



A.B.N. 71 002 802 646

18 May 2011

## **ASX Market Announcement**

### **LODGEMENT OF TARGET'S STATEMENT**

Hydromet Corporation Limited (ASX:HMC) announced today that it served on Mr Simon Henry (the Bidder) and lodged with ASIC and the ASX its Target's Statement in relation to the Bidder's offer to acquire the outstanding shares in HMC announced on 19 April 2012.

For further information contact:

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# Target's Statement

## Hydromet Corporation Limited

ABN 71 002 802 646

in response to the

## Offer

by

## Simon Henry

to purchase all of your shares in

## Hydromet Corporation Limited

ABN 71 002 802 646

For each Hydromet Share you will receive \$0.048 in cash

**Hydromet Directors recommend that you  
ACCEPT the Offer**

This is an IMPORTANT DOCUMENT and requires your immediate attention. If you have any questions concerning this document or are in any doubt as to how to act, please consult your professional advisor.

## Key Dates

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Announcement of Offer	19 April 2012
Bidder's Statement lodged with ASIC	19 April 2012
Offer opening date	3 May 2012
Target's Statement lodged with ASIC	18 May 2012
Offer closing date*	4 June 2012

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\* This date is indicative only and may change as permitted by the Corporations Act.

## Important Notices

### Nature of this Document

This is the Target's Statement dated 18 May 2012 given by Hydromet Corporation Limited (ABN 71 002 802 646) (**Hydromet**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement dated 19 April 2012 issued by Mr Simon Henry (**Henry**) (**Bidder's Statement**).

### ASIC Disclaimer

A copy of this Target's Statement was lodged with ASIC on 18 May 2012. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

### ASX Disclaimer

A copy of this Target's Statement was provided to ASX on 18 May 2012. Neither ASX nor any of its officers takes any responsibility for the contents of this Target's Statement.

### Investment decisions

The information in this Target's Statement does not constitute financial product advice. This document does not take into account the investment objectives, financial situation or particular needs of any person. It is important that you read this Target's Statement in its entirety before making any decision relating to the Offer. Before making any investment decision on the basis of this document you should consider whether that decision is appropriate in the light of those factors and seek independent financial and taxation advice if necessary.

### Forward looking statements

In addition to the historical information that is contained in this Target's Statement, some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. Forward looking statements are not based on historical facts, but are based on Hydromet's current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While Hydromet believes that the expectations reflected in the forward looking statements in this document are reasonable, no assurance can be given that such expectations will prove to be correct. None of Hydromet, its officers, any persons named in this Target's Statement, nor any person involved in the preparation of this Target's Statement, makes any representation or warranty (either express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, or any

events or results expressed or implied in any forward looking statement, except to the extent required by law. Matters as yet not known to Hydromet or not currently considered material by Hydromet may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Target's Statement is qualified by this cautionary statement.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

### **Defined Terms**

A number of terms used in this Target's Statement are defined in the Glossary (Section 9). Unless the contrary intention appears, terms used in this Target's Statement have the same meaning as in the Corporations Act.



A.B.N. 71 002 802 646

## Chairman's Letter

18 May 2012

Dear Hydromet Shareholder

### **Your Directors unanimously recommend you accept the Offer.**

On 19 April 2012, Mr Simon Henry (**Henry**) announced an off-market conditional takeover offer to acquire all of the ordinary shares in the capital of Hydromet Corporation Limited (**Hydromet**) (ASX Code: HMC).

Henry is offering \$0.048 for each fully paid ordinary share you hold in Hydromet (**Hydromet Shares**) (**Offer**). The Offer also extends to Hydromet Shares which are issued during the period from the date set by Hydromet under section 633(2) of the Corporations Act (**Register Date**) to the end of the Offer Period due to a conversion or exercise of rights attached to securities which exist, or will exist, as at the Register Date.

After careful consideration of the advantages and disadvantages of the Offer, **Your Directors unanimously recommend that you ACCEPT the Offer for all Hydromet Shares that you hold.**

### **The key reasons for the Directors' recommendation to accept the Offer:**

1. the Offer is reasonable in the circumstances;
2. no superior or alternative proposal or offer has emerged since the announcement of the Offer and as at 15 May 2012, Henry held 68.59% of Hydromet Shares making it unlikely that any other offer will be made to purchase your Hydromet Shares;
3. Henry stated in an announcement to the ASX on 23 April 2012 that the Offer of \$0.048 is final;
4. Hydromet's Share price may fall if Henry does not achieve sufficient acceptances to proceed to compulsory acquisition;
5. the Offer is a straight forward cash offer which is subject only to the Prescribed Occurrences; and
6. trading in Hydromet Shares is currently relatively illiquid and the Offer provides all Hydromet Shareholders with an opportunity to sell all of their Hydromet Shares for cash.

