

## **Chairman's Presentation at the 2007 Annual General Meeting on 30 November 2007**

Ladies and Gentlemen,

It is with great pleasure that I address you today to give you a brief update of the company's progress and forward strategy.

As you are aware the 2007 financial year has been very encouraging for us, with the delivery of an after tax profit of \$2.26 million on sales revenues amounting to \$19.6 million. A final dividend of 0.1 cents per share was paid to shareholders on 16 November 2007. Although the dividend was of a moderate amount, it marks a return of dividend payments to shareholders.

I believe the 2007 financial year is the beginning of a new era of solid growth and opportunity for the company.

We are also pleased to inform you that the 2008 financial year has also begun with extremely encouraging results, indicating sales revenue of \$13 million and pre-tax profit of \$2.2 million (unaudited) in the four months to October 2007.

During the four months to October the Company also redeemed \$0.8 million debentures with the intention to redeem the remaining balance by the end of 2008 financial year.

All our current core business activities are performing well, particularly lead recycling in Unanderra; selenium, tellurium and precious metal business units in Tomago. Needless to say, the recent strong lead and other metal prices are contributing significantly to the results. The encouraging performances would have not been possible if not for the following major favourable factors which I believe are the backbone of the Company. Those factors include our reputation; unique technical capabilities; creativeness; performance track record; multi-tasked and licensed processing facilities and finally our dedicated team.

In regard to our future, there are major challenges ahead for us. Your board takes a very cautious view that the current high metal prices may not be sustainable on a longer term basis. Therefore, HydroMet will take precautionary steps to face such an adverse business environment in order to maintain our long term sustainability and continue to grow the business into the future. We are taking a number of strategic actions to prepare for this situation.

As the priority, we hope to further strengthen and refine our existing core business activities so that we could weather any future uncertainties.

Some of the initial actions already taken include:

**1) Our Lead Recycling Business**

- 1.1 Approval to increase the through-put rate from current 12,000 to 36,000mt batteries/year. The battery recycling plant is designed to meet such a capacity. We are currently waiting for consent from the Wollongong City Council and expect a positive answer by early January 2008.
- 1.2 Process enhancements to produce higher quality lead feed products from the battery recycling plant and improve terms from our smelter customers.
- 1.3 Improve our overall processing efficiency and reduce operating costs.
- 1.4 Establish our own smelting operation to produce value added lead metals and alloys from our feed. We are currently progressing with the regulatory authorities to establish such a facility either at our site in Tomago or in an overseas location. Once the approvals are granted we will make a strategic decision on the most desirable location at the appropriate time.

**2) Our Selenium and Tellurium Activities**

- 2.1 Increase our selenium and tellurium product out-put and reduce our overall operating costs.
- 2.2 Produce value added and refined selenium related products to attract improved sales value.
- 2.3 Introduce and increase through put of more complex type feedstock to our plant by attracting more international clients.
- 2.4 Produce more value added products from our by-product streams including tellurium, copper and bismuth.

**3) The Stanton Prospect – Northern Territory**

- 3.1 You will be aware that the holder of a sale option on our Stanton Prospect cobalt reserve decided not to proceed with the sale in earlier this month.
- 3.2 The reserve and current cobalt price represents another opportunity for Hydromet to consider other strategies for the mining lease these include:
  - Further exploration of the lease to determine the full extent of the cobalt reserve.
  - Mining option with an experienced partner or develop with in-house expertise.
  - Separate IPO to develop the site with other reserve opportunities.


**4) Business Opportunities and Potential Acquisitions**

Explore with the view to acquire other strategic businesses such as metal processing, chemical manufacturing and waste management. The Company is constantly considering the development of new businesses from our current activities and facilities through technology research and development programs.

We strongly believe the strategies that are in place will further improve the shareholders value in time to come. We wish to see a rewarding year in 2008 and beyond.

Finally, I would like to thank you for your support that you have given us all these years.

Thank you once again.



Dr Lakshman Jayaweera  
Chairman/Technical Director