HYDROMET CORPORATION LIMITED

A.B.N. 71 002 802 646

AND ITS CONTROLLED ENTITIES

ANNUAL REPORT FOR THE

YEAR ENDED 30 JUNE 2000

CONTENTS

CHAIRMAN'S REPORT

RESULTS

This year's loss of $2.295 million (1999 $1.941 million loss), reflects the continuing frustration with delays caused by obtaining environmental approvals as outlined in last years report. HydroMet completed the major Dam Fume Project in February 2000. With the completion of the project and delay in obtaining EPA approval for the Lead Immobilisation Project a significant drop in revenue was experienced. A further 4 months production delay was also experienced with the Fluoride Immobilising Project awaiting regulatory approval of an improved process, which was finally received in November 1999.

In addition increased charges included:

- accelerated amortisation of the Hydroproc Process $80,000;
- increase in provision for treatment of Lead Residue $640,000;
- increased depreciation of plant and equipment $228,000; and
- additional costs incurred in developing and obtaining approval for the Lead Immobilisation Process, approximately $321,000.

ACHIEVEMENTS

- Obtained provisional approval and commenced production trials for the Lead Immobilisation Process. Successfully secured an $11 million contract to treat lead residue with full scale production scheduled to commence early 2001.
- Obtained approval for an improved process for the continuation of our contract to treat residue containing Fluoride. Recommenced production in November 1999 at an increased fee.
- Completed the project for processing the Lead-Garnet generated by the Roads & Traffic Authority resulting from blasting the lead based paint from the Sydney Harbour Bridge.
- Successfully conducted production trials for the treatment of Precious Metal containing concentrate. Currently negotiating a full scale project with a potential value of $4.5 million over 2 years.
- Achieved increased market share for our Zinc Sulphate solution used in the agricultural market.
- Completed Filtration Project at Pasminco in Tasmania in April 2000 and successfully tendered for continuation to April 2001.
- During the year, strategies were adopted to progressively reduce stocks of process residues by 3,300 tonnes, eliminating approximately $400,000 from disposal liabilities as a result of placement to environmentally acceptable recovery or disposal processes.

OPPORTUNITIES

HydroMet continues to seek economically viable and environmentally friendly projects to utilise its extensive technology and expertise. Developments under consideration include:

- Production of Cobalt concentrate from a mineral resource at the recently acquired Stanton Project site in the Northern Territory.

- Processing of bag house fume produced by Steel Mini-mills.

- Utilisation of HydroMet's recently developed Lead Immobilisation Process for the treatment of other problematic residues, including spent pot linings from aluminium smelters.

- Production of Cobalt chemicals from Cobalt containing residue.

- Marketing of Copper Sulphate produced from industrial residues.

HydroMet has been through a difficult period in the past few years. This has been a challenging and often frustrating time for management and staff. On behalf of the board of directors I wish to sincerely thank all staff for their perseverance, hard work and dedication during the year. We now look forward to a successful future.

Barry W. O'Neill
Chair

Dated this 28th day of September 2000.

DIRECTORS' REPORT

The directors present their report together with the financial report of HydroMet Corporation Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2000 and the auditor's report thereon.

Directors

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

Name and qualifications	Experience and special responsibilities
Mr Barry W O'Neill, D.App.Chem, A.SwTC, F.A.I.C.D. Chair Independent Non-Executive Director	Mr O'Neill has extensive experience in chemical manufacturing. Chair of the Audit and Remuneration Committee. Director since 1998 – appointed Chair in 1999.
Dr Lakshman D Jayaweera, MSc, PhD, MIE Deputy Chair Executive Director	Dr Jayaweera is one of the founders and the head of the technical team of the Company. Director since 1991- appointed Deputy Chair in September 2000.
Mr Gregory W Wrightson Executive Director and Managing Director	Mr Wrightson has extensive 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, ATI, MBIM Non-Executive Director	Mr Kwan is a director of Kee Shing (Holdings) Limited, a related entity of the Company. Member of the Audit and Remuneration Committee. Director since 1991.
Mr Pipvide S Tang, MBA, CPA, FCCA Non-Executive Director	Mr Tang is a director of Kee Shing (Holdings) Limited, a related entity of the Company. Member of the Audit and Remuneration Committee. Director from 1991 to 1996 and since 1997. Mr Tang was an Executive Director until August 2000.

Directors' meetings

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

	Board meetings		Audit & remuneration committee meetings	
Directors	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Mr B W O'Neill	10	8	2	1
Mr S H Kwan	10	6	2	2
Mr G W Wrightson	10	10	-	-
Dr L D Jayaweera	10	10	-	-
Mr P S Tang	10	10	2	2

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 products therefrom;
- the manufacture of chemicals;
- the provision of consulting services; and
- the development of environmental, remediation and mineral processing technologies.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

Review and results of operations

HydroMet's key objectives over the year ended 30 June 2000 have been to complete the development and submission for NSW EPA approval of the Lead Immobilisation Process (LIP) and to identify new projects for the long term benefit of its three operating facilities.

HydroMet Operations (Southern) Limited – Unanderra NSW

- Completed the Dam Fume treatment project in February 2000.
- Experienced a significant decline in revenue with the completion of the Dam Fume project while the lead treatment development and submission were concluded.
- Obtained EPA approval for a Fluoride Immobilisation Process developed for environmentally acceptable disposal of a Fluoride residue from a Tin recovery process at Unanderra. This approval provided additional revenue during the above period.
- Improved treatment terms for Tin waste treatment and recovery process.
- Carried out extensive development work in the laboratory and at plant level to enable us to submit an application for approval of the Lead Immobilisation Process. This project involved significant technical development and analytical evaluation to meet the stringent regulatory criteria necessary to obtain approval. EPA approval was received in June 2000 and plant scale commissioning results were provided to the EPA in early September 2000.
- The Lead Immobilisation Project will take two years to complete and is valued at $11 million. We are confident that the LIP technology will be capable of application to other difficult waste streams requiring chemical treatment prior to approval for disposal and are currently examining these potential projects.
- A range of other metal bearing residues are constantly under review at the facility with increasing numbers of these residues emerging and with increased regulatory and corporate awareness of diminishing alternative disposal options.

