



A.B.N. 71 002 802 646

24 May 2010

Dear Shareholder,

**Notice to Eligible Shareholders
Non-renounceable entitlement offer of New Option**

Hydromet Corporation Limited (“the Company”) (ASX code: HMC) is pleased to announce a 1 for 1 pro-rata non-renounceable entitlement offer of options (“New Options”) to existing shareholders which will raise approximately \$4.5 million and enable the Company to complete the funding arrangements for the planned secondary lead smelter at Tomago, NSW and to meet the Company’s working capital requirements.

The offer will allow eligible shareholders to acquire one New Option at a price of \$0.01 for every share held at the record date of 4 June 2010. The option entitles the holder to acquire one fully paid ordinary share in the Company at a price of \$0.04 each (“exercise price”) and will expire on 30 June 2012.

Eligible shareholders are allowed to subscribe for a greater number of New Options than their entitlement as shown on the Entitlement and Acceptance Form. Subscriptions in excess of Entitlements will be allotted out of the shortfall, if any, on a pro-rata basis to shortfall subscribers.

Each New Option carries an additional right whereby if a New Option is exercised on or before 30 September 2010, one additional option for each New Option exercised (“Piggy Back Option”) will be issued to the option holder for no consideration. Each Piggy Back Option entitles the holder to acquire one new fully paid ordinary share in the Company at a price of \$0.08 on or before 30 September 2012.

The offer is fully underwritten by Martin Place Securities Pty Limited (“MPS”). In addition to the underwriting agreement, the Company has entered into a Marketing Assistance Agreement with MPS to encourage early exercise of the New Options by 30 September 2010.

Details of this entitlement offer are contained in the Offer Document lodged with the ASX on 24 May 2010. The Offer Document together with Entitlement and Acceptance Form will be despatched to all eligible shareholders on 10 June 2010. A copy of the Offer Document is available at www.hydromet.com.au and on www.asx.com.au.

The timetable for the entitlement offer is set out below:

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| Event | Date |
|---|--------------|
| Announcement of Offer | 24 May 2010 |
| Lodgement of the Offer Document with ASIC and ASX and Appendix 3B lodged with ASX | 24 May 2010 |
| Notice to shareholders and existing option holders containing information required by Listing Rules | 24 May 2010 |
| Existing Shares trade ex-entitlement to participate in the Offer | 31 May 2010 |
| Record Date to determine entitlement to participate in the Offer | 4 June 2010 |
| Despatch of Offer Document and Entitlement and Acceptance Forms | 10 June 2010 |
| Closing Date for acceptance of applications for New Options | 7 July 2010 |
| New Options commence trading on a deferred settlement basis | 8 July 2010 |
| Notification to ASX of shortfall | 12 July 2010 |
| Allotment and despatch of Holding Statements | 15 July 2010 |
| Date of quotation by ASX of New Options | 16 July 2010 |

All dates are indicative only and subject to change without prior notice.

Directors strongly encourage all shareholders to participate in the entitlement offer. Eligible shareholders should read all the information set out in the Offer Document. Please consult your professional adviser if you have any queries on this offer.

Yours sincerely,



Dr Lakshman Jayaweera
Chairperson