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23 November 2005

**Chairman's Presentation at 2005 Annual General Meeting**  
**on 24 November 2005**

Ladies and Gentlemen

At the last year's Annual General Meeting, we predicted a profit for the financial year 2004/05. It is with great pleasure, I address today, that we did fulfil that task. As you are aware we generated a net profit of \$2 million dollars for the year.

The results were possible due to the following major favourable factors:

- 1) High demand for our products selenium and tellurium, both reaching historically high LMB prices over the last 12 months.
- 2) During the latter part of the financial year, the company negotiated an interim increase in the treatment fee with our Electric Arc Furnace (EAF) dust clients. The EAF dust is treated at our Unanderra NSW operation. The 6 month interim period ended on 31 October 2005.

In the current financial year, we now have a much bigger challenge ahead of us i.e. to sustain this situation and also to grow the business with more projects.

To date in this first half year of the financial year 2005/06, we have experienced some marketing difficulties with our selenium and tellurium products compared to 6 months ago. This likely situation was predicted in my Chairman's Report to the shareholders, indicating some evidence of price resistance by the market and the end users. Recent efforts to sell our selenium even with a reasonable discount has been somewhat unsuccessful. Despite the above market situation, the metal quotation price (the LMB price) for selenium remains at the higher level U\$46/lb. The present market conditions confirm the need to understand and carefully evaluate the situation and to move to selenium and tellurium chemicals to optimise returns and minimise sales at a discount on the LMB price.

We believe that there is an over supply of selenium and that the oversupply will continue for at least for the next few months. Unfortunately, short term lack of sales

and subsequent stockpiling of product selenium may affect HydroMets' revenue and profit in the first half of this financial year. We remain cautiously optimistic about the overall performance of Hydromet in the 2006 financial year. However currently held stock of finished selenium product with market value of over \$2.5 million which is expected to be sold in the second half of the financial year or alternatively to convert to value added products for increased value.

Facing the current situation, our management is taking appropriate steps to mitigate the affect of these issues.

Some steps taken are as follows:

- 1) In the past we produced only crude grade selenium which had the purity of 98%. This product had a very limited market and is normally a feed source for selenium chemical producers. We are in the process of upgrading our standard product to 99.5% which has a wider market. We are also in the process of producing selenium shots which again has a wider market application.
- 2) We have begun to produce selenium chemicals such as sodium selenite and selenate which command a premium above the LMB price.
- 3) We are identifying other sources of low grade, more complex type selenium feed materials from other generators around the world, where we could attract higher treatment fees for processing these residues and achieve a lower cost for selenium recovered. We have recently had some success in this area.

In regard to our EAF dust project, we have just completed the evaluation period of 6 months with increased treatment fees. Development work completed during this period was very successful. We are now in negotiation with our clients to reach a reasonable fee increase on permanent basis. This outcome will be very important to the profitability of our Unanderra Operation in treating EAF dust. We are optimistic that satisfactory agreements can be reached with clients and the regulators satisfied with our service.

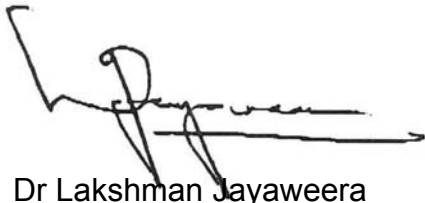
In the past, the overall business of Hydromet has relied heavily on two major income streams i.e. selenium and EAF dust projects. We are now taking a strategic step to diversify into other areas as follows:

- 1) The Board has resolved to establish a Used Lead Acid Battery Stripping Operation at Unanderra with the initial capacity of 12,000Mt/year. We expect to place the order for the supply of the Battery Shredding Equipment within the next 10 days and expect to commission this facility by the end of the financial year. This plant is of a design capacity of 25,000 Mt/year, providing us spare capacity to expand in the future.

- 2) After completion of successful laboratory and plant trials we are now preparing an application to NSW EPA for the proposed treatment of two streams of arsenic waste from Western Australia at our Unanderra facility.
- 3) We are also preparing to commence the mercury stabilisation project at Zinifex site in Hobart and expect to commence processing in February 2006. This project has been delayed due to the prolonged period required for Zinifex to secure a suitable landfill site for disposal of the treated material. Furthermore, we are also exploring other residue streams within the Zinifex operations that are suitable for processing in the same facility.
- 4) We are revisiting our cobalt chemical business with a view to establish a long term business for Hydromet. This is in line with the strategy of developing our Stanton Resource in Northern Territory.

We believe that if the above objectives can be achieved along with the existing businesses of Hydromet; we will continue to provide a strong foundation to the future sustainability of Hydromet.

Finally I would like to say thank you to our shareholders for your patience and support.



Dr Lakshman Jayaweera  
Chairman/Technical Director