You should also be aware that, as foreshadowed in an announcement to the ASX on 7 May 2012, on 9 May 2012 all of the Directors sold their Hydromet Shares on market for not less than the Offer Consideration. This followed Henry acquiring 49% of the issued Hydromet Shares on 8 May 2012.

After discussions between the Board and Henry, the Board intends, following despatch of this Target's Statement, to facilitate the replacement of the current Board with persons nominated by Henry.

You are encouraged to read both the Bidder's Statement and the Target's Statement in full and to consider the Offer having regard to your personal circumstances. The Directors encourage you to seek your own independent financial and taxation advice prior to deciding whether to accept the Offer.

The Offer is open until 7.00 pm (Sydney time) on 4 June 2012 (unless extended or withdrawn by Henry) and is subject to a number of conditions. To accept the Offer, please follow the instructions provided in the Bidder's Statement.

If you require additional assistance please contact the Hydromet Shareholder Information Line on (02) 4271 1822 (within Australia) or +61 2 4271 1822 (outside Australia) which is available Monday to Friday between 9.00 am and 5.00 pm (Sydney time).

Your Directors will continue to keep you informed of all material developments relating to the Offer.

Yours faithfully

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

**Dr Lakshman Jayaweera**  
**Chairman**

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# 1. Frequently Asked Questions

The following table sets out some common questions and corresponding answers in relation to the Offer and should be read in conjunction with the entire Target's Statement.

<b>What is the Offer?</b>	<p>Henry is offering to buy your Hydromet Shares by way of an off-market takeover offer.</p> <p>The Offer Consideration is \$0.048 for each Hydromet Share. The Offer (including the Offer Consideration) is summarised in section 9.1 of the Bidder's Statement.</p>
<b>What is the Bidder's Statement?</b>	<p>The Bidder's Statement is a document containing the detailed terms of the Offer and information relating to the Offer and the Offer Consideration you will receive.</p>
<b>What is the Target's Statement?</b>	<p>This document is Hydromet's formal response to the Bidder's Statement. Hydromet is required by law to produce the Target's Statement in response to the Offer. The Target's Statement contains information to help you determine whether to accept or reject the Offer.</p>
<b>Who is the Bidder?</b>	<p>Henry is an individual who has a substantial shareholding in Hydromet. Information on Henry is set out in Section 3 of the Bidder's Statement.</p>
<b>To whom is the Offer made?</b>	<p>The Offer is being made to each person registered as a holder of Hydromet Shares on the register of Hydromet Shareholders at 7.00 pm (Sydney time) on the Register Date.</p> <p>It also extends to any person who becomes registered, or entitled to be registered, as the holder of Hydromet Shares during the Offer Period.</p> <p>For further details regarding eligibility to participate in the Offer and procedures in the case of transfer of Hydromet Shares and acceptance of the Offer in respect of Hydromet Shares held by a trustee or nominee see section 9.16 of the Bidder's Statement.</p>
<b>What do the Directors recommend?</b>	<p>Your Board unanimously recommends that you <b>ACCEPT</b> the Offer.</p> <p>If there is any change to this recommendation, your Directors will inform you. Further details regarding your Directors' recommendation are contained in Section 2 of this Target's Statement.</p>
<b>What have the Directors done with their Hydromet Shares?</b>	<p>As foreshadowed in an announcement to the ASX on 7 May 2012, on 9 May 2012, all of the Directors sold their Hydromet Shares on market for not less than the Offer Consideration. This followed Henry acquiring 49% of the issued Hydromet Shares on 8 May 2012.</p>
<b>What will happen to the Board now that Henry holds a majority of Hydromet Shares?</b>	<p>After discussions between the Board and Henry, the Directors intend following despatch of this Target's Statement, to facilitate the replacement of the current Board with persons nominated by Henry.</p>



