HydroMet
CORPORATION LIMITED
A.B.N. 71 002 802 646

19th February 2008

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

Dear Sir/Madam,

Re – December 2007 Half Year Results

The Board is pleased to announce an after tax profit of $3.56 million for the six months ended December 31st 2007 (compared to $0.34 million in the same period in 2006).

It is also our pleasure to announce the payment of an interim dividend of 0.1 cent per ordinary share. The Board resolved to suspend the Dividend Reinvestment Plan for this interim dividend payment.

The record profit reflects the successful advancement of the battery recycling project and continuing growth of the specialised selenium, tellurium and precious metals business. Solid production performance and revenue from the sale of lead and plastic products from the battery project, selenium, tellurium and precious metals along with high world metal prices have contributed to the positive result.

Although the lead price has stabilised below the October peak and cost of scrap battery feed has increased due to competition we expect continuing profits from the battery recycling project in 2008. Benefits from the recently approved increase in annual throughput of used batteries from 12,000 to 36,000 tonnes are expected to begin to flow during the half year to June 2008.

Over the next twelve months we plan to :

- progressively increase operating conditions and process enhancements for the used battery plant at Unanderra;
- continue to develop a wider customer base for our currently produced lead products;
- lodge a development application for a secondary lead smelter at the Newcastle facility at the same time considering two other location options;
- increase processing capacity for precious metal/selenium/tellurium residues at our Newcastle plant;
- implement novel process advancements to produce high purity selenium and tellurium products;

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- evaluate development options for cobalt recovery from the Stanton Prospect in the Northern Territory in light of increased demand and price for Cobalt, Copper and Nickel.. The indicated and inferred resource estimate at today's metal prices approximates an in situ value of AU$179 Million Further infill drilling along with other due diligence work under consideration may identify additional resources within the lease.
- conclude negotiations on prospective additional metal and waste treatment acquisition prospects.

We believe the Company is well placed to build on its success over the past twelve months and consolidate activities shifting away from reliance on project driven activities to long term sustainable business segments capable of greater development and contribution for the future.

Yours sincerely,

Gregory Wrightson
Managing Director

Appendix 4 D

Half year report

Name of entity: **HydroMet Corporation Limited**

1. Details of the reporting period

Current period: 1 July 2007 – 31 December 2007

Previous corresponding period: 1 July 2006 – 31 December 2006

2. Results for announcement to the market

				$A'000
2.1 Revenues from ordinary activities	up	202.5%	to	20,179
2.2 Profit from ordinary activities after tax attributable to members	up	936.4%	to	3,555
2.3 Net Profit attributable to members	up	936.4%	to	3,555

2.4 Dividends	Amount per security	Franked amount per security
Interim dividend	0.1 cents	0.1 cents
Final dividend	N/A	N/A

2.5 Record date for determining entitlements to dividends	14 March 2008

+ See chapter 19 for defined terms.

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 consolidated profit from ordinary activities for the half year ended 31 December 2007 attributable to equity holders of the Company was $3,555,000 (2006: $343,000).

In February 2008 the directors declared a fully franked interim dividend of 0.1 cents per ordinary share. The dividends are payable on or before 28 March 2008. The total amount of dividends payable is $315,288. The dividends have not been provided for in the accounts to 31 December 2007 as the dividends have been declared and will be paid in the second half of the financial year.

Key items of interest and activities are:

1. Unanderra NSW.

a. Battery Recycling Plant (BRP)

- The BRP continued to improve output and quality during the period with peak production and sales achieved in October 2007.
- Productivity of lead product was in accordance with forecast for the period. However margins exceeded our profit expectations due to historically high lead prices which peaked at US$3,970 per tonne in October before falling back to a monthly average of US$2,607 in January and moving up to an average of US$2,950 month to date February as a result of low London Metal Exchange (LME) lead metal stocks.
- An evergreen lead product supply agreement signed with a major European smelter in December 2007. Value at today's lead price is approximately AU$10 million per annum with scope for additional sales.
- Approval received in February 2008 to increase used lead acid battery annual processing limit from 12,000tpa to 36,000tpa.
- Additional used battery sources secured with further opportunity identified.
- Additional export clients identified for sale of our lead products.
- Specific process modifications introduced to optimise productivity and quality.
- Competition for scrap batteries resulted in an increased cost for feed in December compared to July 2007. We expect this competition to remain strong in the second half of the financial year.
- Objective of developing a wider customer base underway with significant interest from secondary lead smelters around the world.

b. Lead Smelter progress.