MinMet Operations Pty Ltd – Tomago NSW

- The activities at MinMet have gradually involved a transition from limited specialised chemical manufacture to residue treatment and recovery similar to operations at Unanderra, but on a smaller scale. MinMet utilises a range of plant suitable for a number of residues.
- Successfully tendered to NSW RTA for treatment and recovery of lead bearing garnet from the Sydney Harbour Bridge project. Project completed in April 2000.
- Established a dedicated plant for the production of Zinc, Cobalt, and Copper bearing residues at the site for the manufacture of product for sale to agricultural and industrial markets.
- Completed a major pilot scale trial to treat and recover precious metals from a smelter residue from a major overseas resource company. Negotiations are in final stage for treatment of up to 600 tonnes of the residue over two years with a potential value of $4.5 million.
- A range of additional residues are being reviewed for suitability of treatment at MinMet.

HydroMet Operations Limited – Hobart Tasmania

- We were successful in tendering for an ongoing manganese filtration service on behalf of Pasminco Hobart. The contract was negotiated to April 2001 and is valued at $436,000. We are confident that the contract will be renewed in 2001.
- Completed an AusIndustry research and development grant project for recovery of a Manganese Chemical from a smelter waste.
- Currently discussing a possible Cobalt recovery process for the facility, which could provide another economic feed source for our Cobalt Sulphate business.

Other

- The board has reviewed the possibility of acquiring a mining exploration lease in the south east of the Northern Territory (The Stanton Prospect). Acquisition of the lease could provide the Company with the opportunity to recover the Cobalt ore for sale to overseas smelters and as a raw material for our Cobalt chemical interests in the future.

Consolidated results

The consolidated loss for the year attributable to the members of the Company was $2,294,839 (1999: loss $1,940,970).

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

State of affairs

In January 2000, the Company made a placement of 19,436,767 ordinary shares with an aggregate value of $835,781 for ongoing development of the Lead Immobilisation Process, other projects and working capital. There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Environmental regulation

The Company acknowledges the importance of its environmental obligations and employs effective systems and procedures to protect those interests and to minimise risk to its employees, the community and the environment.

All the operating sites of the consolidated entity are subject to licence requirements issued under the Protection of Environment Operations Act 1997.

In the business of processing industrial residues and manufacturing chemical products, the Company's operations include treatment processes, disposal of by-products, discharge of effluent and transportation of materials that are subject to approvals from and the close scrutiny of the Commonwealth and State Environmental Protection Authorities.

The site managers are responsible for monitoring compliance with the requirements of environmental regulations and with specific requirements of site environmental licence conditions. Performance against licence conditions are reported to the various state regulators on a regular 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.

Events subsequent to balance date

Subsequent to balance date the Company has:

- signed an $11 million agreement to treat 16,000 tonnes of lead residue over a two year period;
- entered into an agreement to acquire a mining exploration lease (The Stanton Prospect) which is subject to shareholder approval; and
- subject to shareholder approval arranged a placement of 34,000,000 ordinary shares for an aggregate value of $1,462,000 for use in continuing development of the Lead Immobilisation Process and other projects.

Other than the matters discussed above, 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.

Likely developments

Successful operation of the above facilities is dependent upon identification of projects suitable to the configuration of the sites and the economics of processes for HydroMet and the prospective client. Treatment of industrial wastes is a costly process and it is our objective to recycle metals recovered from our processes as value added products for sale to identified markets.

Management's focus has been to identify long term projects from existing producers of residues for which disposal options are diminishing. Over the past twelve months HydroMet has examined a number of potential projects which we believe can provide a long term opportunity for our technology and treatment experience. We expect that over the next two years that we will enjoy increased success in securing these and other projects for our facilities.

Directors' and senior executives' emoluments

The Audit and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Consideration is specifically made to the current operating situation and environment of the Company.

Details of the nature and amount of each major element of the emoluments of each director of the Company are:

	Base emolument $	**Non-cash benefits $**	**Super contributions $**	**Total $**
Director				
Mr B W O'Neill	3,333	5,541	16,900	25,774
Mr S H Kwan	20,000	5,541	1,400	26,941
Mr G W Wrightson	111,000	22,778	17,770	151,548
Dr L D Jayaweera	110,000	63,025	7,700	180,725
Mr P S Tang	110,000	21,261	7,700	138,961

Mr N W Smith was appointed Company Secretary on 5 September 2000 upon the resignation of Mr P S Tang who continues as a Non-Executive Director.

There were no non-director, executive officers of the Company during the financial year ended 30 June 2000.

Share options

An Executive Share Option Plan was approved by the shareholders in the general meeting held on 8 August 1997. The plan provides for the granting of up to 5% of the total issued share capital of the Company to eligible employees. No options have been issued by the Company since its approval.

Directors' interests

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Law, at the date of this report is as follows:

Directors	**Number of ordinary fully paid shares**
Dr L.D. Jayaweera	5,488,250
Mr S.H. Kwan	46,000
Mr P.S. Tang	20,000
Mr G.W. Wrightson	100,000

Indemnification and insurance of officers

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers, including executive officers of the Company and directors, 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 directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors’ and officers’ liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

Other than the matter discussed above, the Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Date at Wollongong this 28th day of September 2000.

Signed in accordance with a resolution of the directors:

G.W. Wrightson
Managing Director

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Board of Directors and the Audit and Remuneration Committee, business risk, internal control framework, ethical standards and the role of shareholders.

Board of Directors and the Audit and Remuneration Committee

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board seeks to discharge these responsibilities in a number of ways.

The Board has established an Audit and Remuneration Committee, which operates under a charter approved by the Board. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the managing director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has procedures in place to assess the performance of the managing director and the executive team.

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report on page 4 of this financial report.

Each director has the right, with prior approval of the Audit and Remuneration Committee, to seek independent professional advice at the expense of the Company.

The current base remuneration for non-executive directors, including the Chair, is $20,000 per annum. No additional payment is made to members of the Audit and Remuneration Committee.

The composition of the Board is determined by the Audit and Remuneration Committee and will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or it is considered the Board could benefit from the services of a new director with particular skills, the committee will select a panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

At the date of this statement, the Board comprises three non-executive directors and two executive directors. The Chair of the Board is an independent non-executive director.

The members of the Audit and Remuneration Committee during the year were Messrs B.W. O’Neill (Chair), S.H. Kwan and P.S. Tang. The role of the Audit and Remuneration Committee includes:

- nomination of new directors;
- to determine and review the remuneration of directors and executive officers of the Company;
- to establish and maintain a framework of internal control and appropriate ethical standards for the management;
- to give the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report; and
- review the performance of the external auditors on an annual basis and to meet with them prior to announcement of results.

