



12th September 2001.

The Manager,
Company Announcement Office,
Australian Stock Exchange Limited,
Exchange Centre,
20 Bond Street,
SYDNEY NSW 2000.

Dear Sir/Madam,

The Directors of Hydromet wish to report the consolidated results for the year ended 30th June 2001.

Operations for the year resulted in a consolidated loss of \$1.658 Million.

The result reveals an improvement of \$0.637 Million compared to 2000 and reflects a year in which the company incurred heavy development costs in the final stages of establishing two major projects with combined revenue of \$16 million, which will be earned over the period to December 2002. Although benefits from these projects emerged in the last quarter their full contribution was not sufficient to offset earlier results.

Development of two long term recycling opportunities was also carried forward during the year.

In the June 2001 quarter the company realised two important milestones :

- NSW Environmental Protection Authority (EPA) approval of the Lead Immobilisation Process was finally received in June 2001.
- Recycling of precious metals residue commenced with plant commissioned in May 2001.

Hydromet's success in implementing these projects is the result of close co operation with both the generators who have the disposal problem and the EPA whom we must satisfy with regard to our technologies and their ability to meet strict approval and disposal guidelines. Maintenance of a working relationship with the various environmental regulators is important to our growth. Hydromet's reputation as a solution to difficult waste disposal problems will be further enhanced with the successful completion of above projects and emergence of new opportunities.

The Lead Immobilisation project was commissioned in January 2001 to treat 16,000 tonnes of lead residue on behalf of Rio Tinto and commenced full scale operation in June. Processing rates exceeding 900 tonnes per month have been achieved for July and August 2001 with further improvement expected in September as a result of process optimisation. Revenue earned at these rates is in excess of \$620,000 per month.

The company received 200 tonnes of precious metal residue from Falconbridge Norway and commenced processing the material to recover valuable Selenium for sale from the residue and return upgraded precious metal concentrate to Falconbridge for smelting. Current indications are that the technology and facility developed by Hydromet will currently enable processing of 30 tonnes per month with targeted throughput of 40 tonnes and earnings capabilities of up to \$340,000 per month.

Based on current revenue streams and unaudited operating results achieved for the two months to August 2001 we anticipate a profitable outcome for the September quarter with ongoing developments expected to improve the position during the financial year.

The company has a number of proposals under consideration by clients covering a range of recycling and immobilisation technologies including :

- Steel mill dust recycling to value added chemicals.
- Aluminium smelter pot lining recycling.
- Cobalt residue recycling to value added chemicals.

These important projects have sustainable long term potential and will contribute significantly to the future growth of the group.

Discussions have commenced with a number of waste industry related companies with the objective of developing co-operative or joint venture opportunities to optimise Hydromet technology and facilities in the treatment of difficult industrial wastes.

Hydromet's expertise is directed to two waste disposal options :

- Waste streams, which are suitable for recovery and recycling as value, added metal chemicals.
- Where recycling is not a viable option we provide unique chemical immobilisation technology as an environmentally acceptable and economic disposal solution.

The company's business expansion strategy is to continue to develop both options along with other waste treatment and handling challenges and is confident of further growth over the coming year.

Directors and management continue to investigate and encourage new recycling opportunities, as industry becomes increasingly aware of Hydromet's capabilities and projects completed to date along with additional obligations imposed by changing environmental regulations.

Yours sincerely

Gregory W Wrightson,
Managing Director.