

## Appendix 4 D

### *Half year report*

Name of entity: **HydroMet Corporation Limited**

#### 1. Details of the reporting period

Current period: 1 July 2008 – 31 December 2008

Previous corresponding period: 1 July 2007 – 31 December 2007

#### 2. Results for announcement to the market

				\$A'000
2.1 Revenues from ordinary activities	down	49.8%	to	10,058
2.2 (Loss) from ordinary activities after tax attributable to members	N/A	N/A	to	(2,796)
2.3 Net (Loss) attributable to members	N/A	N/A	to	(2,796)
2.4 Dividends	Amount per security		Franked amount per security	
Interim dividend	NIL		NIL	
Final dividend	N/A		N/A	
2.5 Record date for determining entitlements to dividends				N/A

+ 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 loss from ordinary activities for the half year ended 31 December 2008 attributed to equity holders of the company is \$2,796,000 (\$3,555,000 profit 31 December 2007).**

**Given the dramatic events experienced across the commodities and financial markets during the December half year and indications going forward, we expect business conditions to remain challenging throughout 2009. However we are adapting to changing circumstances as they emerge. Cash reserves remain a principal focus with close monitoring and attention to current and future anticipated requirements.**

Key factors which affected the results and our activities were:

**1. Unanderra NSW.**

Battery recycling plant (BRP)

- A fall of 50% in the lead price from early July to December adversely affected profitability of lead products generated and sold over the period.
- Similarly lead price settlement terms on sales made in the declining market exacerbated the result.
- The parallel decline in the AUD exchange rate was able to offset some of the price fall in lead during the six months to December 2008.
- Production throughput has been in accordance with our plan.
- We have successfully signed supply agreements with two substantial German based smelters which will absorb our entire planned output for calendar year 2009 with ongoing options beyond the initial 12 month period.
- Battery collections settled to more realistic arising levels after the strong activity experienced during our start up year in 2007.
- We continue to develop a diverse network to feed our recycling plant and in preparation for the planned secondary lead smelter.
- Scrap battery pricing remains strong as we compete with the existing secondary lead smelter for feed.
- Recycling of the battery components includes the sale of polypropylene casings from the batteries to a plastic recycling operation and use of the waste acid to produce zinc sulphate at our Unanderra plant.
- Plant pilot trials have been completed to evaluate the benefits of utilising some of our lead product to produce lead nitrate, used in gold mining and which is imported into Australia. Our objective is product diversity and will assist to offset low lead prices. Lead nitrate attracts a premium on the LME lead price.

Secondary lead smelter

- We have received development approval for the 18,000 tonne per annum secondary lead smelter in January 2009.

+ See chapter 19 for defined terms.

- The smelter will consume up to 33,000 tonnes per annum of scrap batteries and produce approximately 18,000 tonnes of lead.
- Implementation of the secondary smelter will enable us to obtain full value for the lead produced whereas under the present sale of lead products revenues generated are sold at a discount on the LME lead price.
- The smelter will employ up to 27 personnel at our existing Tomago site.
- Actual timing and funding arrangements will be finalised by the end of the March quarter 2009.
- Our objective is mid 2010 for commissioning of the smelter.

**2. Tomago NSW**

- Selenium pricing has also been affected by the general commodity prices decline over the period.
- Demand for selenium also declined in the December quarter.
- We have devoted effort to developing and improving product quality for tellurium which we also recover from precious metal bearing residues processed at our Tomago plant.
- Tellurium demand has increased with application in the solar panel manufacturing industry.
- Tellurium pricing is strong and expected to remain so during 2009.
- Additional selenium/tellurium residue feed sources secured for the June half year production plan.
- Further precious metal refinement evaluation to be conducted at the Tomago plant. The object is again to maximise metal value returns and facilitate diverse product options for these activities.

**3. The Stanton Prospect (Northern Territory)**

- Cobalt pricing and demand has also fallen during the six months to December.
- We have no intention to devote further funds to exploration over the next six months.

**4. Acquisition prospects.**

The Board continues to explore and evaluate potential acquisition/merger prospects and believes that the opportunity for increased activity in this area will emerge in 2009 as companies rationalise and consolidate under the tough business conditions which are expected to continue.

**3. Net tangible assets per security**

	<b>31 December 2008</b>	<b>31 December 2007</b>
Net tangible assets per share (cents)	3.88	4.92

+ See chapter 19 for defined terms.