- The Company is committed to capitalise on lead recovered from used lead acid batteries and further recycle the product to produce lead metal in Australia by the construction of a secondary lead smelter.
- An Environmental Impact Statement is under preparation to support a smelter application for Hydromet's Newcastle facility.
- Development Application expected to be lodged in March 2008.
- Review process expected to take 3 to 4 months.
- Equipment specification and process criteria for construction of the 18,000tpa secondary lead smelter are in their final stages of preparation.
- Equipment supply sources have been identified with the supplier short list and quotation stage due for commencement in March.
- Two alternative locations have also been identified as prospective secondary lead smelter sites, one in Australia and another offshore.
- The Company is expecting that the secondary lead smelter will be commissioned by the end of calendar year 2009.

+ See chapter 19 for defined terms.

c. EAF Dust project

- The EAF dust treatment contracts with Onesteel and Smorgon Steel were completed in February 2008.
- Onesteel's acquisition of Smorgon Steel resulted in all EAF dust generated in Australia coming under Onesteel's control which decided to place the dust with a competitor at a significantly lower treatment fee than Hydromet was able to offer.
- We believe Hydromet's recycling process; producing zinc sulphate from zinc leached from the dust remains the only commercially proven recycling route for the EAF dust to date.
- Plant utilised for the processing of EAF dust/zinc sulphate is in the process of re-allocation to other revenue generating and battery recycling enhancement processes.

2. Newcastle NSW.

- The MinMet facility continues to produce selenium, tellurium and precious metal concentrates from smelter residues sourced from around the world.
- We are firmly established in the market as a toll processor and producer of high quality selenium product and precious concentrates.
- A continuing evergreen supply agreement for a selenium feed source underpins our production with additional selenium bearing sources identified and processed during the half year.
- The selenium price has remained stable with signs of uplift in demand in the June 2008 half year.
- We have increased access to selenium via purchasing a precious metal residue from a traditional client for whom we were acting as a toll processor only.
- We have established relationships with precious metal refiners for concentrates generated from our separation process.
- We have begun to produce tellurium concentrate also recovered from smelter residues. Tellurium is in high demand for solar cell production and its price is predicted to treble over the next three years.
- An in house research and development programme commenced in December 2007 to produce high purity selenium and tellurium products. Initial indications from the novel processes are excellent with work to identify the preferred process route expected to be completed in March 2008 quarter.
- Additional processing plant capacity is underway to permit and optimise production from a number of residue sources simultaneously.
- The Newcastle site with up to 5 acres of available land area is the ideal location for Hydromet's planned secondary lead smelter as outlined above.

3. The Stanton Prospect (Northern Territory)

- The sale option expired in November 2007.
- With the cobalt metal price soaring to record levels on the back of expected demand for rechargeable batteries to power hybrid motor vehicles the Company is re-evaluating development options for the resource.
- Based on the cobalt price today the in situ metal value of the mining lease approximates $179 million.
- Further exploration of the 275 sq km lease may reveal additional cobalt reserves.
- The evaluation of potential project structure options and recommendation timeframe is expected to be completed by June 2008.

4. Acquisition prospects.

- The Board is currently investigating two potential acquisitions which would add to the groups growing metals based business and ability to increase our waste treatment activities.
- Both prospects have the capacity to strengthen the group's long term sustainable business platform and are a strategic move away from project to continuing business based activities.
- Both prospects would be assimilated within the existing infrastructure contributing solid profits through individual potential but without the imposition of added overheads.

3. Net tangible assets per security

	31 December 2007	31 December 2006
Net tangible assets per share (cents)	4.92	2.78

4. Control gained or lost over entities during the period

N/A

5. Details of dividends/distributions

5.1	Date the dividend (distribution) is payable	28 March 2008
5.2	+Record date to determine entitlements to the dividend (distribution)	14 March 2008

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Date of payment
5.3	**Final dividend:** Current year	N/A	N/A	N/A	
5.4	Previous year	0.1 ¢	0.1 ¢	- ¢	16 November 2007
5.5	**Interim dividend:** Current year	0.1 ¢	0.1 ¢	- ¢	28 March 2008
5.6	Previous year	- ¢	- ¢	- ¢	

6. Details of dividend reinvestment plan

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

7. Details of associates and joint venture entities

N/A

8. Accounting Standards used by foreign entities

N/A

9. Qualification of audit/review

N/A

+ See chapter 19 for defined terms.

