



A.B.N. 71 002 802 646

17 February 2011

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Re – December 2010 Half Year Results

The Board is pleased to announce a pre tax profit of \$1.91 million (after tax profit of \$1.33 Million) for the six months ended 31 December 2010, compared to a pre tax profit of \$1.15 million for the same period in 2009.

The Board is also pleased to declare an interim dividend of 0.075 cent per share for the period. The record date to determine entitlement to the dividend is 11 March 2011 and it is payable on 25 March 2011.

Revenue continued to improve during the December half year with actual productivity across both the battery recycling and selenium production plants exceeding forecast. Demand for our Lead, Selenium and Tellurium remains high with predicted output for the 2011 calendar year already placed with customers.

Commodity prices recovered from the mid year lows to reach a steady and sustained level over the period. The appreciating AUD did offset some of the commodity price gains in the December quarter.

The Board expects conditions to remain steady through the June half year with the focus on maximising plant throughput and optimisation of processes and costs. Negotiations are continuing to source additional Selenium bearing feed for the Newcastle facility to match improved plant capacity modifications introduced in the December half year. We expect competition for batteries to remain high in the year ahead as we settle on optimum throughput and customer demand.

While the smelter project at Newcastle remains a key objective in the medium term the lower capital option of melting lead metal from the processed batteries at Unanderra is under the assessment/approval process with local authorities. We also have an application to install a tilting rotary furnace pilot plant to mimic actual smelter plant conditions for the production of high grade metals from a number of lead and other metal feed streams.

The Board remains confident that with continuing stability of commodity prices and production expectations the June half year will contribute continued profitability for the financial year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gregory Wrightson', written over a horizontal line.

Gregory Wrightson
Managing Director

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PO Box 42, Unanderra NSW 2526 Australia
Telephone: +61 2 4271 1822 Facsimile: +61 2 4271 6151
Website: www.hydromet.com.au email: office@hydromet.com.au

Appendix 4 D

Half year report

Name of entity: HydroMet Corporation Limited

1. Details of the reporting period

Current period: 1 July 2010 – 31 December 2010
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Previous corresponding period: 1 July 2009 – 31 December 2009

2. Results for announcement to the market

				\$A'000
2.1 Revenues from ordinary activities	up	90.9%	to	37,440
2.2 Profit from ordinary activities after tax attributable to members	up	75.0%	to	1,330
2.3 Net Profit attributable to members	up	75.0%	to	1,330
2.4 Dividends	Amount per security		Franked amount per security	
Interim dividend	0.075 cent		0.075 cent	
Final dividend	N/A		N/A	
2.5 Record date for determining entitlements to dividends			11 March 2011	

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

The consolidated profit after tax attributable to the members of the company for the half year ended 31 December 2010 is \$1,330,000 (2009 - \$760,000).

Key factors which affected the results and our activities were:

Used battery recycling

- Plant processing capacity established over the six months to December.
- Collection of used lead batteries increased during the period.
- Competition for used lead acid batteries intensified during the period.
- Sold all lead product produced over the period with strong interest from existing and prospective customers.
- Agreement has been reached with a number of customers to take all of planned 2011 production.
- Process enhancement programme underway to optimise throughput, product quality and reduce costs.
- Modified process to cater for industrial battery collections to generate a separate product suitable to a number of customers.
- Lead price moved steadily higher over the six months commencing July at US\$1,836 per tonne and finishing at US\$2,412 per tonne in December.
- Strengthening AUD offset to some extent by improved commodity prices.

Residues treatment

- Selenium production exceeded forecast in the December half year.
- Selenium price increased steadily in the period from US\$33.50 per lb in July to US\$42 per lb in December.
- Demand increased in the December quarter with increased consumption in solar cell production and reduction in availability of selenium generally.
- Negotiating for additional feed for the selenium plant.
- Tellurium similarly strengthened in demand and price over the six months ending on US\$265 per kg in December. Again solar cell application is lifting demand globally.
- Significant process improvement and cost reductions completed in the December half year.

3. Net tangible assets per security

	31 December 2010	31 December 2009
Net tangible assets per share (cents)	4.71	4.23

4. Control gained or lost over entities during the period

N/A

5. Details of dividends/distributions

5.1	Date the dividend (distribution) is payable	25 March 2011
5.2	⁺ Record date to determine entitlements to the dividend (distribution)	11 March 2011

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Date of payment
5.3	Final dividend: Current year	N/A	N/A	N/A	
5.4	Previous year	0.1 ¢	0.1 ¢	- ¢	15 October 2010
5.5	Interim dividend: Current year	0.075 ¢	0.075 ¢	- ¢	25 March 2011
5.6	Previous year	- ¢	- ¢	- ¢	

6. Details of dividend reinvestment plan

The Board of Hydromet Corporation Limited resolved to suspend the dividend reinvestment plan in this 2011 interim dividend payment.