**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	N/A
5.2	+Record date to determine entitlements to the dividend (distribution)	N/A

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Date of payment
5.3	<b>Final dividend:</b> Current year	N/A	N/A	N/A	
5.4	Previous year	0.1 ¢	0.1 ¢	- ¢	14 November 2008
5.5	<b>Interim dividend:</b> Current year	- ¢	- ¢	- ¢	
5.6	Previous year	0.1 ¢	0.1 ¢	- ¢	28 March 2008

**6. Details of dividend reinvestment plan**

At 31 December 2008 there was a dividend reinvestment plan in operation for Hydromet Corporation Limited. Since no interim dividends were declared, the dividend reinvestment plan has no implication to the current period.

**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

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+ See chapter 19 for defined terms.

**Hydromet Corporation Limited  
and controlled entities**

ABN 71 002 802 646

**31 December 2008**

**Interim Financial Report**

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**OFFICE AND OFFICERS**

**Principal Registered Office**

Lot 3 Five Islands Road  
Unanderra NSW 2526

Telephone: 02 4271 1822  
Facsimile: 02 4271 6151  
Web: [hydromet.com.au](http://hydromet.com.au)

**Company Secretary**

Mr Pipvide S Tang, MBA, CPA

**Office**

**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**

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

Telephone: 02 9290 9600  
Facsimile: 02 9279 0664  
Email: [registries@registries.com.au](mailto:registries@registries.com.au)  
Web: [registries.com.au](http://registries.com.au)

**Auditor**

HLB Newhouse  
Level 1  
65 Kembla Street  
Wollongong NSW 2500

Telephone: 02 42546500  
Facsimile: 02 42262371  
Web: [hlbnewhouse.com.au](http://hlbnewhouse.com.au)

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

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## Hydromet Corporation Limited and controlled entities ABN 71 002 802 646

### Directors' Report

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2008.

### Directors

The names of directors who held office during or since the end of the half-year:

Mr Timothy R Allen	- Deputy Chairperson, Independent Non-Executive Director
Mr Stephen H Kwan	- Non-Executive Director
Dr Lakshman D Jayaweera	- Executive Chairperson
Mr Gregory W Wrightson	- Managing Director
Mr Pipvide S Tang	- Finance Director

### Review of Operations

The consolidated loss from ordinary activities for the half year ended 31 December 2008 attributed to equity holders of the company is \$2,796,000 (\$3,555,000 profit 31 December 2007).

Given the dramatic events experienced across the commodities and financial markets during the December half year and indications going forward, we expect business conditions to remain challenging throughout 2009. However we are adapting to changing circumstances as they emerge. Cash reserves remain a principal focus with close monitoring and attention to current and future anticipated requirements.

Key factors which affected the results and our activities were:

#### 2. Unanderra NSW

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## Hydromet Corporation Limited and controlled entities ABN 71 002 802 646

### Directors' Report Continued

#### *Secondary lead smelter*

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#### **4. Acquisition Prospects**

The Board continues to explore and evaluate potential acquisition/merger prospects and believes that the opportunity for increased activity in this area will emerge in 2009 as companies rationalise and consolidate under the tough business conditions which are expected to continue.

### **Rounding of Amounts**

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Directors' Report Continued**

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on page 7 for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the Board of Directors.

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

GW Wrightson  
Director

Dated this 19th day of February 2009

## AUDITOR'S INDEPENDENCE DECLARATION

**To the Directors of HydroMet Corporation Limited and controlled entities ABN 71 002 802 646:**

As lead auditor for the audit of HydroMet Corporation Limited for the period ended 31 December 2008 I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HydroMet Corporation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'A. J. Newhouse'.

**Andrew J Newhouse**  
**Partner**

**HLB Newhouse**

Dated this 19th day of February 2009 at Wollongong

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Condensed Income Statement for the Half-year Ended 31 December 2008**

