



A.B.N. 71 002 802 646

7 January 2008

Companies Announcement Officer,
Australian Stock Exchange Limited,
Exchange Centre,
20 Bridge Street,
Sydney NSW 2000.

Dear Sir or Madam,

SELECTIVE SHARE BUY-BACK

Hydromet Corporation Limited (ASX: HMC) wish to advise that the attached selective share buy-back offering letter has been despatched to 578 eligible shareholders whose shareholdings in the Company are less than a marketable parcel as at 24 December 2007.

The buy back offer was approved by the shareholders on 30 November 2007.

The offering price for the shares is \$0.167 per share. The maximum number of shares to be bought back by the Company is 754,500 shares with maximum consideration of \$126,001.50. The offer will close at 5:00 pm EST on 25 January 2008.

The shares bought back under this offer will be cancelled by the Company.

Yours truly,

A handwritten signature in black ink, appearing to read 'Pipvide Tang', is positioned above the typed name of the signatory.

Pipvide Tang
Company Secretary



HYDROMET CORPORATION LIMITED

ACN 002 802 646

(“Hydromet”)

SELECTIVE SHARE BUY BACK OFFER
Pursuant to Part 2J.1 *Corporations Act 2001*

OFFER OF A SELECTIVE BUY-BACK OF ORDINARY SHARES

in

HYDROMET CORPORATION LIMITED

ACN 002 802 646

24 December 2007

TO EACH SHAREHOLDER HOLDING LESS THAN A MARKETABLE PARCEL OF SHARES IN HYDROMET CORPORATION LIMITED (“Hydromet”)

1. OFFER

- 1.1 The date of this Offer is 24 December 2007.
- 1.2 You are the holder of 3,572 ordinary shares in Hydromet, which together constitute less than a marketable parcel of shares in Hydromet, as defined in the ASX Market Rules.
- 1.3 Pursuant to Part 2J.1 *Corporations Act 2001*, Hydromet offers to buy back from you all of the Shares, on the terms set out in this Offer.
- 1.4 The price to be paid by Hydromet for the Shares is calculated in accordance with paragraph 6 hereof.
- 1.5 The Shares bought back from you by Hydromet will be cancelled by Hydromet in accordance with Part 2J.1 of the *Corporations Act 2001*.

2. ELIGIBILITY TO PARTICIPATE

- 2.1 Those members of Hydromet that will be eligible to accept the Offer (“**Eligible Members**”) must be recorded as holders of the Shares in Hydromet’s register of members at 5pm (EST time) on 24 December 2007 (“**Offer Date**”).
- 2.2 This Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

3. OFFER

- 3.1 Subject to the discretion of the Board, this Offer will be open on and from the Offer Date until 5.00pm EST time on 25 January 2008 (“**Closing Date**”).
- 3.2 The Board reserves the right to close the Offer at any time prior to the Closing Date without further notification.
- 3.3 Eligible Members accepting the Offer can only accept the total offer. No lesser or more number of shares will be purchased from the Eligible Member by way of this Offer. The number of Shares that will be purchased by Hydromet following acceptance of this Offer is noted at paragraph 1 of the Offer.

4. BUY BACK OF SHARES

- 4.1 Eligible Members wishing to accept the Offer must:
 - (a) forward the completed and executed Acceptance Form accompanying this Offer, and
 - (b) forward an original executed Transfer in the form enclosed with this Offer,to Hydromet **or** to Hydromet’s Share Registry, at the respective addresses specified on the Acceptance Form, to reach such addresses by no later than 5:00pm EST on the Closing Date.
- 4.2 After receipt of the original Acceptance Form from you, Hydromet will forward payment by cheque to you, or as you may direct, on 8 February 2008.
- 4.3 In the event that an Application Form is not correctly completed, or that any other document required is not received by Hydromet, the Board reserves the right to reject the relevant acceptance. In such circumstances, none of the Shares will be bought back by Hydromet from the relevant applicant.

5. SUSPENSION OF RIGHTS & CANCELLATION OF SHARES

Pursuant to section 257H of the *Corporations Act 2001*,

- (a) once this Offer is accepted, all rights attaching to the Shares will be suspended and the suspension will be lifted if the arrangement is terminated; and
- (b) Hydromet must not dispose of the Shares it buys back; and
- (c) immediately after the transfer to Hydromet of the Shares bought back, the Shares will be cancelled.

6. PRICE OF SHARES

6.1 The price paid for the Shares includes a 5 % premium on the weighted average trading price of Hydromet's shares over the five (5) day period commencing ten (10) days immediately prior to the Offer Date and terminating five (5) days immediately prior to the Offer Date ("Calculation Period") and as a result is more than the market price during the Calculation Period.

7. GENERAL

7.1 In addition to any rights of the Board to reject acceptances as set out in this Offer, the Board also reserves the right to reject any acceptance or not buy back any Shares from an Eligible Member under this Offer if the Board believes that the purchase of those Shares would contravene any of the Listing Rules or any other legislation or regulation. In any such case, all funds and any original Transfer(s) will be returned to the relevant applicant(s).

7.2 To the fullest extent permitted by law,

- (a) neither Hydromet nor any director, officer or employee of Hydromet shall be liable for any loss or damage suffered or claimed to be suffered by any Eligible Member which results or may result out of any action taken, or not taken, by Hydromet or the Board pursuant to or in accordance with the terms of this Offer, and
- (b) no action taken, or not taken, by Hydromet or any director of Hydromet or the Board, pursuant to or in accordance with the terms of this Offer shall give rise to any action or claim by any shareholder.