Hydromet Corporation Limited
ABN 71 002 802 646

31 December 2007

Interim Financial Report

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
Hydromet Corporation Limited
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 855 080

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

Hydromet Corporation Limited
For the six months ended 31 December 2007

Contents

Hydromet Corporation Limited

Directors' report

The directors present their report together with the consolidated financial report for the six months ended 31 December 2007 and the review report thereon.

Directors

The directors of the company at anytime during or since the end of the interim period are:

Name	**Period of directorship**
Non-executive	
Mr Timothy R Allen (Deputy Chairperson)	Director since 2001 - appointed Deputy Chairperson in February 2006
Mr Stephen H Kwan	Director since 1991
Executive	
Dr Lakshman D Jayaweera (Chairperson)	Director since 1991 - appointed Deputy Chairperson 2000 and Chairperson 2001
Mr Gregory W Wrightson	Director since 1998 - appointed Managing Director 2000
Mr Pipvide S Tang	Director from 1991 to 1996 and since 1997 - appointed Finance Director 2004

Review of operations

The consolidated profit from ordinary activities for the half year ended 31 December 2007 attributable to equity holders of the Company was $3,555,000 (2006: $343,000).

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Lead Auditor's Independence declaration

The lead auditor's independence declaration is set out on page 21 and forms part of the directors' report for the six months ended 31 December 2007.

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.

Dated at Wollongong this 19th day of February 2008.

Signed in accordance with a resolution of the directors:

GW Wrightson
Director

Hydromet Corporation Limited

Consolidated interim income statement
For the six months ended 31 December 2007

In thousands of AUD	Note	31 Dec 2007	31 Dec 2006
Revenue from sales of goods		18,935	3,697
Revenue from rendering of services		1,244	2,973
Total revenue		20,179	6,670
Other income		99	68
Change in inventories of finished goods & WIP		1,631	(247)
Raw materials and consumables used		(10,422)	(1,301)
Direct production costs		(3,687)	(2,042)
Personnel expenses		(3,173)	(1,716)
Depreciation and amortisation expenses		(330)	(279)
Consultants and professional services		(193)	(98)
Insurance expenses		(124)	(114)
Property rental and site costs		(62)	(52)
Net loss on sale of property, plant and equipment		(10)	-
Other expenses		(716)	(353)
Results from operating activities		3,192	536
Financial income		598	45
Financial expenses		(235)	(221)
Net financing costs		363	(176)
Profit before income tax		3,555	360
Income tax expense		-	(17)
Profit for the period		3,555	343
Earnings per share			
Basic earnings per share (cents)		1.127	0.116
Diluted earnings per share (cents)		1.120	0.116

The notes on pages 11 to 17 are an integral part of these consolidated interim financial statements.

Hydromet Corporation Limited

Consolidated interim statement of recognised income and expense
For the six months ended 31 December 2007

In thousands of AUD	**Note**	**31 Dec 2007**	**31 Dec 2006**
Net change in fair value of cash flow hedges transferred to profit or loss		135	(84)
Income and expense recognised directly in equity		135	(84)
Profit for the period		3,555	343
Total recognised income and expense for the period		3,690	259
Attributable to equity holders of the Company		3,690	259

Other movements in equity arising from transactions with owners as owners are set out in note 11. The amounts recognised directly in equity are disclosed gross of tax.

The notes on pages 11 to 17 are an integral part of these consolidated interim financial statements.

Hydromet Corporation Limited

Consolidated interim balance sheet
As at 31 December 2007

In thousands of AUD	Note	31 Dec 2007	30 June 2007
Assets			
Cash and cash equivalents		3,262	1,628
Trade and other receivables		5,138	5,285
Inventories		5,940	3,815
Prepayments		175	58
Other investments, including derivatives		1,500	-
Current tax assets	8	14	14
Assets classified as held for sale	7	-	382
Total current assets		16,029	11,182
Deferred tax assets	8	-	-
Property, plant and equipment	9	9,856	9,838
Intangible assets	10	1,046	663
Total non-current assets		10,902	10,501
Total assets		26,931	21,683
Liabilities			
Trade and other payables, including derivatives		3,796	3,095
Loans and borrowings	12	3,237	2,693
Employee benefits		414	431
Deferred income		52	77
Provisions		1,319	1,052
Total current liabilities		8,818	7,348
Loans and borrowings	12	1,223	1,372
Employee benefits		310	270
Provisions		7	3
Total non-current liabilities		1,540	1,645
Total liabilities		10,358	8,993
Net assets		16,573	12,690
Equity			
Share capital		66,094	65,585
Reserves		(15)	(150)
Accumulated losses		(49,506)	(52,745)
Total equity	11	16,573	12,690

The notes on pages 11 to 17 are an integral part of these consolidated interim financial statements.

Hydromet Corporation Limited

Consolidated interim statement of cash flows
For the six months ended 31 December 2007

In thousands of AUD	**31 Dec 2007**	**31 Dec 2006**
Cash flows from operating activities		
Cash receipts from customers	18,730	6,734
Cash paid to suppliers and employees	(16,654)	(6,756)
Cash generated from/(used in) operations	2,076	(22)
Interest paid	(185)	(149)
Interest received	45	45
Net cash generated from/(used in) operating activities	1,936	(126)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(381)	(1,828)
Proceeds from sale of property, plant and equipment	23	43
Net cash used in investing activities	(358)	(1,785)
Cash flows from financing activities		
Payment of finance lease liabilities	(171)	(36)
Dividend paid	(315)	-
Repayments of borrowings	(1,726)	(99)
Proceeds from borrowings	2,289	1,336
Net cash from financing activities	77	1,201
Net increase/(decrease) in cash and cash equivalents	1,655	(710)
Cash and cash equivalents at 1 July	1,628	2,474
Effect of exchange rate fluctuations on cash held	(21)	(11)
Cash and cash equivalents at 31 December	3,262	1,753

The notes on pages 11 to 17 are an integral part of these consolidated interim financial statements.

Hydromet Corporation Limited

Notes to the consolidated interim financial statements

1 Reporting entity

Hydromet Corporation Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Lot 3, Five Islands Road, Unanderra, NSW 2526 or at **www.hydromet.com.au**

2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2007.

The consolidated interim financial report was approved by the Board of Directors on 19 February 2008.

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

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

The Group has adopted AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* (April 2007) (AASB 2007-4). The adoption has no impact on the financial results of the Group.

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

4 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

5 Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

6 Segment reporting

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 all components within.

For the six months ended 31 December

	Residues treatment		**Used battery**		**Consolidated**	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Total external revenues	7,803	6,455	12,376	215	20,179	6,670
Total segment revenues	7,803	6,455	12,376	215	20,179	6,670
Segment result	1,424	1,321	3,328	96	4,752	1,417
Unallocated expenses					(1,560)	(881)
Results from operating activities					3,192	536
Net finance incomes/(costs)					363	(176)
Income tax expense					-	(17)
Profit for the period					3,555	343

7 Assets held for sale

Exploration and evaluation assets

The Stanton Prospect

The Company entered into an option agreement with an independent third party in November 2006 for the potential sale of the Stanton Prospect exploration and mining leases. Subject to certain amount of expenditures being spent by the party on the Stanton Prospect during the option period the party had the right to exercise the option to acquire the leases on or before 31 October 2007. In November 2007 the party decided not to exercise the option.

The Stanton Prospect was classified as assets held for sale as at 30 June 2007 and it was reclassified under intangible asset as at 31 December 2007.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

8 Income tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2007 was 0 percent (for the year ended 30 June 2007: 0 percent; for the six months ended 31 December 2006: 0 percent). The 0 percent effective tax rate for the six months ended 31 December 2007 was due to utilisation of carried forward tax losses.

9 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2007 the consolidated entity acquired assets with a cost of $381 thousand (six months ended 31 December 2006: $1,828 thousand).

Assets with a carrying amount of $33 thousand were disposed of during the six months ended 31 December 2007 (six months ended 31 December 2006: $79 thousand), resulting in a loss on disposal of $10 thousand (six months ended 31 December 2006: loss of $37 thousand).

Capital commitments

During the six months ended 31 December 2007 the Group issued purchase orders to purchase property, plant and equipment for $169 thousand (six months ended 31 December 2006: $32 thousand); delivery is expected in the first quarter of 2008.

10 Intangible assets

Hydroproc process

The 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 industrial residue and produce chemical therefrom. Hydroproc process has been under continuous development to enhance its capability and efficiency. The recoverable amount of the Hydroproc process cash-generating unit was estimated based on its value in use and was determined by discounting the future cash flows generated from the continuing use of the unit 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 15 percent (2006: 15 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 interim period.