	Note	Consolidated Group	
		31.12.2008	31.12.2007
		\$000	\$000
Revenue from sales of goods		9,262	18,935
Revenue from rendering of services		796	1,244
Total revenue from continuing operations		10,058	20,179
Other income		9	99
Change in inventories of finished goods & WIP		(1,182)	1,631
Raw materials and consumables used		(7,021)	(10,422)
Direct production costs		(3,346)	(3,687)
Personnel expenses		(3,014)	(3,173)
Depreciation and amortisation expenses		(464)	(330)
Consultants and professional services		(188)	(193)
Insurance expenses		(135)	(124)
Property rental and site costs		(72)	(62)
Net loss on sale of property, plant and equipment		-	(10)
Net financial income		1,825	363
Other expenses		(368)	(716)
<b>(Loss)/profit before income tax</b>		<b>(3,898)</b>	<b>3,555</b>
Income tax expense		1,102	-
<b>(Loss)/profit for the period attributable to members of the parent entity</b>	2	<b>(2,796)</b>	<b>3,555</b>
<b>Overall operations</b>			
Basic earnings per share (cents per share)		(0.840)	1.127
Diluted earnings per share (cents per share)		(0.823)	1.120

The condensed income statement should be read in conjunction with the accompanying notes.

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Condensed Balance Sheet as at 31 December 2008**

	Note	Consolidated Group	
		31.12.2008	30.06.2008
		\$000	\$000
<b>Assets</b>			
Cash and cash equivalents		3,414	1,944
Trade and other receivables		2,745	5,498
Inventories		6,410	6,204
Prepayments for current assets		301	1,411
Other investments, including derivatives		-	407
<b>Total current assets</b>		12,870	15,464
Deferred tax assets		3,468	1,925
Property, plant and equipment		10,062	10,219
Intangible assets		1,153	1,045
<b>Total non-current assets</b>		14,683	13,189
<b>Total assets</b>		27,553	28,653
<b>Liabilities</b>			
Trade and other payables, including derivatives		4,201	3,676
Short-term financial liabilities		3,834	2,430
Employee benefits		740	672
Current tax payable		112	143
Deferred income		32	12
Short-term provisions		2,533	3,039
<b>Total current liabilities</b>		11,452	9,972
Long-term financial liabilities		927	1,120
Employee benefits		235	172
Deferred tax liabilities		866	426
Long-term provisions		17	12
<b>Total non-current liabilities</b>		2,045	1,730
<b>Total liabilities</b>		13,497	11,702
<b>Net assets</b>		14,056	16,951
<b>Equity</b>			
Issued capital		67,241	67,242
Reserves		764	530
Accumulated losses		(53,949)	(50,821)
<b>Total equity</b>		14,056	16,951

The condensed balance sheet should be read in conjunction with the accompanying notes.

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Condensed Statement of Changes in Equity for the Half-year Ended 31 December 2008**

	\$000	\$000	\$000	\$000	\$000	\$000
Note	Issued capital ordinary	Hedging reserve	Compound instrument equity reserve	Equity compen- sation reserve	Accumu- lated losses	Total
<b>Balance at 1.7.2007</b>	65,585	(150)	-	-	(52,745)	12,690
Profit attributable to members of parent entity	-	135	-	-	3,555	3,690
Dividend paid	-	-	-	-	(316)	(316)
Share-based payments	509	-	-	-	-	509
<b>Balance at 31.12.2007</b>	<u>66,094</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>(49,506)</u>	<u>16,573</u>
<b>Balance at 1.7.2008</b>	67,242	-	28	502	(50,821)	16,951
Share-based payments	-	-	-	233	-	233
(Loss) attributable to members of parent entity	-	-	-	-	(2,796)	(2,796)
Dividend paid	-	-	-	-	(332)	(332)
<b>Balance at 31.12.2008</b>	<u>67,242</u>	<u>-</u>	<u>28</u>	<u>735</u>	<u>(53,949)</u>	<u>14,056</u>

The condensed statement of changes in equity should be read in conjunction with the accompanying notes.

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Condensed Cash Flow Statement for the Half-year Ended 31 December 2008**

	<b>Consolidated Group</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	16,278	18,709
Payments to suppliers and employees	(15,120)	(16,654)
Income tax paid	(31)	-
Finance costs	(154)	(185)
Interest received	35	45
<b>Net cash from operating activities</b>	<u>1,008</u>	<u>1,915</u>
<b>Cash flows from investing activities</b>		
Purchase of non-current assets	(414)	(381)
Proceeds from sale of non-current assets	-	23
<b>Net cash used in investing activities</b>	<u>(414)</u>	<u>(358)</u>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(184)	(171)
Dividends paid	(332)	(315)
Repayments of borrowings	-	(1,726)
Proceeds from borrowings	1,392	2,289
<b>Net cash from financing activities</b>	<u>876</u>	<u>77</u>
Net increase/(decrease) in cash held	1,470	1,634
Cash and cash equivalents at the beginning of the half year	<u>1,944</u>	<u>1,628</u>
Cash and cash equivalents at the end of the half year	<u>3,414</u>	<u>3,262</u>

The condensed cash flow statement should be read in conjunction with the accompanying notes.

