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25 November 2004

**Chairman's Presentation at 2004 Annual General Meeting**  
**on 26 November 2004**

I would like to take this opportunity to give a brief account of the company's recent performance along with our future outlook and likely developments.

As we have explained in our annual report for the last financial year, although we reported a loss of \$989,655 for the full year, we achieved a modest profit in the second half year of about \$456,000. We are confident that this turn around in profit will continue and we expect to make a similar profit or better in the first half-year of the 2004-2005 financial year and to further improve this over the full current year to June 2005.

We have now established a number of repeatable and sustainable revenue driven projects in Tomago, Unanderra and Wellington, New Zealand. This should give us a good cash flow and allow us to take Hydromet to the next stage of development.

In Tomago we have a state of the art, world class processing facility for extracting Selenium and Tellurium, both high value minor metals which are in strong demand around the world. We have secured two long term feed supply contracts with two major international clients. We are also currently working with another international company to secure an additional long-term feed supply contract for the plant. We are presently enjoying a significantly high Selenium price in the world market due to a tight supply situation, with the Selenium price today at about US\$30/lb, compared to last year US\$6/lb. Our MinMet operation is generating a very healthy profit margin and we expect this situation to continue for the next 1 to 2 years in accord with industry expectation.

At our Unanderra operation, we are now treating about 22,000t/year of EAF dust from all the three Steel Mini Mills in Australia and we have long-term contracts in place, currently extending for 4 years. Although we are generating steady sustainable revenue from treating the EAF dust, we are not pleased with the net margins. Our next challenge is to improve this net margin by further refining the operating costs, plant efficiency, higher treatment fees and increased zinc sulphate sales. Plans are underway to achieve those goals and we expect to see some improvement in the next half-year.

Our slag immobilisation project at Exide in New Zealand is also performing very well, bringing a net contribution to the group. Hydromet's quality performance in solving a major waste issue which is highly appreciated by our client. We are in negotiation with them to continue on a long-term basis and also to pursue further synergistic projects identified.

Our mercury stabilisation project in Hobart at the Zinifex site has been somewhat delayed due to delay in constructing landfill cells by the City Council, a matter outside our control. We hope to recommence in January 2005 with increased tonnage of Mercury sludge offered by Zinifex. If the project is recommenced in January it will add further to our profitability.

## **OUR FUTURE**

We are now working on new projects to further enhance our revenue and profitability for the years ahead. Our processes continue to gain reputation in Australia and throughout the world. Our quality work is highly regarded by our clients and by the various state regulators. Based on this positive track record, we intend to secure more projects on a sustainable basis.

We are seriously evaluating our proposed Battery Stripping Operation, which we intend to be install at the Unanderra site in this next financial year. We are in the advanced stage of negotiating with a major client to establish a supply agreement for scrap batteries and also for off-take contracts for finished products. If the above can be achieved, we intend to begin installation of equipments early in the new year with the objective of commencing processing by late next year.

Our acid purification project is in the final development stage, having now proven the technology, we intend to negotiate with the generator for potential commercialisation of the project. However, this project may require a further year before a decision to commercialise can be made. The acid project has a very close synergy with our EAF dust process and this could enhance the profitability of our zinc sulphate production by reducing acid cost.

In regard to our Stanton Cobalt Mineral lease, we have entered into an option agreement with a company called Stanton Resources Ltd (formerly Conico Ltd.) to sell the leases. Subject to their due diligence work, Stanton Resources Ltd. intend to list on the ASX after issuing a prospectus, probably in March 2005. If successful, Hydromet will receive a \$0.5 million dollars in cash and \$2.5 million dollars as shares in Stanton Resources Ltd. We intend to distribute part of the shares received to Hydromet shareholders. Stanton Resources Ltd also intend to provide an opportunity for our shareholders to participate in the share subscription.

As you are aware in December last year, we entered into a strategic alliance with Tennant Ltd. Tennant is a highly reputed Chemical Manufacturing and trading operation in Australia. Tennant made an investment in Hydromet by taking convertible notes worth \$1 Million. Mr Stephen Wolfe the Managing Director of Tennant joined our board in January this year. We are already seeing the Tennant-Hydromet relationship growing for the benefit of the both companies. We are working on a number of projects, which could benefit both Hydromet and Tennant on a long-term basis.

In conclusion I would like to thank our shareholders for their continued support. I look forward to a bright future.



**Dr Lakshman Jayaweera**  
**Chairman/Technical Director**