Exploration and evaluation assets

The Stanton Cobalt project is located in the Northern Territory and comprises exploration license covering 115 square kilometres and mining lease with an areal extent of 1,650 ha.

Intensive exploration programs in the form of geophysical and geochemical surveys and drillings were 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 exploration and evaluation asset is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

11 Capital and reserves

Reconciliation of movements in capital and reserves

In thousands of AUD	**Share capital**	**Hedging reserve**	**Accumulated losses**	**Total equity**
Consolidated				
Balance at 1 July 2006	64,010	-	(55,000)	9,010
Total recognised income and expense	-	(84)	343	259
Balance at 31 December 2006	64,010	(84)	(54,657)	9,269
Balance at 1 July 2007	65,585	(150)	(52,745)	12,690
Total recognised income and expense	-	135	3,555	3,690
Dividends to equity holders	-	-	(316)	(316)
Share-based payments (net of tax)	509	-	-	509
Balance at 31 December 2007	66,094	(15)	(49,506)	16,573

12 Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2007:

		Interest rate				
In thousands of AUD	**Currency**	**nominal**	**effective**	**Face value**	**Carrying amount**	**Year of maturity**
Balance at 1 July 2007				4,119	4,065	
New issues						
Secured bank loans	USD	7.9%	7.9%	1,979	1,979	2008
Finance lease liabilities	AUD	7.8%	7.8%	312	310	2008-2011
Convertible notes – amortisation of capitalised transaction costs	AUD	9%	11%	2	2	2009
Repayments						
Secured bank loans	USD	8%	8%	799	799	
Debentures	AUD	12%	12.4%	800	791	
Finance lease liabilities	AUD	7.8%	7.8%	306	306	
Balance at 31 December 2007					4,460	

13 Share-based payments

In December 2007 the Group issued 20 million share options under the Employee Share Option Plan and Executive Share Option Plan that entitle key management personnel and employees of the Group to purchase shares in the entity.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to directors on 3 December 2007	10,000,000	50% vest on date of grant; 25% vest on 1 July 2008 and 25% vest on 1 July 2009	2.5 years
Option grant to employees on 3 December 2007	10,000,000	50% vest on date of grant; 25% vest on 1 July 2008 and 25% vest on 1 July 2009	2.5 years
Total share options	20,000,000		

Fair value of share options and assumptions for the six months ended 31 December 2007:

Fair value at grant date	\$0.0535
Share price	\$0.1676
Exercise price	\$0.1676
Expected volatility (expressed as weighted average volatility used in the modelling under option-pricing model)	48.3%
Option life (expressed as weighted average life used in the modelling under option-pricing model)	2.5 years
Expected dividends	0.6%
Risk-free interest rate (based on government bonds)	6.75%

14 Contingencies

Contingent liabilities not considered remote

Royalty payment

Under the terms of a royalty agreement entered into by a subsidiary, the consolidated entity has an obligation to pay a total of \$0.6 million (2006: \$0.6 million) to two parties if a decision 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.

15 Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits and post-employment benefits.

Other related party transactions

	Transaction value		**Balance outstanding**	
	Six months ended			
In thousands of AUD	**31 Dec 2007**	**31 Dec 2006**	**31 Dec 2007**	**30 June 2007**
Expenses				
Directors – inventory purchase	-	26	-	-
Sales revenue				
Directors – sale of goods	-	-	-	29

16 Subsequent event

Subsequent to 31 December 2007 the selective buy back offer made by the Company on 24 December 2007 was closed with 133 shareholders accepted the offer. The total number of shares to be bought back was 177,638 shares with total consideration of $29,666. According to the terms of the offer the shares bought back were cancelled in February 2008.

Hydromet Corporation Limited

Directors' declaration

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

1. the financial statements and notes set out on pages 7 to 17, are in accordance with the Corporations Act 2001, including:
   a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the six month period ended on that date; and
   b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 19th day of February 2008.

Signed in accordance with a resolution of the directors:

GW Wrightson
Director

Independent auditor's review report to the members of HydroMet Corporation Limited

Report on the financial report

We have reviewed the accompanying interim financial report of HydroMet Corporation Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, condensed income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 16 and the directors' declaration set out on page 18 of the Consolidated Entity comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of HydroMet Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of HydroMet Corporation Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

KPMG

Warwick Shanks
Partner

Signed in Wollongong this 19th day of February 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 review for the half-year ended 31 December 2007 there have been:

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

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

KPMG

KPMG

Warwick Shanks
Partner

Signed in Wollongong this 19th day of February 2008.