



A.B.N. 71 002 802 646

Our Ref.LJ2004099:mc

20 July 2004

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

Dear Sir/Madam

**\$3 Million Sales – Option Agreement to
Sell Stanton Cobalt-Nickel Prospect**

The Board of Directors of Hydromet Corporation Limited is pleased to announce that Hydromet has entered into an option agreement to sell its Stanton Cobalt-Nickel Mineralisation Prospect (EL23531) in the Northern Territory.

In consideration Hydromet would receive a total amount of \$500,000 cash and 12.5 Million ordinary shares of \$0.20 each in the purchaser. This transaction is subject to the option agreement being exercised and the successful flotation of the purchaser on the Australian Stock Exchange (ASX).

If completed Hydromet is intending to enter a first right of refusal agreement with the purchaser allowing it to purchase the mined cobalt concentrates at a price acceptable to both parties. This would allow Hydromet to establish its long-term vision of cobalt chemical manufacturing at its MinMet operation in Tomago.

If the above transaction is completed Hydromet intends to distribute some or all of the purchaser's shares it receives to Hydromet shareholders in the form of dividends. The distribution is subject to the satisfaction of ASX listing rules and the Corporations Act.

The Stanton Prospect has an established indicated resource with potential for further expansion with new mineralisation within the lease. Furthermore, the recent increase in the world cobalt price from US\$10/Lb to US\$25/Lb has also added a further value to the existing resource. Hydromet also expects to receive clearance from the

Lot 3, Five Islands Road, Unanderra NSW 2526 Australia
PO Box 42, Unanderra NSW 2526 Australia
Telephone: +61 2 4271 1822 Facsimile: +61 2 4271 6151
Website: www.hydromet.com.au email: office@hydromet.com.au

Northern Territory government to obtain a mining lease (ML) over the main indicated ore bodies in the very near future.

The Board believes that the option agreement on Stanton, subject to its successful completion should enhance Hydromet shareholders value. With the right to purchase the cobalt concentrate, Hydromet will have an opportunity to continue to benefit from the Stanton Prospect.

With recently signed additional waste processing contracts and the significant increase in world market price and strong demand for selenium the June half results are expected to be profitable. With the above contracts, additional new potential contracts and increasing revenue from zinc sulphate sales, the company expects to be profitable in the 2004/05 financial year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lakshman Jayaweera', with a long horizontal line extending to the right.

Dr Lakshman Jayaweera
Chairman/Technical Director