## Hydromet Corporation Limited and controlled entities ABN 71 002 802 646

### Notes to the Financial Statements for the Half-year Ended 31 December 2008

#### Note 1: Summary of Significant Accounting Policies

The general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Hydromet Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This financial report is prepared in accordance with the going concern concept.

The accounting policies are consistent with those followed in the most recent annual report.

#### Note 2: Profit for the Period

	Consolidated Group	
	31.12.2008	31.12.2007
	\$000	\$000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Net loss on change in net realisable value of battery inventory as at 31 December 2008	1,634	-
	<u>1,634</u>	<u>-</u>

#### Note 3: Dividends

	Consolidated Group	
	31.12.2008	31.12.2007
	\$000	\$000
Distribution paid		
Final 2008 fully franked ordinary dividend declared on 28 August 2008 (post year-end) of 0.1 (2007: 0.1) cent per share franked at the tax rate of 30% (2007: 30%)	332	317
	<u>332</u>	<u>317</u>



**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Notes to the Financial Statements for the Half-year Ended 31 December 2008**

**Note 4: Segment Information**

Primary Reporting – Business Segments

	Residues treatment		Used battery		Consolidated	
	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	5,828	7,803	4,338	12,376	10,166	20,179
Inter-segment revenue eliminated					(108)	-
Total segment revenue	<u>5,828</u>	<u>7,803</u>	<u>4,338</u>	<u>12,376</u>	<u>10,058</u>	<u>20,179</u>
Segment result	(272)	1,424	(2,843)	3,328	(3,115)	4,752
Unallocated expenses net of unallocated revenue					(783)	(1,197)
(Loss)/profit before income tax					<u>(3,898)</u>	<u>3,555</u>
Income tax expense					1,102	-
(Loss)/profit after income tax					<u><u>(2,796)</u></u>	<u><u>3,555</u></u>

**Note 5: Contingent Liabilities**

There has been no change in contingent liabilities since the last reporting date

**Note 6: Events Subsequent to Reporting Date**

There have been no events subsequent to reporting date which would have a material effect on the Group's interim financial statement at 31 December 2008.

**Hydromet Corporation Limited and controlled entities ABN 71 002 802 646**

**Directors' Declaration**

The directors of the company declare that:

1. The financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001* including:
  - a) complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporation Regulations and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance as presented by the result of its operations and of its cash flows for the half-year ended on that date.
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.

Signed in accordance with a resolution of the Director.

A handwritten signature in black ink, appearing to read 'GW Wrightson', written over a horizontal line.

GW Wrightson  
Director

Dated this 19th day of February 2009

## **Independent Auditor's Review Report to the Members of Hydromet Corporation Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of HydroMet Corporation Limited (“the company”) which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, the condensed statement of changes in equity/statement of recognised income and expense and condensed cash flow statement for the half-year ended on that date, a summary of accounting policies, other selected explanatory notes and the directors’ declaration for the HydroMet Corporation Limited Group (“the consolidated entity”). The consolidated entity comprises HydroMet Corporation Limited and the entities it controlled that half year.

#### *Directors’ Responsibility for the Half-year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half year 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 controls relevant to the preparation and fair presentation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standards 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 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 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of HydroMet Corporation Limited on 31 December 2008, would be in the same terms if provided to the directors as at the time of this auditor's review report.

#### *Basis for Qualified Conclusion*

The interim financial report of HydroMet Corporations Limited as at 31 December 2007, was reviewed by another auditor, KPMG Wollongong, whose report dated 19 February 2007, expressed an unqualified review opinion on those statements. The comparatives used in this report have been reviewed by KPMG Wollongong and have not been reviewed or audited by HLB Newhouse. Accordingly, do not express any assurance in respect of the comparative information for the period 31 December 2007.

#### *Qualified Conclusion*

Except for the effect, if any, on the comparatives for the preceding corresponding period that may result from the qualification in the preceding paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: Interim financial Reporting and the Corporations Regulations 2001.



**Andrew Newhouse**  
**Partner**

**HLB Newhouse**

Dated this 19th day of February 2009 at Wollongong