



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

## **Strategic Investment in the E-Waste Recycling Field - HydroMet enters Subscription Agreement to acquire PGM**

In its forecast move to expand the business of Hydromet (ASX : HMC) the Company is to acquire a major interest in PGM Refiners Pty Ltd (“PGM”) a leading electronic waste (“E-waste”) operator in Victoria. It has long been the intention of Hydromet to move into this fast growing field where Government curbs on dumping TVs, computers and other E-waste have created a very viable business. PGM operates out of new premises in Dandenong Victoria not far from Melbourne and deals largely with local government councils, landfill operators, government bodies and corporate clients.

HydroMet has entered into a Subscription Agreement which will lead to the Company acquiring a controlling interest in PGM. The transaction is subject to the approval of Hydromet shareholders. Hydromet has commenced preparation of the necessary information for a shareholders meeting to be held in February 2012 to consider this transaction. The notice of meeting and related document will be forwarded to shareholders in late January 2012.

Hydromet’s initial investment will be \$1.38 million to subscribe for 1,100,000 new PGM ordinary shares issued at \$1.25 per share representing approximately 35.5% of the expanded PGM issued capital. Hydromet has secured a proxy from one of the major PGM shareholders that will effectively provide Hydromet with a 51% voting right on the completion of this initial investment. The initial investment will be funded from internal resources.

In addition, 950,000 free options will be granted to Hydromet to take up a further 950,000 ordinary shares in PGM which will bring HMC’s total holding to 50.6% of the expanded share capital of PGM after the options are exercised. The options are exercisable on or before 30 June 2013 by payment of \$1.50 per share, or exercised on or before 30 June 2014 by payment of \$1.75 per share. The options will expire on 30 June 2014.

Subject to shareholders’ approval of the transaction; the initial placement to HMC will be completed by March 2012. We are expecting no significant revenue or profit contribution from PGM in FY2012. PGM forecasts \$6.3 million revenue and EBITDA of \$1.4 million in FY2013.

The company strongly believes the combined resources of Hydromet and PGM will provide a platform for the group to diversify its current operations and participate in the rapidly growing E–waste sector of the waste management industry.

### **Highlights of the Proposed Acquisition**

- 1) E-waste is one of the fastest growing sectors within the waste industry both locally and globally. Such growth will be further underpinned by the recently enacted Commonwealth Product Stewardship legislation for end-of-life TVs and Computers, mandating higher recycling rates till 2021 and beyond.
- 2) PGM is one of the leading companies in Australia for recycling electronic waste, using innovation and technology as fundamental building blocks in its business model.

The Company has established a newly upgraded processing facility in Dandenong, Victoria with high capacity and capability, and has plans for expansion into other states. PGM has a number of collection and recycling arrangements across a wide network of local governments and corporate clients. The company's revenue is predominately derived from service fees.

- 3) With the recently passed Commonwealth Product Stewardship legislation aimed at reducing E-waste going to landfills, increasing resource recovery and recycling rates for end-of-life TVs and computers, a larger share of the market is expected to flow to recycling companies such as PGM.
- 4) It is expected that the proposed acquisition will be highly complementary to Hydromet's strategic expansion plan. It will materially diversify its income to include service fees in addition to the existing commodity driven income.
- 5) The proposed acquisition will position HydroMet as a leading provider of E-waste recycling services in Australia with the potential to expand into other hazardous waste recycling segments.
- 6) The proposed acquisition will offer synergistic opportunities for HydroMet and PGM to achieve improved downstream e-waste processing recoveries in such areas as the treatment of lead bearing CRT glass and circuit boards containing precious metals, which will result in HydroMet becoming a niche market leader.
- 7) Highly motivated and experienced staff and management of PGM will add significant value to Hydromet's future growth.

20 December 2011

For further information:  
Dr Lakshman Jayaweera  
Executive Chairman  
02 4271 1822