8. DISCLOSURE TO SHAREHOLDERS

8.1 The number of shares on issue in Hydromet is 315,465,918 ordinary shares.

8.2 The number and percentage of shares to be bought back based on the share price as at the last day of the Calculation Period and provided each and every shareholder with a less than marketable parcel of shares participates in the selective buy-back is:-

Number of Shares to be brought back	691,708
Percentage of Shares to be brought back	0.22%

8.3 Particulars of the terms of the buy-back:-

8.3.1 Hydromet offers to buy-back all shares held by each and every shareholder in Hydromet who holds a less than marketable parcel, as defined in the ASX Market Rules.

8.3.2 The buy-back offer is made pursuant to Part 2J.1 *Corporations Act 2001*. It is a selective reduction made in accordance with a Special Resolution passed at the Annual General Meeting of Hydromet held on 30 November 2007.

8.4 The offer price is \$0.167 per share calculated in accordance with paragraph 6 above.

8.5 The principal reason for the buy-back is Hydromet has on its Share Register approximately 560 shareholders that have less than marketable parcels of shares in Hydromet. There are administrative and other costs of complying with Hydromet's statutory and other obligations in relation to those shareholders. These costs are detrimental to the interests of the majority of shareholders each of whom holds a marketable parcel of shares in Hydromet. Hydromet is not aware of any other way in which the shareholders to whom the buy-back offer is made could realize their shares.

8.6 No Director will participate in the buy-back agreement.

8.7 The source of the funds for the buy-back is cash at bank of Hydromet.

8.8 As stated above, shareholder approval is required for this selective buy-back.

The principal advantage of Shareholders passing a Special Resolution to approve the selective buy-back is the considerable costs saving to Hydromet each year in compliance costs meeting Hydromet's obligations under the Corporations Act and the ASX Listing Rules in respect of each of the shareholders who holds less than marketable parcel of shares.

8.9 The buy-back will have no effect on the control of Hydromet. As stated above, the selling shareholders in this selective buy-back will be all of the shareholders in Hydromet holding less than a marketable parcel of shares.

8.10 The latest set of audited financial statements were circulated to shareholders with the Notice of the 2007 Annual General Meeting.

8.11 The share price of Hydromet as at the last day of the Calculation Period is \$0.155.

9. DEFINITIONS

In these terms, unless the context otherwise indicates:

“**ASX**” means Australian Stock Exchange Ltd.

“**ASX Market Rules**” refers to the market rules of the Australian Stock Exchange Limited.

“**Board**” means the board of directors of Hydromet.

“**Calculation Period**” refers to the period in paragraph 6.

“**Company**” means Hydromet Corporation Limited ACN 002 802 646.

“**Eligible Members**” means those members defined in paragraph 1.

“**Listing Rules**” means the official listing rules of the Australian Stock Exchange Ltd (as amended).

“**Offer**” means this offer to buy back ordinary fully paid shares in Hydromet from the holder of the Shares.

“**Offer Date**” means the date referred to in paragraph 1.

“**Market Price**” has the same meaning as that term is defined in the Listing Rules.

“**Purchase Price**” means the buy back price of the Shares as calculated in accordance with clause 6.1 and being, as at the Offer Date, \$0.167 per Share;

“**Shares**” means Shares in Hydromet to be purchased by Hydromet pursuant to this Offer.

ACCEPTANCE OF SELECTIVE BUY-BACK OFFER

To: **Hydromet Corporation Limited**
ACN 002 802 646
("Hydromet")

I, _____,

1. accept the Selective Buy Back Offer made to me by Hydromet by way of Selective Buy Back Offer dated 24 December 2007 ("**the Offer**"), on the terms and conditions set out in that Offer document;
2. authorises Hydromet to forward payment of the consideration calculated in accordance with the Offer, in consideration of the sale of all the shares held by me in Hydromet, by way of a cheque payable to me/ _____ [*please select one*];
3. attach to this Acceptance Form is an original executed Transfer in the form as enclosed with the Offer;
4. authorise Hydromet to contact me on (____) _____ [*telephone number*] in the event that there are any queries regarding this acceptance.

.....
Signature of _____ [*name*]

Note:

1. This Application Form, together with your Transfer form, duly completed and signed, must be received by Hydromet at one of the following addresses no later than 5pm EST on 25 January 2008:-

Hydromet Corporation Limited

Lot 3, Five Islands Road
UNANDERRA NSW 2526

OR

Computershare Investor Services Pty Limited

By hand: Level 2, 60 Carrington Street
SYDNEY NSW 2000

By return mail: GPO 7045
Sydney NSW 2001

2. If you are unsure of how to complete this Application Form please contact Mr Timothy Allen at Hydromet Corporation Limited on 8224 9606.



TRANSFER OF SHARES

in

HYDROMET CORPORATION LIMITED

ACN 002 802 646



I, _____ [*name*] of _____ [*address*] (“**the Transferor**”), hereby transfer to **HYDROMET CORPORATION LIMITED ACN 002 802 646** of Lot 5, Five Islands Road, Unanderra NSW (“**the Transferee**”) _____ [*number in words*] (_____ [*number in figures*]) ordinary shares in **HYDROMET CORPORATION LIMITED ACN 002 802 646** (“**the Shares**”) in accordance with, and for the consideration set forth in, the Selective Share Buy Back Offer dated 24 December 2007 (“**the Offer**”). And the Transferee does hereby agree to buy back the said Shares subject to the terms and conditions set out in the Offer.

Dated: 200

SIGNED by

_____ [*name*])

in the presence of:)

)

.....

Witness
Name: