

18 October 2010

Chairman's Presentation at the AGM 2010

As the Chairman of the Board, it gives me great pleasure today to offer you the following brief account of the company's performance over the past financial year. After the conclusion of my briefing, our Managing Director, Mr Greg Wrightson will further extend with a detailed presentation in regards to activities and the future plans.

Financial Performance for the Year 2010

In the financial year 2009/10, we successfully weathered the impact of the global financial crisis and emerged with positive results for the year. Revenues earned were up from \$28 million in 2009 to \$43 million for the year. The company has also strengthened its balance sheet compared to the previous year's net assets of \$16.4 million to \$22.6 million including a good cash position. Furthermore, our total borrowings at the end of the year were only 13% of total equity. We have been able to achieve a stable and strong positive cash flow from all our operations. I am also pleased to announce that we are now back to payment of dividends and expect to continue to be in this position, subject to the continuation of favourable economic conditions.

On the 29th September 2010 HydroMet announced to the ASX that a correction was required to be made to our annual accounts for 2010 to correct an overstatement of the inventory valuation resulting in a profit adjustment from \$3,034,000 to \$2,181,000. This unfortunate misunderstanding resulted when two members of management confused the closing stock count of June 30th 2010 with the level of production for the month. The board has taken this matter very seriously and in order to avoid any recurrence of a similar situation has implemented a series of additional verification steps in the internal control process. On behalf of the board I apologise for the mistake and necessary correction. The good news, I am pleased to inform you is that the adjustment has neither affected the company's positive cash flow nor the dividend payments.

Operational Performance for the Year 2010

It is pleasing to reconfirm our position as a leading Lead metal recycler in Australia. We are currently processing 36,000 Mt/y of Used Lead Acid Battery with a collection net work of almost 30% of Australia's total market, producing 20,000 Mt of contained Lead per year. The company also successfully established a sound ground level collection network, well regarded by the market.

We have achieved a record production of Selenium and Tellurium at our Tomago operation and have established a very strong foundation to further expand this business globally. We have made significant breakthroughs improving the performances of both the Lead Recycling and Selenium operation and with the added benefit of reducing operating costs.

During the year, major development works were initiated with the objective of HydroMet becoming a diversified Lead recycler in the world. This involves developing technology to introduce other Lead bearing feed such as CRT glass, smelter Lead dross and other metal waste streams such as Spent Pot Lining (a waste stream from Aluminium smelting industries) to the proposed Lead recycling process. It is expected that further plant trials will begin in the year 2010/11.

Future Outlook for the Year 2011

Based on the preliminary profit results of the first quarter of the year, it is evident that the company has generated a net profit in excess of \$1.0 million (before the inventory valuation adjustment mentioned earlier) with an indication of continuation for the 2nd quarter, subject to favourable commodity prices and the foreign exchange situation. This financial year also commenced with an increase in production levels in both the battery recycling and Selenium processing operations. It is expected that the total sales revenue will be in the vicinity of \$60 - 70 million for the year with potential to increase to \$ 80 - 100 million in the next 2-3 years.

Smelter Project Update

In regard to our Lead smelter project we are also pleased to inform you that, following some significant technical breakthroughs, we are now in a position to move forward with a new approach to the above project with an expectation of a significantly lower capital and operating cost. As a result of this new step by step approach, it is expected that the initial capital cost will be in the vicinity of A\$ 4-5 million, compared to our previous estimate of \$12 million for the full lead smelter project. Therefore, on this basis we plan to proceed with this approach with the project which will be of significantly less burden on our capital requirement and hope to be making our first Lead metal by end of 2011 year. This approach would also allow us to become a very competitive player in the Lead recycling business in Australia. More details on this new approach will be explained in the Managing Director's presentation.

Furthermore, we have also identified a number of other sources of Lead feed. Following further development work and plant trials, we intend to process these potential feed sources along with our battery feed in our proposed Lead smelter and to become a more diversified Lead recycler at global level.

In conclusion I would like to thank you for attending the meeting today and look forward to a better future this year.

I now invite our Managing Director Mr Greg Wrightson to offer his detailed presentation to the attendees.

Thank you.



Dr Lakshman Jayaweera
Chairman of the Board
Hydromet Corporation Limited