



A.B.N. 71 002 802 646

2 February 2012

The Manager,
Company Announcements Office,
Australian Securities Exchange,
20 Bridge Street,
Sydney NSW 2000.

Dear Sir/Madam,

Market Update

The directors of Hydromet Corporation Limited (ASX code: HMC) are pleased to provide the following market update to the shareholders:

Stanton Prospect

Hydromet is pleased to advise that the Company has entered into an option agreement to sell its interest in Stanton Mining Lease (copper, cobalt and nickel mineralisation in the Northern Territory) for \$2 million payable in listed public company vendor shares. The option is exercisable on or before 31 October 2012. Subject to regulatory approvals, it is our intention to distribute these vendor shares as bonus in specie to our shareholders when the option is exercised and the sale is completed.

Used battery recycling operations

The Company previously announced its focus has been to improve the smelter terms for its lead products. We are pleased to advise that we have been successful in concluding a sales agreement for approximately 50% of our lead product output at improved terms for the second half of the financial year. Along with the saving from freight charges, the improved terms will lift our gross margin by approximately 6%.

With strong demand of our lead products by our smelter customers, we will continue to negotiate with them with the objective to improve our terms of sales and gross margin.

Shareholders meeting for the PGM acquisition

The notice of the meeting and associated document will be despatched to shareholders in the next couple of weeks.

Yours truly,

A handwritten signature in black ink, appearing to read 'Lakshman Jayaweera', is written over a horizontal line.

Dr Lakshman Jayaweera
Chairman and Managing Director

Lot 3, Five Islands Road, Unanderra NSW 2526 Australia
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