



A.B.N. 71 002 802 646

29 November, 2002

Chairman's presentation at 2002 Annual General Meeting.
Friday November 29th 2002.

The Board of Directors of HydroMet is pleased to announce the following update on developments in the company with the various projects currently progressing along with the existing continuing business. The projects are important to the group and support our strategic objective of continuing to build long term sustainable profitable business for years to come.

EAF Dust Processing Project

As you are aware, our Unanderra operation has been upgraded and refurbished to receive and process EAF dust generated from OneSteel, Sydney plant. Currently the plant is in commissioning stage. In the first stage of commercialisation, we are receiving all EAF dust generated by OneSteel and are immobilising the material successfully and disposing of treated residue to landfill in accordance with NSW Environment Protection Authority approval. Our plant is capable of processing 7,000 to 8,000 tonnes of EAF dust per annum. The complete processing plant which includes the Zinc Sulphate production will be fully operational by end of February 2003. Final capital investment in the project is expected to be inline with the \$2.5 Million budgeted. A key component of the overall capital cost has been an important upgrade of our electrical wiring systems at the Unanderra plant. New equipment and plant refurbishment have enabled us to bring plant electrical wiring up to current standards.

Acknowledging an opportunity to develop further sales of Zinc Sulphate to an export market, Hydromet is currently negotiating with another EAF dust generator to secure an additional 14,000 Mt/year of EAF dust suitable for Zinc Sulphate production. If successful, HydroMet will be in a position to increase its revenue from zinc sulphate and EAF dust contracts to an estimated \$10 million in the 2004 calendar year. The additional profit contribution associated with this increased production volume is expected on a sustainable basis over the contract period of 5 x 5 years.

Additional Selenium Precious Metal Processing Contract from U.S.A.

HydroMet has secured another contract to process Selenium Precious Metal residue generated by a major copper operation in USA. The contract is subject to a 20 Mt trial parcel arriving in early January 2003, and again has long term potential with up to 200 tonnes of material available each year. This contract would be in addition to the current processing arrangements carried out on behalf of Falconbridge Norway.

Again with these potential contracts in place HydroMet will be in a position to generate a sustainable revenue stream of a minimum \$4 million/year from our MinMet operations Newcastle facility.

Contract to Recycle Waste Sulphuric Acid

An agreement to establish a waste acid recycling facility at Unanderra site is expected to be finalised with a major oil company within the next week. This potentially long term agreement is subject to further development work and regulatory approvals. If successful, HydroMet would enter into a commercial agreement to process approximately 7,000 Mt of waste acid per year with a minimum contractual period of 5 years and a 5 year option. Annual revenues of \$2.5 million are expected, including the value of recovered acid. HydroMet will use the acid recovered to enhance the economics of its zinc sulphate production process, the value adding stage of the EAF dust project.

We will be seeking Research and Development funding for this project given its significant environmental improvement potential.

Battery Stripping Operation

A development application (DA) to install an environmentally friendly Battery Stripping and lead recycling operation at our Unanderra plant has been initiated. The project will target up to 12,000 Mt/year of scrap batteries to process and produce intermediate lead product to be sold to secondary lead smelters. The technology developed by HydroMet will have number of environmental and cost effective advantages to the secondary lead producers. This process has also been given the green light by Commonwealth EPA and will enable HydroMet to export the lead recovered. Currently used acid lead batteries are classified as hazardous waste when exported. Under HydroMet's proposal the lead exported from recycled batteries will be classified as a clean product feed for recipient secondary smelters either within Australia or overseas.

Another significant advantage of the HydroMet recycling process will be our ability to absorb the weak acid solution present in used batteries in our existing zinc sulphate production circuit. This will eliminate the normally costly treatment of the waste acid prior its disposal.

We believe that this project will also qualify for Research and Development funding.

Present Performance and the future Outlook

As foreshadowed in our 2002 Annual Report temporary revenue slow down was predicted particularly in the first half of the current financial year as we entered a transitional phase bringing the important Onesteel project online. This has been unavoidable due to early completion of the Rio Tinto project and the commissioning period of the OneSteel project. During this period the company has focused on securing other long-term projects as described above. This strategy remains the key challenge for the Board and one which will continue to be alleviated with successful projects such as Onesteel, Falconbridge, Rio Tinto and those now in the development phase.

Given the projects outlined above we are optimistic that HydroMet has the potential to increase sales revenue (value well in excess of \$20 million/year) quite considerably over the next 3 years followed by significant profit contribution. We may however expect poor performance in this year compared to the previous year whilst we continue to bring the projects forward. We anticipate this to be a temporary situation.

We have employed additional specifically technically and operationally qualified personnel to enable us to carry out the vital development and pilot stage work necessary to demonstrate our technologies and commercial value of the projects developed by the group.

HydroMet's current cash position approximates \$3 million with revenue to be generated on an ongoing basis as we bring the Zinc Sulphate production to scale and secure other projects as they emerge. HydroMet remains free of borrowings. This will place the company in a strong position enabling the company to grow further and to take advantage of opportunities as they emerge over the coming years.

Dr Lakshman Jayaweera.
Chairman and Technical Director