Business risk

The Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. Once a risk is identified, the Board will instigate an action plan. Corrective action will be taken as soon as practicable. Major business risks arise from action by competitors; government policy changes; the impact of exchange rate and product price movements; difficulties in sourcing feed materials and problems in the development of technical processes.

Internal control framework

The Board acknowledges that it 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.

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.

Ethical standards

It states in the Quality Policy Statement that our business ethics will be conducted to the highest standards embracing fairness, honesty, integrity, loyalty and trust. All directors, officers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The role of shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all major information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report announced to the Australian Stock Exchange;
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate; and
- newsletters distributed to all shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors.

PROFIT AND LOSS STATEMENTS
for the year ended 30 June 2000

		Consolidated		The Company	
	Note	2000 $	1999 $	2000 $	1999 $
Revenue	2	5,330,749	8,002,646	181,369	349,144
Operating loss before abnormal items and income tax	3	(2,294,839)	(1,571,916)	(954,424)	(1,154,669)
Abnormal items	5	-	(369,054)	(477,844)	415,091
Operating loss before income tax		(2,294,839)	(1,940,970)	(1,432,268)	(739,578)
Income tax attributable to operating loss	6	-	-	-	-
Operating loss after income tax		(2,294,839)	(1,940,970)	(1,432,268)	(739,578)
Accumulated losses at the beginning of the financial year		(47,248,009)	(45,307,039)	(47,488,446)	(46,748,868)
Accumulated losses at the end of the financial year		(49,542,848)	(47,248,009)	(48,920,714)	(47,488,446)

The profit and loss statements are to be read in conjunction with the notes to the financial statements set out on pages 14 to 37.

BALANCE SHEETS
as at 30 June 2000

		Consolidated		The Company	
		2000	1999	2000	1999
	Note	$	$	$	$
CURRENT ASSETS					
Cash	32a	1,917,018	2,544,521	708,449	257,850
Receivables	9	1,088,956	883,689	17,395	36,284
Inventories	14	210,405	287,608	-	-
TOTAL CURRENT ASSETS		3,216,379	3,715,818	725,844	294,134
NON-CURRENT ASSETS					
Receivables	9	-	-	8,563,113	9,445,689
Investments	10	-	-	2,745,811	2,980,294
Property, plant and equipment	15	7,350,783	7,869,326	58,393	90,536
Intangibles	16	1,641,215	1,878,645	-	-
TOTAL NON-CURRENT ASSETS		8,991,999	9,747,971	11,367,317	12,516,519
TOTAL ASSETS		12,208,378	13,463,789	12,093,161	12,810,653
CURRENT LIABILITIES					
Accounts payable	17	1,098,248	1,207,205	159,274	266,394
Borrowings	18	31,283	54,385	17,757	47,785
Provisions	19	1,864,782	1,483,798	126,970	82,580
TOTAL CURRENT LIABILITIES		2,994,313	2,745,388	304,001	396,759
NON-CURRENT LIABILITIES					
Borrowings	18	26,320	29,396	2,929,444	2,918,994
Provisions	19	625,202	625,615	30,727	27,635
TOTAL NON-CURRENT LIABILITIES		651,522	655,011	2,960,171	2,946,629
TOTAL LIABILITIES		3,645,835	3,400,399	3,264,172	3,343,388
NET ASSETS		8,562,543	10,063,390	8,828,989	9,467,265
SHAREHOLDERS' EQUITY					
Share capital	20	57,599,703	56,805,711	57,599,703	56,805,711
Reserves	21	505,688	505,688	150,000	150,000
Accumulated losses		(49,542,848)	(47,248,009)	(48,920,714)	(47,488,446)
TOTAL SHAREHOLDERS' EQUITY		8,562,543	10,063,390	8,828,989	9,467,265

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 14 to 37.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2000

		Consolidated		The Company	
	Note	**2000 $**	**1999 $**	**2000 $**	**1999 $**
Cash flows from operating activities					
Cash receipts in the course of operations		4,969,647	6,305,478	183,221	433,195
Cash payments in the course of operations		(6,090,086)	(6,899,158)	(1,149,323)	(1,487,971)
Interest received		110,034	88,279	17,037	9,254
Borrowing costs paid		(28,735)	(26,022)	(5,814)	(3,403)
Net cash used in operating activities	32b	(1,039,140)	(531,423)	(954,879)	(1,048,925)
Cash flows from investing activities					
Proceeds from loans to controlled entities		-	-	639,215	153,599
Proceeds from sale of non-current assets		45,800	18,800	-	19,000
Proceeds from sale of investments		-	2,244,734	-	137,035
Payments for property, plant and equipment		(395,592)	(276,507)	(3,143)	(2,877)
Net cash provided by/(used in) investing Activities		(349,792)	1,987,027	636,072	306,757
Cash flows from financing activities					
Lease payments		(32,563)	(55,488)	(24,586)	(45,582)
Proceeds from share placement		793,992	-	793,992	-
Net cash provided by/(used in) financing activities		761,429	(55,488)	769,406	(45,582)
Net increase/(decrease) in cash held		(627,503)	1,400,116	450,599	(787,750)
Cash at the beginning of the financial year		2,544,521	1,144,405	257,850	1,045,600
Cash at the end of the financial year	32a	1,917,018	2,544,521	708,449	257,850

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 37.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

a. Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

b. Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

c. Revenue recognition – Note 2

Rendering of services
Revenue from rendering services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

Sale of goods
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer.

Interest income
Interest income is recognised as it accrues.

Asset sales
The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

d. Taxation – Note 6

Income Tax
The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

e. Foreign currency

Transactions
Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

f. Receivables – Note 9

Trade Debtors
Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

g. Investments – Note 10

Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss statement when they are declared by the controlled entities.

Associates
An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the Company's financial statements investments in associates are carried at the lower of cost and recoverable amount. Investments in associates are accounted for using equity accounting principles. Where the carrying amount of the investment is zero, application of the equity method is discontinued and the investment recorded at zero.

Other companies
Investments in other listed and unlisted companies are carried at the lower of cost, and recoverable amount, being a directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

h. Inventories – Note 14

Inventories are carried at the lower of cost and net realisable value.

Manufacturing activities
Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value
Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

i. Property, plant and equipment - Note 15

Acquisition
Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of the property, plant and equipment.

Complex Assets
Major items of plant and equipment comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset.

Subsequent additional costs
Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives.

Costs incurred on property, plant and equipment which do not meet the criteria for capitalisation are expensed as incurred.

Valuations
Land and buildings are independently valued every three years on an existing use basis of valuation.

A provision for capital gains tax is only provided when it is known that the assets will eventually be sold. This provision, when required, is made against the asset revaluation reserve.

Disposal of revalued assets
The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to retained profits.

Depreciation and amortisation
Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised using the straight line method over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

	2000	1999
• Buildings	2.5%	2.5 %
• Plant and equipment	13-25%	13 %
• Office equipment and fixtures	13-27%	15-33 %
• Motor vehicles	15%	22.5 %
• Leased vehicles and machinery	15%	22.5 %

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Leased plant and equipment
Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss statement. Also refer Notes 18 and 22.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

j. Non-current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

Certain non-current assets have been revalued. With the exception of land and buildings (refer Note 15), such revaluations occur from time to time and are not made in accordance with a policy of regular revaluation.

k. Intangibles – Note 16

The costs of the intangibles are amortised over the period in which the related benefits are expected to be realised. The carrying amount of intangibles is reviewed at the end of each accounting period. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement. The amortisation rate used is 11.0% to fully amortise the intangible within 7 years (1999 7.1% to fully amortise within 12 years).

l. Research and development costs

Research and development expenditure is expensed as incurred.

Where a grant is received relating to research and development costs that have been charged to the profit and loss statement as incurred, the grant is recognised as revenue.

m. Employee entitlements – Note 23

Wages, salaries, annual leave and sick leave
The provision for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

Long service leave
The provision for employees’ entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees’ services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity’s experience with staff departures. Related on-costs have also been included in the liability.

Superannuation
The Company and other controlled entities contribute to employee nominated superannuation funds. Contributions are charged against income as they are made.

n. Accounts payable – Note 17

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payables are normally settled within 60 days.

o. Derivatives

It is consolidated entity policy not to use derivative financial instruments to hedge cash flows subject to interest rate, foreign exchange rate and commodity price risks. These risks are monitored and managed closely on a daily basis in order to minimise the exposures of the consolidated entity. Refer Note 31.

p. Goods and services tax

Revenues, 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 Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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.

	Consolidated		The Company	
	2000	1999	2000	1999
	$	$	$	$
2. REVENUE				
Revenue from operating activities				
- Sale of goods	2,530,410	3,996,706	-	-
- Treatment charges	2,145,835	1,192,172	-	-
- Freight income	131,384	66,967	-	-
- Foreign currency gain	6,354	-	5,133	-
- Research and development grant	158,999	307,983	158,999	183,000
- Diesel fuel rebate	180,326	-	-	-
- Other	13,207	22,005	200	855
Revenue from outside operating activities				
- Gross proceeds on sale of non-current assets	45,800	18,800	-	19,000
- Sale of investment property	-	2,244,734	-	137,035
- Interest received from unrelated parties	110,034	88,279	17,037	9,254
- Rent received	8,400	65,000	-	-
	5,330,749	8,002,646	181,369	349,144

	Consolidated		The Company	
	2000	1999	2000	1999
	$	$	$	$

3. OPERATING LOSS

Operating loss before abnormal items and income tax has been arrived at after charging/(crediting) the following items:

	2000 $	1999 $	2000 $	1999 $
Borrowing costs paid or payable in respect to:				
- finance lease	6,385	10,876	5,008	9,008
- financial institutions	5,814	3,403	5,814	3,403
- others	22,921	22,619	-	-
	35,120	36,898	10,822	12,411
Depreciation of :				
- buildings	74,189	94,950	-	-
- plant and equipment	751,973	457,323	-	-
- office equipment and fixtures	13,101	31,879	7,703	22,957
- vehicles	30,102	35,651	9,433	15,894
Amortisation of:				
- intangibles	237,430	156,552	-	-
- leased vehicles and machinery	18,150	39,224	18,150	34,584
	1,124,945	815,579	35,286	73,435
Bad and doubtful debts expense/(recovered)	-	(21,947)	-	-
Rental expenses on operating leases	134,104	193,924	7,959	7,408
Research and development costs	206,123	139,915	205,717	24,638
Provision for employee entitlements	90,600	162,307	56,925	61,993
Net foreign exchange loss	-	13,701	-	12,907
Net (gain)/loss on sales of property, plant and equipment	(13,856)	19,287	-	3,678
Net (gain)/loss on sales of investment property	-	(5,853)	-	(37,035)

4. AUDITORS' REMUNERATION

	2000 $	1999 $	2000 $	1999 $
Amounts paid or payable to the auditors of the Company in respect of:				
- audit services	35,500	35,500	5,000	5,000
- other services	11,750	-	6,300	-
	47,250	35,500	11,300	5,000

	Consolidated		The Company	
	2000	1999	2000	1999
	$	$	$	$

5. ABNORMAL ITEMS

Provision for loans to controlled entities	-	-	243,361	440,809
Provision for loans to associated company	-	194,510	-	194,510
Provision for diminution in investments provided/(written back)	-	-	234,483	(1,050,410)
Site closure expenses	-	174,544	-	-
Total abnormal items before and after tax	-	369,054	477,844	(415,091)

No income tax benefit or expense is recognised for the above items.

6. TAXATION

a. Income tax expense

Prima-facie income tax benefit calculated at 36% (1999 - 36%) on the operating loss	(826,142)	(698,749)	(515,616)	(266,248)
Add: Tax effect of				
- non-assessable items	(4,163)	(23,893)	(4,163)	(13,333)
- non deductible depreciation and amortisation	112,183	85,443	-	-
- non deductible/(assessable) diminution in value of investment	-	-	84,414	(329,037)
- other non-deductible items	1,679	282,302	87,967	262,701
	(716,443)	(354,897)	(347,398)	(345,917)
Less: Tax effect of losses not brought to account	716,443	354,897	347,398	345,917
Income tax expense	-	-	-	-

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
b. Future income tax benefit not taken to account					
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain	1d	11,493,915	10,777,472	4,685,017	4,337,619

The potential future income tax benefit will only be obtained if:

i. the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

ii. the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

iii. no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

7. DIVIDENDS

a. Dividends paid or proposed

	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
Dividends provided for or paid by the Company	-	-	-	-

b. Dividend franking account

	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
Balance of franking credit account franked to 34% (1999: 36%)	6,808,583	6,235,470	1,633,354	1,495,866

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

8. EARNINGS PER SHARE

	Consolidated 2000 $	Consolidated 1999 $
Basic losses per share (cents per shares)	(1.67)	(1.50)
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	137,086,901	129,578,451

The diluted losses per share is not materially different from the basic losses per share.

