



CORPORATION LIMITED
A.B.N. 71 002 802 646

9 September 2002

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level, 20 Bridge Street
SYDNEY NSW 2000

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Dear Shareholder,

Full Year Profit and Dividends Announcement

The Board of the Directors of Hydromet Corporation Limited is pleased to report that the Company made a net profit of \$1.427 million for the year ended 30 June 2002. This important result has been achieved from total group operating revenue of \$11.6 million. As a result, the Board has also declared a final fully franked dividend of 0.15 cents per ordinary share. This final dividend amounting to \$403,450 is equivalent to 23% of the consolidated profit realised for the year. The board intends to continue payment of such dividends as sustainable business permits.

The above profit was made possible by excellent operating performances, principally from two major projects, namely the lead immobilisation contract with Rio Tinto and Selenium – Precious Metal extraction project for Falconbridge, Norway.

With the successful completion of the Rio Tinto project, Hydromet has now turned attention to installation of the OneSteel Zinc Sulphate project. We secured a long-term contract with OneSteel in January 2002 and will commence processing the Electric Arc Furnace dust at our Unanderra site from October 2002.

In regard to the current financial year, management has foreshadowed a temporary revenue slowdown at the Unanderra site for the six months ending 31 December 2002 due to the gap created as a result of early completion of Rio Tinto's project ahead of forecast and commissioning of the OneSteel Project.

In order to counteract this gap, management is hoping to bring additional immobilisation projects to the Company, in parallel with the ongoing OneSteel and Falconbridge projects.

Outlook for the Future

Today Hydromet is in a strong competitive situation to capitalise on and build its business in the growing waste recycling and management field. Our unique ability to recycle hazardous waste and or immobilise the waste when recycling is not warranted is well recognised by both the regulators and the generators of waste in Australia.

Future challenge and strategy

Having achieved a successful year with valuable contracts, the Company's next challenge is to sustain this momentum and to grow further to deliver improving returns to our dedicated shareholders.

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

- Recycling of waste sulphuric acid from a major oil company. A proposal is under discussion to treat 7,000 Mt/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 t/year, will provide an environmentally friendly solution to recovery of the lead content. Hydromet is also considering the development of 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 Hydromet has commenced the vital due diligence programme with a view to acquiring the smelter through a joint venture consortium. If successful Hydromet would seek to develop a residue smelting operation using this facility;
- Establishment 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.

Conclusion

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

In addition Hydromet has cash reserves of \$6.3 million, real estate and valuable operating plants with no borrowings other than motor vehicle leases and insurance premium funding.

Yours sincerely

Dr Lakshman Jayaweera
Chairman