



A.B.N. 71 002 802 646

24 May 2010

Dear Optionholder,

Notice of non-renounceable entitlement offer of New Options

We are writing to you in relation to your option holding in Hydromet Corporation Limited (“the Company”).

Hydromet Corporation Limited (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 (“Record Date”). 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.

Details of the Entitlement Offer are found in the Offer Document lodged with ASX today which is available from www.hydromet.com.au or www.asx.com.au.

We understand the Company share is recently traded at the price which is well below the \$0.17 exercise price of the options that you are currently holding. Under the term of the options issued to you, the Company is required to notify you of your right to participate in any issue of securities if you exercise your options prior to the Record Date for the entitlement offer of New Options.

In order to participate in the entitlement offer of New Options, you need to exercise your options prior to the Record Date being 4 June 2010.

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The timetable for the entitlement offer is set out below:

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. The Company reserves the right not to proceed with the entitlement offer of New Options at any time before the allotment of the New Options. If this entitlement offer does not proceed, the Company will return all application money, without interest, as soon as practicable after the announcement of its withdrawal. However, it should be noted that monies sent for the exercise of your existing options will be applied for that purpose regardless of any withdrawal of the entitlement offer of New Options.

Before deciding whether to exercise your options, you should consider the current trading price of the Company shares, the exercise price of your option and the terms of the entitlement offer of New Options. You are strongly recommended to consult your professional advisor if you have any queries about this letter.

Yours sincerely,



Pipvide Tang
Company Secretary