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
9. RECEIVABLES					
Current					
Trade debtors		917,571	779,075	-	-
Less: Provision for doubtful debts		(18,747)	(18,747)	-	-
		898,824	760,328	-	-
Sundry debtors		190,132	123,361	17,395	36,284
		1,088,956	883,689	17,395	36,284
Non-current					
Loans to controlled entities		-	-	34,113,694	34,752,909
Less: Provision for doubtful debts		-	-	(25,550,581)	(25,307,220)
	30b	-	-	8,563,113	9,445,689
Loans to associated company	13	194,510	194,510	194,510	194,510
Less: Provision for doubtful debts	13	(194,510)	(194,510)	(194,510)	(194,510)
		-	-	-	-
		-	-	8,563,113	9,445,689
Foreign currency receivable					
The Australian dollar equivalents of unhedged amounts receivable in foreign currencies calculated at year end exchange rates:					
- United States dollars		-	187,969	-	-
10. INVESTMENTS					
Non-current					
Shares in controlled entities - at cost	11	-	-	13,287,558	13,287,558
Less: Provision for diminution in value		-	-	(10,541,747)	(10,307,264)
		-	-	2,745,811	2,980,294
Shares in associated company - at cost	13	1,500,000	1,500,000	-	-
Less: Provision for diminution in value		(1,500,000)	(1,500,000)	-	-
		-	-	-	-
Shares in other corporations - at cost		6,446,720	6,446,720	-	-
Less: Provision for diminution in value		(6,446,720)	(6,446,720)	-	-
		-	-	-	-
		-	-	2,745,811	2,980,294

	% Interest Held 2000	1999
11. PARTICULARS IN RELATION TO CONTROLLED ENTITIES		
Name		
HydroMet Corporation Limited		
Controlled entities		
- HydroMet Operations (Southern) Limited	100	100
- HydroMet Technologies Pty Limited	100	100
- HydroMet Operations (N.T.) Pty Limited	100	100
- HydroMet Operations (Tasmania) Pty Limited	100	100
- Mineral Estates Pty Limited	100	100
subsidiaries of which are:		
- MinMet Operations Pty Limited	100	100
- Kia Pacific Gold Pty Limited	100	100
- HydroMet Operations Limited	100	100
subsidiary of which is:		
- Enviromet Operations Pty Limited	100	100
- MinMet Unit Trust	100	100

HydroMet Operations Limited, HydroMet Operations (Southern) Limited, HydroMet Operations (Tasmania) Pty Limited, HydroMet Operations (N.T.) Pty Limited and Enviromet Operations Pty Limited have each entered into a Deed of Cross Guarantee with HydroMet Corporation Limited in respect of relief granted from specified accounting and financial reporting requirements in accordance with a Class Order. Refer Note 12.

Mineral Estates Pty Limited owns 51% of the units of the MinMet Unit Trust. The balance of 49% is owned by HydroMet Operations Limited. MinMet Unit Trust is the beneficial owner of the consolidated entity's operating site in Tomago, NSW.

12. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Law requirements for preparation, audit and lodgement of financial reports.

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 Law. If a winding up occurs under other provisions of the Law, 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) Pty Limited
HydroMet Operation (N.T.) Pty Limited
Enviromet Operations Pty Limited

A consolidated profit and loss statement and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2000 is set out as follows:

	Consolidated 2000 $	Consolidated 1999 $
Profit and loss statement		
Operating loss before abnormal items and income tax	(1,835,068)	(1,293,510)
Abnormal items before income tax	(308,334)	544,937
Operating loss before income tax	(2,143,402)	(748,573)
Income tax attributable to operating loss	-	-
Operating loss after income tax and abnormal items	(2,143,402)	(748,573)
Accumulated loss at beginning of the financial year	(47,247,804)	(46,499,231)
Accumulated loss at the end of the financial year	(49,391,206)	(47,247,804)
Balance sheet		
Cash	1,838,426	2,458,938
Receivables	793,006	641,064
Inventories	88,494	173,798
Total current assets	2,719,926	3,273,800
Receivables	1,340,204	984,354
Investments	2,745,712	3,054,046
Property, plant and equipment	5,521,529	5,925,541
Intangibles	1,641,215	1,878,645
Total non-current assets	11,248,660	11,842,586
Total assets	13,968,586	15,116,386
Accounts payables	797,835	956,803
Borrowings	31,283	54,385
Provisions	1,439,840	1,050,524
Total current liabilities	2,268,958	2,061,712
Borrowings	2,929,444	2,932,520
Provisions	56,000	58,560
Total non-current liabilities	2,985,444	2,991,080
Total liabilities	5,254,402	5,052,792
Net assets	8,714,184	10,063,594
Share capital	57,599,703	56,805,711
Reserves	505,687	505,687
Accumulated losses	(49,391,206)	(47,247,804)
Total shareholders' equity	8,714,184	10,063,594

13. INVESTMENT IN ASSOCIATED COMPANIES

Interest is held in the following associated company:

Name	Principal activities	Balance date	Ownership interest		Investment carrying amount at valuation	
			2000 %	1999 %	2000 $	1999 $
HydroMet (India) Limited	Chemical manufacturer	31 March	50	50	-	-

The equity method has not been applied in respect of the consolidated entity's interest in HydroMet (India) Limited. The company incurred losses in previous years and the carrying amount of this investment has been written down to zero.

The aggregate amount receivable from HydroMet (India) Limited by the consolidated entity at balance date was $194,510 (1999: $194,510). A doubtful debt provision on the loan of $194,510 was made in the prior year. No interest (1999: Nil) has been brought to account in relation to this loan during the year.

	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
14. INVENTORIES				
Current				
- Raw materials and stores - at cost	109,684	154,537	-	-
- Work in progress - at cost	48,273	21,458	-	-
- Finished goods - at cost	52,448	111,613	-	-
	210,405	287,608	-	-

	Consolidated		The Company	
	2000	1999	2000	1999
	$	$	$	$

15. PROPERTY, PLANT AND EQUIPMENT

Freehold land				
- at cost	418,606	418,606	-	-
- at independent valuation 1996	1,375,974	1,375,974	-	-
	1,794,580	1,794,580	-	-
Buildings				
- at cost	753,504	708,414	-	-
- at independent valuation 1996	2,313,996	2,313,996	-	-
Less: Accumulated depreciation	(369,727)	(316,047)	-	-
	2,697,773	2,706,363	-	-
Plant and equipment - at cost	13,026,274	12,736,220	-	-
Less: Accumulated depreciation	(10,298,993)	(9,542,596)	-	-
	2,727,281	3,193,624	-	-
Office equipment and fixtures - at cost	182,737	161,503	117,847	114,633
Less: Accumulated depreciation	(157,230)	(146,187)	(107,808)	(101,056)
	25,507	15,316	10,039	13,577
Motor vehicles - at cost	185,272	227,409	69,431	69,431
Less: Accumulated depreciation	(132,516)	(144,415)	(57,721)	(47,266)
	52,756	82,994	11,710	22,165
Leased vehicles and machinery - at cost	151,936	151,936	121,000	121,000
Less: Accumulated amortisation	(99,050)	(75,487)	(84,356)	(66,206)
	52,886	76,449	36,644	54,794
Total property, plant and equipment - net book value	7,350,783	7,869,326	58,393	90,536

Valuations
An independent valuation was carried out on 28 June 2000 by Mr J.R. Harrington AAPI Certified Practising Valuer on the property located at Tomago, NSW. The valuation was made on "market value" basis. The directors are of the opinion that this basis provides a reasonable estimate of recoverable amount. The property was valued at $1,100,000 ; $112,835 above its net book value.

An independent valuation was carried out on 30 June 1999 by Mr W.G. Bramall, F.A.P.I., A.R.E.I. on the property located at Unanderra, NSW. The valuation was made on "specialised assets" basis. Specialised assets are those not normally traded in any market except as part of a total enterprise by reason of this specific design, size, location or other factors. The assessment of specialised owner-occupied assets controlled by the consolidated entity is made on the assumption that the consolidated entity will continue in operation or existence for the foreseeable future. The directors are of the opinion that this basis provides a reasonable estimate of recoverable amount. The property was valued at $3,770,000; $264,812 above its net book value.

The 1996 independent valuation was carried out as at 18 June 1996 by Mr F.K. Egan LFVLE on the basis of the open market value of the property concerned in its existing use.

It is the opinion of the directors that it is prudent not to recognise the valuation surplus in the accounts because the properties are of specific industrial use.

These valuations are made in accordance with the consolidated entity's policy of obtaining an independent valuation of land and buildings every three years.

In revaluing freehold land and buildings the directors have not taken into account the potential impact of capital gains tax on the grounds that such assets are an integral part of the consolidated entity's operations and there is no intention to sell the assets.

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
16. INTANGIBLES					
Hydroproc Process - at cost		2,217,323	2,217,323	-	-
Less: Accumulated amortisation		(576,108)	(338,678)	-	-
		1,641,215	1,878,645	-	-

Hydroproc Process is the proprietary technology owned and applied by the consolidated entity in its operations.

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
17. ACCOUNTS PAYABLE					
Current					
Trade creditors		688,510	623,943	67,248	148,234
Other creditors and accruals		187,899	279,709	92,026	118,160
Deferred income		221,839	303,553	-	-
		1,098,248	1,207,205	159,274	266,394
18. BORROWINGS					
Current					
Lease liabilities	22	31,283	54,385	17,757	47,785
Non-current					
Lease liabilities	22	26,320	29,396	26,320	15,870
Loans from controlled entities	30b	-	-	2,903,124	2,903,124
		26,320	29,396	2,929,444	2,918,994

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
19. PROVISIONS					
Current					
Employee entitlements	23	206,285	187,061	126,970	82,580
Disposal of residues		1,658,497	1,296,737	-	-
		1,864,782	1,483,798	126,970	82,580
Non-current					
Employee entitlements	23	65,202	65,615	30,727	27,635
Disposal and clean up		560,000	560,000	-	-
		625,202	625,615	30,727	27,635
20. SHARE CAPITAL					
Issued and paid-up capital					
149,015,218 (1999 – 129,578,451) ordinary shares, fully paid		57,599,703	56,805,711	57,599,703	56,805,711
Movements in ordinary share capital					
Balance at beginning of the financial year		56,805,711	25,915,690	56,805,711	25,915,690
Shares issued					
- 19,436,767 (1999: nil) shares issued for cash	(i)	793,992	-	793,992	-
Balance of share premium reserve	(ii)	-	30,890,021	-	30,890,021
		57,599,703	56,805,711	57,599,703	56,805,711

Notes:

(i) On 10 February 2000 ordinary shares totalling 19,436,767 were issued by placement at 4.3 cents. Transaction costs of $41,789 were recognised as a reduction of the proceeds of issue.

(ii) The Company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium reserve became part of the Company's share capital on 1 July 1998. As a result, the balance of the share premium reserve amounting to $30,890,021 was transferred to the share capital account on 1 July 1998 increasing the share capital on that date to $56,805,711.

	Note	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
21. RESERVES					
General reserve		150,000	150,000	150,000	150,000
Asset revaluation reserve		355,688	355,688	-	-
Total reserves		505,688	505,688	150,000	150,000
Movement during the year					
Share premium account					
Balance at beginning of year		-	30,890,021	-	30,890,021
Less: Transferred to share capital account	20	-	(30,890,021)	-	(30,890,021)
		-	-	-	-

22. COMMITMENTS

Operating lease commitments
Future operating lease rentals not provided for in the financial statements and payable:

	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
- not later than one year	120,000	120,000	-	-

The consolidated entity leases property under an operating lease expiring annually. The lease provides the consolidated entity with a right of renewal at which time all terms are renegotiated.

