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MEDIA RELEASE

BACK TO DIVIDEND PROFITABILITY FOR HYDROMET

After six years of consolidation, environment services group Hydromet Corporation Limited has announced a return to paying dividends following a healthy improvement in profitability over the past 12 months.

In its annual report for the year ended 30 June 2002, the industry leader in hazardous waste treatment with a recycling emphasis announced a net profit of \$1.427 million, a very vigorous turnaround that contrasted with the loss of \$1.658 million in the previous corresponding year.

According to Hydromet chairman Dr Lakshman Jayaweera, the profit has been made possible by some excellent operating performances, principally from the company's two major projects: the lead immobilisation contract with Rio Tinto and the selenium-precious metal extraction project on behalf of Falconbridge, Norway.

The latest result has been achieved from total group operating revenue of \$11.6 million, an 83 per cent improvement on the previous year's \$6.3 million. This important result has prompted the Board of Directors to declare a fully franked final dividend of 0.15 cents per ordinary share.

It also prompted a statement from Directors that the board intends to continue paying dividends as sustainable business permits. The final dividend amounting to \$403,450, is equivalent to 23% of the consolidated profit for the year.

With regard to its overall financial position, Hydromet considers itself in a strong position with cash reserves of \$6.3 million, real estate and valuable operating plants with no borrowings other than motor vehicle leases.

Dr Jayaweera said that with the successful completion of the Rio Tinto project, Hydromet is now turning its attention to the OneSteel zinc sulphate project. "The long-term contract we secured with steel maker OneSteel Ltd in January 2002 and will see is commence processing the electric arc furnace dust at our Unanderra site from October 2002," he said.

The contract has an innovative feature in that zinc content in the dust will be recovered and processed into zinc sulphate, an important agricultural chemical widely used in Australia and New Zealand. Considered a major milestone for the company, the OneSteel contract is expected to be the first of a number of significant projects that fit with Hydromet's plan to be the Australian industry leader in waste treatment and environmentally beneficial recycling.

With regard to the current financial year, Dr Jayaweera said the company is anticipating a temporary revenue slowdown at its Unanderra, NSW plant for the six months ending 31 December 2002. This is due to finishing the Rio Tinto project ahead of forecast and the start of the OneSteel project.

At the same time, management is hoping to attract some additional immobilisation work in parallel with the OneSteel and Falconbridge projects.

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The Outlook

Dr Jayaweera said Hydromet is in a strong competitive situation to develop its profile and build its business in the growing waste recycling and management field. Its ability to recycle hazardous waste or immobilise waste when recycling is not warranted, is well recognised by both regulators and generators of waste in Australia.

With a successful year behind it, the company is now addressing the challenge of sustaining this momentum with growth that will deliver improving returns to shareholders.

Some specific projects, which are currently under serious investigation, are:

- Recycling of waste sulphuric acid from a major oil company. A proposal is under discussion to treat 7,000 tonnes per year for reuse at Hydromet's plant;
- Recycling of used car batteries. A conceptual submission has been made to both local EPA and Council for approval. The planned stripping and recycling plant, at a rate of 12,000 tonnes per year, will provide an environmentally friendly solution to the recovery of the lead content. Hydromet is also considering its own smelting operation to produce value added lead product from the operation;
- Hydromet has recently expressed interest in the acquisition of a lead-zinc smelter currently on the market for sale by its administrator. Having signed a confidentiality agreement, the company has commenced the vital due diligence programme with a view to acquiring the smelter through a joint venture consortium. If successful, Hydromet has plans to develop a residue smelting operation using this facility;
- Establishing of a further long term processing contract with Falconbridge Norway;
- Negotiating a potential selenium contract on a sustainable basis with a major copper smelter in USA.

Dr Jayaweera said the company's business expansion strategy is expected to lead to the acquisition of both short and long term projects to sustain revenue and bring further growth. "We are optimistic that Hydromet will achieve these objectives with the help of its current financial status and widely established credibility," he said.

For more information:

Dr Lakshman Jayaweera, Chairman and Technical Director

Greg Wrightson, Managing Director.

Hydromet Corporation Limited

Tel (02) 42 711822