7. Details of associates and joint venture entities

N/A

8. Accounting Standards used by foreign entities

N/A

9. Qualification of audit/review

N/A

Hydromet Corporation Limited

ABN 71 002 802 646

and Controlled Entities

Interim Financial Report

31 December 2010

**HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES
OFFICE AND OFFICERS**

Principal Registered Office

Lot 3 Five Islands Road
Unanderra NSW 2526

Telephone: 02 4271 1822
Facsimile: 02 4271 6151
Web: hydromet.com.au

Company Secretary

Mr Pipvide S Tang, MBA, CPA

Offices

**Hydromet Corporation Limited
Hydromet Operations (Southern) Limited**

Lot 3 Five Islands Road
Unanderra NSW 2526

Telephone: 02 4271 1822
Facsimile: 02 4271 6151

Minmet Operations Pty Limited

25 School Drive
Tomago NSW 2322

Telephone: 02 4964 8266
Facsimile: 02 4966 5958

Location of Share Registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: 02 9290 9600
Facsimile: 02 9279 0664
Email: registries@registries.com.au
Web: registries.com.au

Auditor

Andrew J Newhouse
of HLB Newhouse
Level 1
65 Kembla Street
Wollongong NSW 2500

Telephone: 02 4254 6500
Facsimile: 02 4226 2371
Web: hlbnewhouse.com.au

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

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HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Timothy R Allen
Dr Lakshman D Jayaweera
Mr Stephen H Kwan
Mr Pipvide S Tang
Mr Gregory W Wrightson
Mr Chun M Yang

Review of operations

Used battery recycling

- Plant processing capacity established over the six months to December.
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Project progress

Lead smelting/melting

- Lead Smelter project remains on hold while we progress with the lead melting option for the Unanderra facility.
- Lead melting option requiring significantly less capital.
- DA application in process with Council. Expect decision by early March.

CRT glass project

- Pilot plant equipment to be delivered in February for installation and expected start up in March.
- Development work programme continuing.

Other Lead residue

- Preliminary development work is promising and extensive laboratory work is continuing.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONT'D)

Rounding of amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's declaration

The lead auditor's Independence Declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'GW Wrightson', with a long horizontal stroke extending to the right.

GW Wrightson
Director

Dated this 17th day of February 2011



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of HydroMet Corporation Limited

As lead auditor for the review of HydroMet Corporation Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of HydroMet Corporation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'A. J. Newhouse'.

Andrew J Newhouse
Partner
HLB NEWHOUSE

Wollongong, 17 February 2011

HLB Newhouse Pty Ltd ABN 20 073 798 615

Level 1 65 Kembla Street Wollongong NSW 2500 Australia | PO Box 544 Wollongong NSW 2520 .

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HLB Newhouse is a member of  International. A world-wide organisation of accounting firms and business advisers.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Group	
		31.12.2010	31.12.2009
		\$000	\$000
Revenue		37,440	19,610
Other income		-	-
Change in inventories of finished goods & WIP		2,802	(439)
Raw materials and consumables used		(27,771)	(9,823)
Other direct production costs		(4,043)	(2,951)
Employee benefits expenses		(3,672)	(3,170)
Depreciation and amortisation expenses		(453)	(438)
Net profit on sale of property, plant and equipment		3	-
Finance costs		(192)	(377)
Other expenses		(921)	(737)
Profit before income tax		<u>3,193</u>	<u>1,675</u>
Income tax expense		(965)	(547)
Profit for the period	2	<u><u>2,228</u></u>	<u><u>1,128</u></u>
Other comprehensive expenses			
Effective portion of loss on cash flow hedge	2	(1,283)	(526)
Income tax relating to components of other comprehensive expense		385	158
Other comprehensive expense for the period, net of tax		<u>(898)</u>	<u>(368)</u>
Total comprehensive income for the period		<u><u>1,330</u></u>	<u><u>760</u></u>
Profit attributable to members of the parent entity		<u><u>2,228</u></u>	<u><u>1,128</u></u>
Total comprehensive income attributable to members of the parent entity		<u><u>1,330</u></u>	<u><u>760</u></u>
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)		0.293	0.197
Diluted earnings per share (cents per share)		0.294	0.204