Finance lease commitments
Finance lease rentals are payable as follows:

	Consolidated 2000 $	Consolidated 1999 $	The Company 2000 $	The Company 1999 $
- not later than one year	34,706	59,240	21,002	51,263
- later than one year but not later than two years	19,960	18,760	19,960	5,057
- later than two years but not later than five years	7,864	12,922	7,864	12,922
	62,530	90,922	48,826	69,242
Less: Future lease finance charges not provided	(4,927)	(7,141)	(4,749)	(5,587)
	57,603	83,781	44,077	63,655
Lease liabilities provided for in the financial statements:				
- Current	31,283	54,385	17,757	47,785
- Non-current	26,320	29,396	26,320	15,870
	57,603	83,781	44,077	63,655

	Consolidated		The Company	
	2000 $	1999 $	2000 $	1999 $

23. EMPLOYEE ENTITLEMENTS

Aggregate employee entitlements, including on-costs				
- Current	206,285	187,061	126,970	82,580
- Non-current	65,202	65,615	30,727	27,635
	271,487	252,676	157,697	110,215

24. CONTINGENT LIABILITIES

a. Environmental contingent liabilities

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

Provisions have been made in the accounts for the estimated costs of disposal of these by-products on hand at 30 June 2000. 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 future obligations to meet changing environmental legislation could involve the consolidated entity in costly work. The directors are not aware of any impending changes to the requirements or of any current breaches of legislation which are material in nature.

b. Deed of cross guarantee

Refer Note 12.

c. Products Claim

The Company has been notified of a potential products claim for a small parcel of material purchased from a foreign supplier and supplied directly to a New Zealand end user. The matter is under review by the Company's insurers. The Company will consider a corresponding claim against the foreign supplier of the material.

The Company has not made any provision on this matter as there remains significant uncertainty as to whether an obligation presently exists and the amount of any potential liability cannot be reliably measured at this stage.

25. FINANCING ARRANGEMENTS

Apart from the finance leases mentioned in Note 22, the consolidated entity has no financing arrangement with any parties.

	Consolidated		The Company	
	2000	1999	2000	1999

26. DIRECTORS' REMUNERATION

The number of directors of the Company and controlled entities whose income from the Company or any related party falls within the following bands:

	Consolidated 2000	Consolidated 1999	The Company 2000	The Company 1999
$ 20,000 - $ 29,999	2	2	2	2
$130,000 - $139,999	1	1	1	1
$150,000 - $159,999	1	1	1	1
$160,000 - $169,999	-	1	-	1
$180,000 - $189,999	1	-	1	-
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	$523,949	$505,824	$523,949	$505,824

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors’ and officers’ liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

27. EXECUTIVES' REMUNERATION

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	Consolidated 2000	Consolidated 1999	The Company 2000	The Company 1999
$130,000 - $139,999	1	1	1	1
$150,000 - $159,999	1	1	1	1
$160,000 - $169,999	-	1	-	1
$180,000 - $189,999	1	-	1	-
Total income received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more	$471,234	$454,166	$471,234	$454,166

Executives' remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors’ and officers’ liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

28. SEGMENT INFORMATION

The economic entity operates predominantly in Australia, producing value-added chemical products from industrial residues and providing hydrometallurgical processing technology to the industrial recycling industry.

29. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Company has;

- signed an $11 million agreement to treat 16,000 tonnes of lead residue over a two year period.
- entered into an agreement to acquire a mining exploration lease (The Stanton Prospect) which is subject to shareholder approval.
- subject to shareholder approval, arranged a placement of 34,000,000 ordinary shares for an aggregate value of $1,462,000 for use in continuing development of the Lead Immobilisation Process and other projects.

The agreement to acquire the mining exploration lease (The Stanton Prospect) has been entered into with a director-related entity. Subject to shareholder approval as required under the Corporations Law and ASX Listing Rules, this transaction would involve the issue to a director-related entity of 6 million ordinary shares at an issue price of $0.04 per share and an issue of 6 million options with an exercise price of $0.15 per option to be exercised within 3 years. The directors have recommended to shareholders the strategic benefit of establishing a cobalt feed source for existing and planned cobalt chemical business.

Other than the matters discussed above, 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.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2000.

30. RELATED PARTY TRANSACTIONS

a. Directors

The names of each person holding the position of director of the Company during the financial year are Messrs B.W. O'Neill, S.H. Kwan, G.W. Wrightson, P.S. Tang and Dr L.D. Jayaweera.

Details of directors' remuneration are set out in Note 26.

Apart from the details disclosed in the notes to the financial statements, no director has entered into a contract with the Company or the consolidated entity since the end of the previous financial year and there were no contracts involving directors' interest existing at year end.

The interests of directors of the reporting entity and their director-related entities in shares of entities within the consolidated entity at year end are set out below.

	2000 No.	1999 No.
HydroMet Corporation Limited		
Ordinary Shares	24,329,250	25,329,250

b. Wholly-owned group

Details of interests in wholly-owned controlled entities are set out at Note 11. Details of dealings with these entities are set out below:

Loans
Loans between entities in the wholly-owned group are interest free and repayable on demand. The aggregate amounts receivable from/payable to wholly-owned controlled entities by the Company at balance date are:

	The Company	
	2000 **$**	**1999** **$**
Non-current		
Loans receivable	8,563,113	9,445,689
Loans payable	2,903,124	2,903,124

c. Associated companies

Refer Note 13.

31. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

a. Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	more than 5 years	Non-interest bearing	Total
			$	$	$	$	$	$
2000								
Financial Assets								
Cash	32	5.1%	1,590,000	-	-	-	327,018	1,917,018
Receivables	9	-	-	-	-	-	1,088,956	1,088,956
			1,590,000	-	-	-	1,415,974	3,005,974
Financial Liabilities								
Accounts Payable	17	-	-	-	-	-	1,098,248	1,098,248
Lease Liabilities	18	8.8%	-	31,283	26,320	-	-	57,603
Employee Entitlements	19,23	6.3%	-	-	11,457	53,745	206,285	271,487
			-	31,283	37,777	53,745	1,304,533	1,427,338
1999								
Financial Assets								
Cash	32	4.8%	2,074,566	-	-	-	469,955	2,544,521
Receivables	9	-	-	-	-	-	883,689	883,689
			2,074,566	-	-	-	1,353,644	3,428,210
Financial Liabilities								
Accounts Payable	17	-	-	-	-	-	1,207,205	1,207,205
Lease Liabilities	18	8.6%	-	54,385	29,396	-	-	83,781
Employee Entitlements	19,23	5.8%	-	-	10,338	55,277	187,061	252,676
			-	54,385	39,734	55,277	1,394,266	1,543,662

b. Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk of financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

c. Net fair values of financial assets and liabilities

The net fair values of financial assets and liabilities approximate their carrying amounts. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

32. NOTES TO THE STATEMENTS OF CASH FLOWS

a. Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the balance sheets as follows:

	Consolidated		The Company	
	2000 $	1999 $	2000 $	1999 $
Cash	327,018	469,955	158,499	257,850
Short term deposits	1,590,000	2,074,566	550,000	-
Total cash held	1,917,018	2,544,521	708,449	257,850