<b>What choices do I have as a Hydromet Shareholder?</b>	<p>As a Hydromet Shareholder, you have the following choices in respect of the Offer:</p> <ul style="list-style-type: none"> <li>• <b>ACCEPT</b> the Offer for <u>all</u> your Hydromet Shares, in which case you should follow the instructions in the Acceptance Form that accompanied the Bidder's Statement;</li> <li>• <b>REJECT</b> the Offer, in which case you do not need to do anything; or</li> <li>• <b>SELL</b> some or all of your Hydromet Shares on ASX (unless you have previously accepted the Offer for all of your Hydromet Shares).</li> </ul> <p>Hydromet Shareholders who are considering whether to sell some or all of their Hydromet Shares on ASX should consider the information provided in Section 6.5 of this Target's Statement in relation to the recent share price performance of Hydromet Shares.</p>
<b>How do I accept the Offer?</b>	<p>To validly accept the Offer for your Hydromet Shares, your acceptance must be received before 7.00 pm (Sydney time) on 4 June 2012 unless the Offer Period is extended.</p> <p>Refer to section 9.3 of the Bidder's Statement and associated instructions on the Acceptance Form.</p> <p><b>For CHESSE Holdings of Hydromet Shares</b></p> <p>If your Hydromet Shares are in a CHESSE Holding (HIN beginning with "X"), to accept the Offer you must either:</p> <ul style="list-style-type: none"> <li>• complete, sign and return the Acceptance Form included with the Bidder's Statement in accordance with the instructions on it. This will authorise Henry to instruct your Controlling Participant to accept the Offer on your behalf; or</li> <li>• instruct your Controlling Participant directly to accept the Offer on your behalf.</li> </ul> <p>If you are a Controlling Participant (typically a stockbroker who is admitted to participate in CHESSE under the ASX Settlement Rules), the above does not apply. To accept the Offer you must initiate acceptance in accordance with the ASX Settlement Rules.</p> <p><b>For Issuer Sponsored Holdings of Hydromet Shares</b></p> <p>If your Hydromet Shares are in an Issuer Sponsored Holding (SRN beginning with "I") or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Hydromet Shares, to accept the Offer you must complete and return the Acceptance Form in accordance with the instructions on the form so that it is received before the end of the Offer Period.</p>
<b>Can I accept the Offer for part of my holding?</b>	<p>No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Hydromet Shares plus any additional Hydromet Shares registered as held by you at the date your acceptance is processed.</p>

<b>What happens if I do nothing in relation to the Offer?</b>	<p>Subject to what is stated below, if you do nothing in relation to the Offer you will not receive the Offer Consideration and (unless you otherwise sell your Hydromet Shares) you will remain a Hydromet Shareholder.</p> <p>If Henry acquires a Relevant Interest in at least 90% (by number) of the Hydromet Shares and at least 75% (by number) of the Hydromet Shares which are the subject of the Offer (whether the acquisitions happened under the bid or otherwise), Henry intends to proceed to compulsorily acquire your Hydromet Shares (see section 5.3 of the Bidder's Statement). At the conclusion of the compulsory acquisition process you will receive \$0.048 for each Hydromet Share that is compulsorily acquired. You will receive consideration for your Hydromet Shares sooner if you accept the Offer.</p> <p>If Henry has an interest in less than 90% of the Hydromet Shares, Henry will not be able to proceed to compulsorily acquire your Hydromet Shares.</p>
<b>What are the consequences of accepting the Offer now?</b>	<p>If you accept the Offer you will give up your right to sell your Hydromet Shares on ASX or to any competing bidder or to deal with them in any other manner, unless the Offer lapses.</p>
<b>What if I want to sell my Hydromet shares on market?</b>	<p>You may sell your Hydromet Shares on market for cash (less brokerage), at any time, provided that you have not accepted the Offer for your Hydromet Shares.</p> <p>You should contact your broker for information regarding how to sell your Hydromet Shares on the ASX and consult your tax advisor to determine the tax implications of such a sale.</p>
<b>When do I have to make a decision?</b>	<p>If you wish to accept the Offer, you must do this before the end of the Offer Period. The Offer will close no earlier than 7.00 pm (Sydney time) on 4 June 2012. It is possible that Henry may choose to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. However, Henry cannot close the Offer earlier than this date, except, with the consent of ASIC. See section 9.2 of the Bidder's Statement for details of the Offer Period.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>
<b>Can Henry increase the Offer?</b>	<p>On 23 April 2012, Henry announced that he will not be increasing the Offer Consideration beyond \$0.048 per Hydromet Share.</p> <p>Under ASIC Regulatory Guide 25, a market participant that makes a last and final statement and then seeks to depart from it risks:</p> <ul style="list-style-type: none"> <li>(a) regulatory action by ASIC for contravention of misleading or deceptive conduct provisions, particularly sections 670A and 1041H of the Corporations Act; or</li> <li>(b) an application by ASIC or another party to the Takeovers Panel for a declaration of unacceptable circumstances.</li> </ul> <p>Accordingly, Henry may only increase the Offer Consideration in limited circumstances, for example, if ASIC were to grant Henry relief from compliance with this requirement.</p>