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Consolidated Group	
	31.12.2010	30.06.2010
	\$000	\$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,593	4,450
Trade and other receivables	12,905	10,447
Inventories	3,789	5,438
Other assets	301	141
TOTAL CURRENT ASSETS	<u>22,588</u>	<u>20,476</u>
NON-CURRENT ASSETS		
Deferred tax assets	3,245	4,225
Property, plant and equipment	13,628	13,413
Intangible assets	663	663
Other non-current assets	557	557
TOTAL NON-CURRENT ASSETS	<u>18,093</u>	<u>18,858</u>
TOTAL ASSETS	<u>40,681</u>	<u>39,334</u>
CURRENT LIABILITIES		
Trade and other payables	7,168	8,711
Borrowings	5,648	2,170
Employee benefits	814	854
Deferred income	-	60
Derivatives	706	1,335
Short-term provisions	991	954
TOTAL CURRENT LIABILITIES	<u>15,327</u>	<u>14,084</u>
NON-CURRENT LIABILITIES		
Borrowings	417	842
Employee benefits	454	368
Deferred tax liabilities	1,841	2,241
TOTAL NON-CURRENT LIABILITIES	<u>2,712</u>	<u>3,451</u>
TOTAL LIABILITIES	<u>18,039</u>	<u>17,535</u>
NET ASSETS	<u>22,642</u>	<u>21,799</u>
EQUITY		
Issued capital	73,077	73,077
Reserves	2,579	2,612
Accumulated losses	(53,014)	(53,890)
TOTAL EQUITY	<u>22,642</u>	<u>21,799</u>

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued capital ordinary	Hedging reserve	Assets revaluation reserve	Compound instrument equity reserve	Equity compen- sation reserve	Accumu- lated losses	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1.7.2009	70,239	(51)	-	39	717	(54,492)	16,452
Share-based payments	-	-	-	-	261	-	261
Transferred to profit or loss	-	51	-	-	-	-	51
Convertible notes issued during the period	-	-	-	15	-	-	15
Profit attributable to members of the parent entity	-	-	-	-	-	760	760
Subtotal	<u>70,239</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>978</u>	<u>(53,732)</u>	<u>17,539</u>
Share issued during the period	2,131	-	-	-	-	-	2,131
Balance at 31.12.2009	<u>72,370</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>978</u>	<u>(53,732)</u>	<u>19,670</u>
Balance at 1.7.2010	73,077	-	2,557	55	-	(53,890)	21,799
Convertible notes redeemed during the period	-	-	-	(33)	-	-	(33)
Profit attributable to members of the parent entity	-	-	-	-	-	1,330	1,330
Subtotal	<u>73,077</u>	<u>-</u>	<u>2,557</u>	<u>22</u>	<u>-</u>	<u>(52,560)</u>	<u>23,096</u>
Dividend paid or provided for	-	-	-	-	-	(454)	(454)
Balance at 31.12.2010	<u>73,077</u>	<u>-</u>	<u>2,557</u>	<u>22</u>	<u>-</u>	<u>(53,014)</u>	<u>22,642</u>

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated Group	
	31.12.2010	31.12.2009
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	34,675	16,081
Payments to suppliers and employees	(35,088)	(19,589)
Finance costs	(95)	(100)
Interest received	51	5
Net cash provided by/(used in) operating activities	<u>(457)</u>	<u>(3,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(678)	(217)
Proceeds from sale of non-current assets	11	-
Net cash used in investing activities	<u>(667)</u>	<u>(217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,131
Payment of finance lease liabilities	(370)	(144)
Dividends paid	(454)	-
Repayments of borrowings	(450)	-
Proceeds from borrowings	3,836	2,392
Net cash provided by financing activities	<u>2,562</u>	<u>4,379</u>
Net increase in cash held	1,438	559
Cash and cash equivalents at beginning of period	4,450	2,908
Effect of exchange rate changes on cash holdings in foreign currencies	(295)	-
Cash and cash equivalents at end of period	<u>5,593</u>	<u>3,467</u>

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 1: Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Hydromet Corporation Limited and its controlled entities (the Group). It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

New Accounting standards and interpretations

The Group has assessed revised Australian Accounting Standard issued by the AASB which are mandatory to apply to the current interim period. The Group's assessment of the impact of these new Standards and interpretations is they will have no significant changes to the amounts recognised or matters disclosed in the half yearly report.

Correction of prior year error

The Group made an error in its financial statements for the year ended 30 June 2010. The error was caused by misunderstanding of the stock on hand as at 30 June 2010 by its staff members. The error caused the inventory to be overstated by \$1,218,000 in its financial statements. The following corrections have been made to the period ended 30 June 2010 financial statements:

1. Inventories reduced by \$1,218,000 to \$5,438,000.
2. Deferred tax assets increased by \$365,000 to \$4,225,000.
3. Accumulated losses increased by \$853,000 to \$53,890,000.
4. Total equity reduced by \$853,000 to \$21,799,000.
5. Total comprehensive income for the period attributable to the members of the parent company reduced by \$853,000 to \$2,181,000.
6. The basic and diluted earnings per share for the financial year ended 30 June 2010 were reduced to losses of 0.09 cent and 0.075 cent respectively.

The correction has no impact on the statement of comprehensive income and statement of cash flows for the half-year ended 31 December 2009.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 2: Other comprehensive expenses

	Consolidated Group	
	31.12.2010 \$000	31.12.2009 \$000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Effective portion of loss on cash flow hedge	1,283	526

Note 3: Dividends

	Consolidated Group	
	31.12.2010 \$000	31.12.2009 \$000
Distribution paid/provided for		
<i>Recognised</i>		
Final 2010 fully franked ordinary dividend paid on 15 October 2010 (post year-end) of 0.1 cent per share franked at the tax rate of 30% (2009: 30%)	454	-
<i>Not Recognised</i>		
Interim 2011 fully franked ordinary dividend declared on 17 February 2011 (post half year-end) of 0.075 cent per share franked at the tax rate of 30% (2010: 30%) and will be recognised in the six months to 30 June 2011.	341	-
	795	-

Note 4: Operating segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- products sold and/or services provided by the segment;
- nature of feed material;
- manufacturing process;
- type or class of customer for the products or service; and
- external regulatory requirements.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 4: Operating segments (cont'd)

Types of products and services by segment

Used batteries recycling

The used battery recycling segment involves the breaking of used lead acid battery and recycling all components within. The major components include lead, plastic and acid. The lead and plastic are distributed to secondary lead smelters and plastic recyclers respectively for production of lead metal and recycled plastic. The acid was consumed internally for other manufacturing processes or neutralised for disposal.

The used batteries recycling is reported as one reportable segment as it processes used lead acid batteries and distributes the products to similar types of customers and it is subject to a certain regulatory environment.

Residue treatment

The residue treatment segment involves the treatment of industrial residues and production of chemical and metal products. All products produced are aggregated as one reportable segment as they are manufactured from similar types of feed materials by applying the 'Hydroproc Process'. The products are similar in nature and distributed to similar types of customers.

The residue treatment operations are subject to a similar regulatory environment. The residue treatment is reported as one reportable segment as it treats industrial residual and distributes the product to similar types of customers and is subject to a certain regulatory environment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, as the chief decision maker, with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is reviewed regularly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation.

Corporate charges are not allocated to reporting segments. The Board of Directors believes that this policy provides a better measure in assessing the segment performance and control of corporate overheads.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. No interest is charged on inter-segment loans. Inter-segment loans are not recorded at fair value in determining inter-segment information.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, intangible assets have not been allocated to operating segments.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 4: Operating segments (cont'd)

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- intangible assets;
- exploration expenditure capitalised; and
- discontinuing operations.

(i) Segment performance

	Used Battery		Residue Treatment		Total	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
External sales	21,496	14,479	15,885	5,076	37,381	19,555
Inter-segment sales	210	320	-	-	210	320
Total segment revenue	21,706	14,799	15,885	5,076	37,591	19,875
<i>Reconciliation of segment revenue to Group revenue</i>						
Corporate revenue					59	55
Inter-segment elimination					(210)	(320)
Total Group revenue					37,440	19,610
Segment net profit/(loss) before tax	2,918	3,209	1,573	(281)	4,491	2,928
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>						
Non segment expenses						
- Corporate charges					(1,298)	(1,253)
Net profit/(loss) before tax from continuing operations					3,193	1,675

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 4: Operating segments (cont'd)

(ii) Segment assets

	Used Battery \$000	Residue Treatment \$000	Total \$000
Opening balance 30 June 2010	22,068	24,145	46,213
Additions	247	3,208	3,455
Disposal	-	-	-
	<hr/>	<hr/>	<hr/>
	22,315	27,353	49,668
Inter-segment elimination			(12,273)
Unallocated assets			3,286
Closing balance 31 December 2010			<hr/> <hr/> 40,681

Note 5: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 6: Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or could significantly affect the operations of the consolidated Group, the results of those operations or the state of affairs of the consolidated Group in future financial years.

HYDROMET CORPORATION LIMITED ABN 71 002 802 646 AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors declare that:

1. In the Directors' opinion, the financial statements and notes, as set out on pages 4 to 15 of this interim financial report, are in accordance with the *Corporations Act 2001* including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Director.

A handwritten signature in black ink, appearing to read 'GW Wrightson', with a long horizontal stroke extending to the right.

GW Wrightson
Director

Dated this 17th day of February 2011



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of HydroMet Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of HydroMet Corporation Limited and its controlled entities ("the consolidated entity or Group") which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising of summary of accounting policies, other selected explanatory notes and the directors' declaration for the Group.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters Relating to the Electronic Presentation of the Review Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2010 included on the web site of HydroMet Corporation Limited. The company's directors are responsible for the integrity of the HydroMet Corporation Limited website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report in an electronic presentation of the financial report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of HydroMet Corporation Limited on 17 February 2011, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HydroMet Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: Interim financial Reporting and the Corporations Regulations 2001.



Andrew J Newhouse
Partner
HLB NEWHOUSE

Wollongong, 17 February 2011