	Consolidated		The Company	
	2000	1999	2000	1999
	$	$	$	$
b. Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating loss after income tax	(2,294,839)	(1,940,970)	(1,432,268)	(739,578)
Add/(less) non-cash items:				
- Amortisation	255,580	191,136	18,150	34,584
- Depreciation	864,041	624,443	17,136	38,851
- Diminution in value of investment	-	-	234,483	(1,050,410)
- Provision for loan due from associated company	-	194,510	-	194,510
- Provision for loan due from controlled entities	-	-	243,361	440,809
Add/(less) items classified as investing/financing activities:				
- (Loss)/profit on sale of investment	-	(5,853)	-	(37,035)
- Profit on sale of property, plant and equipment	(13,856)	19,287	-	3,678
- Lease charges	6,385	5,972	5,008	9,291
Net cash used in operating activities before changes in assets and liabilities	(1,182,689)	(911,475)	(914,130)	(1,105,300)
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year				
- Decrease in inventories	77,203	217,786	-	-
- (Increase)/decrease in receivables	(205,268)	681,780	18,889	215,983
- Decrease in payables	(108,957)	(282,633)	(107,120)	(163,343)
- Increase/(decrease) in provisions	380,571	(236,881)	47,482	3,735
Net cash used in operating activities	(1,039,140)	(531,423)	(954,879)	(1,048,925)

c. Financing facilities

Apart from the finance leases mentioned in Note 22, the consolidated entity has no financing facilities arranged with any parties.

33. ECONOMIC DEPENDENCY

The Company and consolidated entity earns the majority of its revenue through the application of its Hydroproc technologies in discrete projects performed under contract. A prerequisite to the majority of these applications is approval from the relevant State Governments' Environmental Protection Agency (EPA). Due to the nature of treating industrial residues the Company must obtain EPA approval for some specific processes utilised. Without appropriate approval these projects would be significantly restricted.

The Company received specific approval for a Lead residue treatment process in June 2000. As at the date of this report, the Company is awaiting disposal permission from the EPA after providing a plant commissioning report, required under that original approval. This disposal permission is required in order for this project to proceed. Forecast revenues from this project are $11 million. As at the date of this report the directors are not aware of any reason which would prevent final disposal approval.

DIRECTORS' DECLARATION

1. In the opinion of the directors of HydroMet Corporation Limited:

   a) the financial statements and notes, set out on page 11 to 37, are in accordance with the Corporations Law, including:

      i. giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

      ii. complying with Accounting Standards and the Corporations Regulations; and

   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 subsidiaries identified in Note 12 will, be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Wollongong this 28th day of September 2000.

Signed in accordance with a resolution of the directors:

G.W. Wrightson
Managing Director

INDEPENDENT AUDIT REPORT TO THE
MEMBERS OF HYDROMET CORPORATION LIMITED

Scope
We have audited the financial report of HydroMet Corporation Limited for the financial year ended 30 June 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 11 to 38. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion
In our opinion, the financial report of HydroMet Corporation Limited is in accordance with:

(a) the Corporations Law, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG

Chris Hollis
Partner

Dated at Wollongong this 28th day of September 2000.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings

Substantial shareholders
The number of shares held by the substantial shareholders as at 21 September 2000 were:

Shareholder	Ordinary
1. Westpac Custodian Nominees	19,160,283
2. Zenith Chemical Corporation	7,500,000

Class of shares and voting rights
At 21 September 2000 there were 2,404 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 13.2 of the Company's Articles of Association, are:

"Subject to these Articles (including, without limitation, Article 5.5) and any terms of issue of any Share -

(a) on a show of hands, each person present at a general meeting who is a Member or a proxy (other than a person who is present only as one of two proxies appointed by the same Member), representative or attorney appointed by a Member has one vote; and

(b) on a poll, each person present at a general meeting has a number of votes calculated as the aggregate of the following:

(i) The number of fully paid Shares and Eligible Partly Paid Shares held by the person;

(ii) the number of fully paid Shares and Eligible Partly Paid Shares in respect of which Members holding those Shares have appointed the person as proxy, representative or attorney;

(iii) the aggregate of the amounts calculated in respect of each partly paid Share which is not an Eligible Partly Paid Share held by the person as the fraction of the total of the issue price (being nominal value and premium) of that Share that is actually paid; and

(iv) the aggregate of the amounts calculated on the same basis as paragraph (iii) above in respect of each partly paid Share which is not an Eligible Partly Paid Share in respect of which the Member holding that Share has appointed the person as proxy, representative or attorney."

On-market buy-back
There is no current on-market buy-back.

Distribution of shareholders (as at 21 September 2000)

Category	Number of ordinary shareholders
1 - 1,000	221,919
1,001 - 5,000	1,677,503
5,001 - 10,000	2,915,053
10,001 - 100,000	35,882,526
100,001 and over	108,318,217
	149,015,218

Twenty largest shareholders (as at 21 September 2000)

Name	Number of ordinary shares held	Percentage of capital held
1. Westpac Custodian Nominees	19,160,283	12.86
2. Zenith Chemical Corporation	7,500,000	5.03
3. Wing Mei Lee	5,310,859	3.56
4. Mr Lakshman Jayaweera	4,138,250	2.78
5. Lost Ark Nominees Pty Limited	3,943,289	2.65
6. Twynam Commodities Pty Limited	2,500,000	1.68
7. Great Wall Pty Ltd	2,350,000	1.58
8. Wightholme Nominees Pty Ltd	2,000,000	1.34
9. Mr Richard Austin	2,000,000	1.34
10. Metre Pty Ltd	1,750,000	1.17
11. ANZ Nominees Limited	1,595,030	1.07
12. Intersuisse (Nominees) Pty Limited	1,445,879	0.97
13. Elroa Nominees Pty Ltd	1,255,000	0.84
14. Mr Paul Michael Trainor	1,105,221	0.74
15. Capital Investment Pty Limited	1,000,000	0.67
16. Indigo Oil Pty Ltd	1,000,000	0.67
17. Capital Investment Pty Ltd	1,000,000	0.67
18. Jodeen Securities Pty Ltd	1,000,000	0.67
19. Jeharphi Pacific Pty Ltd	900,000	0.60
20. Benbat Pty Ltd	821,500	0.55
	61,775,311	41.46