet Unit Trust	Australia	100	100
Hydromet Corporation Debenture Nominees Pty Limited	Australia	100	100

In the financial statements of the Company investments in subsidiaries are measured at cost less impairment loss.

Notes to the financial statements

34. Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2008.

35. Auditors' remuneration

	Consolidated		Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	90,751	91,829	90,751	91,829
	90,751	91,829	90,751	91,829
Other regulatory audit services				
Auditors of the Company				
KPMG Australia				
Workers compensation review	-	1,050	-	1,050
Other services				
KPMG Australia				
Taxation compliance services	28,545	5,500	28,545	5,500
Research & development tax concession	15,037	-	15,037	-
Overseas KPMG Firms:				
Taxation services	5,960	12,019	5,960	12,019
	49,542	18,569	49,542	18,569

36. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the deed are:

- Hydromet Operations Limited
- Hydromet Operations (Southern) Limited
- Hydromet Operations (Tasmania) Limited
- Hydromet Operations (NT) Pty Limited
- Enviromet Operations Pty Limited
- Hydromet Corporation Debenture Nominees Pty Limited

Notes to the financial statements

36. Deed of cross guarantee (continued)

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2008 is set out as follows:

Summarised income statement and retained profits

	Consolidated	
In thousands of AUD	**2008**	**2007**
Profit before tax	3,151	1,108
Income tax benefit	1,569	12
Profit after tax	4,720	1,120
Accumulated losses at beginning of year	(57,539)	(58,659)
Prior year adjustment	15	-
Transfers to reserve	(28)	-
Dividend recognised during the year	(632)	-
Accumulated losses at end of year attributable to equity holders of the Company	(53,464)	(57,539)

Balance sheet	Consolidated	
In thousands of AUD	**2008**	**2007**
Assets		
Cash and cash equivalents	1,874	1,569
Trade and other receivables	5,420	3,174
Inventories	4,026	1,320
Total current assets	11,320	6,063
Investments in equity accounted investees	11,401	7,986
Property, plant and equipment	7,943	7,685
Deferred tax assets	1,591	-
Intangibles	663	663
Total non-current assets	21,598	16,334
Total assets	32,918	22,397
Liabilities		
Trade and other payables including derivatives	2,361	2,395
Loans and borrowings	246	1,887
Employee benefits	268	256
Current tax payable	143	-
Provisions	2,212	69
Total current liabilities	5,230	4,607
Loans and borrowings	12,713	9,519
Provisions	12	158
Deferred tax liabilities	366	-
Employee benefits	290	217
Total non-current liabilities	13,381	9,894
Total liabilities	18,611	14,501
Net assets	14,307	7,896
Equity		
Share capital	67,241	65,585
Reserves	530	(150)
Accumulated losses	(53,464)	(57,539)
Total equity	14,307	7,896

Notes to the financial statements

37. Change in accounting policy

Historically, the Hydromet tax consolidated group has not recognised deferred tax balances on the basis that it had a loss-making history and its forecast profitability was not sufficient to satisfy the probable criteria of AASB 112. At 30 June 2008, given changes to the Group's tax profile and the recognition of its deferred tax balances, the Group changed its accounting policy in relation to accounting for tax consolidation. As a result, 2007 comparatives required updating in accordance with AASB 108. From 2008 the Company will allocate the Group's current and deferred tax balances to the tax consolidated group members on the basis of their standalone tax positions (adjusted for inter company transactions as appropriate). Current tax liabilities and tax losses of subsidiary companies will then be transferred to the Company for consideration, through intercompany loan accounts.

The impact of the adjustment to 2007 comparative figures of the Company has been an increase of loan due from subsidiaries of $1,697 thousand, increase of income tax benefit of $1,216 thousand and a decrease in the accumulated losses of $480 thousand.

There was no impact on the comparative numbers for the Group.

Directors' declaration

1 In the opinion of the directors of Hydromet Corporation Limited (the "Company"):

(a) the financial statements and notes set out on pages 30 to 86 and the remuneration disclosures that are contained in the remuneration report in the Directors' report at paragraph 4.3.1 to 4.3.8 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the Group entities identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the managing director and finance director for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:

Dated at Unanderra this 28th day of August 2008.

Gregory Wrightson
Director

KPMG

Independent auditor's report to the members of Hydromet Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Hydromet Corporation Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes (1 to 37) and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial report of Hydromet Corporation Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 4.3.1 to 4.3.8 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hydromet Corporation Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

David Willcocks
Partner

Signed at Wollongong this 28th day of August 2008.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Hydromet Corporation Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

David Willcocks
Partner

Signed at Wollongong this 28th day of August 2008.

ASX additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 20 August 2008)

Substantial shareholders

The number of shares held by the substantial shareholders and their associates are set out below:

Shareholder	Number
Chemmet Pty Limited	32,514,007
HSBC Custody Nominees (Australia) Limited	17,515,500
Bradleys Polaris Pty Ltd	19,277,961

Voting rights

Ordinary shares

Refer to note 20 in the financial statements.

Options

There are no voting rights attached to the options.

Convertible notes

There are no voting rights attached to convertible notes.

Distribution of equity security holders

	Number of equity security holders		
Category	Ordinary shares	Options	Convertible notes
1 - 1,000	232	-	-
1,001 - 10,000	602	96	-
10,001 - 100,000	1,154	339	-
100,001 and over	447	43	2
	2,435	478	2

The number of shareholders holding less than a marketable parcel of ordinary shares is 632.

Unquoted equity securities

Convertible notes

As at 20 August 2008, convertible notes were held by:

	Number of Convertible notes held	Percentage of convertible notes held
Linkenholt Pty Limited	200,000	44.4
SSOR Pty Limited	250,000	55.6
	450,000	100.0

Unlisted employee and director options

As at 20 August 2008, 44 employees, including 5 directors, held 18,760,000 unlisted options on issue.

ASX additional information (continued)

Securities Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Sydney.

Other information

Hydromet Corporation Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

	Name	Number of ordinary shares held	Percentage of capital held
1	Chemmet Pty Limited	28,416,507	8.54
2	Bradleys Polaris Pty Ltd <Bradley S/F A/C>	19,277,961	5.79
3	HSBC Custody Nominees (Australia) Limited	17,515,500	5.26
4	Penswood Pty Ltd <Penswood Super Fund Account>	9,571,867	2.88
5	Picasso Holdings International Limited	8,500,000	2.55
6	Minemet Australasia Pty Ltd	7,132,057	2.14
7	Mrs Patricia Gladys Wright	5,900,000	1.77
8	Mr Paul Guerin	5,499,800	1.65
9	Rizzo Super Pty Ltd <Rizzo Super Fund A/C>	5,000,000	1.50
10	Chemmet Pty Limited <Super Fund A/C>	4,097,500	1.23
11	Sylvan Securities Pty Ltd <The Gray Super Fund Account>	4,010,000	1.20
12	Brian Gregory Wright & Wendy Joy Wright <B G Wright Super Fund A/C>	3,757,163	1.13
13	Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	3,723,782	1.12
14	Universal Magazines Pty Ltd	3,500,000	1.05
15	HNS Investments Pty Ltd	3,328,938	1.00
16	Citicorp Nominees Pty Limited	3,086,477	0.93
17	Mr Gordon Menzies Wilson	2,940,445	0.88
18	Mr Edmond Wing Kin Cheung & Mrs Eliza Siu Ling Cheung <Edmond & Eliza S/F A/C>	2,850,000	0.86
19	Jodeen Securities Pty Ltd	2,550,000	0.77
20	Mr John Charles Thomas Lee & Ms Anne Lynette Meier <The John Lee Super Fund A/C>	2,257,000	0.68
		142,914,997	42.93