<b>When does the Offer close?</b>	The Offer is currently scheduled to close at 7.00 pm (Sydney time) on 4 June 2012, unless extended or withdrawn.
<b>Can Henry extend the Offer Period?</b>	Yes, the Offer can be extended by Henry or otherwise in accordance with the Corporations Act. You will receive written notice of any extension, as required by the Corporations Act.
<b>What are the conditions of the Offer?</b>	The Offer is subject to no Prescribed Occurrence occurring in relation to Hydromet.  Refer to section 9.10 of the Bidder's Statement for full details of the Prescribed Occurrences.
<b>What happens if the conditions are not satisfied?</b>	If the conditions are not satisfied before the Offer closes, the Offer will lapse. You will then be free to deal with your Hydromet Shares as you choose even if you have previously accepted the Offer.
<b>Can Henry withdraw the Offer?</b>	Before you accept the Offer, Henry may withdraw unaccepted Offers with the written consent of ASIC and subject to the conditions (if any) specified in such consent.
<b>Can I be forced to sell my Hydromet Shares?</b>	You cannot be forced to sell your Hydromet Shares unless Henry gets sufficient acceptances to give him a Relevant Interest in at least 90% of the Hydromet Shares.  If Henry acquires at least 90% of Hydromet Shares (by number) and at least 75% of the Hydromet Shares (by number) which are the subject of the Offer (whether the acquisitions happened under the bid or otherwise) and Henry proceeds to compulsory acquisition, then you will receive the same consideration as is payable by Henry under the Offer, but you will receive payment later than the Hydromet Shareholders who accept the Offer. You will receive notification from Henry when he may move to compulsory acquisition.
<b>If I accept the Offer now, can I withdraw my acceptance?</b>	If you accept the Offer, you will only have a limited right to withdraw your acceptance of the Offer. You will only be entitled to withdraw your acceptance of the Offer if: <ul style="list-style-type: none"> <li>Henry varies the Offer in a way that postpones, for more than 1 month, the time when Henry must meet his obligations under the Offer; and</li> <li>the Offer is still subject to Conditions.</li> </ul> This will occur if Henry extends the Offer Period by more than 1 month and the Offer remains conditional at the time of the extension.
<b>What happens if I accept the Offer and a superior proposal is made for my Hydromet Shares by a third party after I accept?</b>	If you accept the Offer, you will be unable to accept a superior proposal from a third party if one arises. As at the date of this Target's Statement, no other offer has been made to purchase your Hydromet Shares.  On 23 April 2012, Henry announced that he will not be increasing the Offer Consideration beyond \$0.048 per Hydromet Share.  Accordingly, Henry may only increase the Offer Consideration in limited circumstances, for example, if ASIC were to grant Henry relief from compliance with this requirement.  If you accept the Offer for your Hydromet Shares and Henry subsequently increases the Offer Consideration, you will automatically

	<p>receive the increased Offer Consideration. If Henry acquires Hydromet Shares outside the current Offer at a higher price during the Offer Period, then Hydromet Shareholders who accepted the Offer before the increase will also be entitled to this higher price.</p>
<p><b>If I accept the Offer, when will I receive payment for my Hydromet Shares?</b></p>	<p>If you accept the Offer, Henry will pay you the consideration for your Hydromet Shares on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• the day that is 1 month after you accept the Offer or the Offer becomes or is declared unconditional; and</li> <li>• the day that is 21 days after the end of the Offer Period.</li> </ul> <p>Full details of when you will be receive payment for your Hydromet Shares are set out in section 9.12 of the Bidder's Statement.</p>
<p><b>Will I need to pay brokerage or stamp duty if I accept the Offer?</b></p>	<p>You will not pay any stamp duty on accepting the Offer.</p> <p>If your Hydromet Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Henry, you will not incur any brokerage connected with you accepting the Offer.</p> <p>If your Hydromet Shares are in a CHESS Holding or you hold your Hydromet Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your broker or the bank, custodian or other nominee) whether it will charge any transaction fees or service charges connected with you accepting the Offer.</p>
<p><b>What are the tax consequences if I accept the Offer?</b></p>	<p>Please consult your financial, tax or other professional advisor on the tax implications of accepting the Offer. However, a general summary of the likely Australian tax consequences is set out in section 7 of the Bidder's Statement.</p>
<p><b>Is there a phone number I can call if I have further queries in relation to the Offer?</b></p>	<p>If you require additional assistance please contact the Hydromet Shareholder Information Line on (02) 4271 1822 (within Australia) or +61 2 4271 1822 (outside Australia) which is available Monday to Friday between 9.00 am and 5.00 pm (Sydney time).</p>

## **2. Why your Directors unanimously recommend that you ACCEPT the Offer**

### **2.1 The Offer is unanimously recommended**

After careful consideration of the advantages and disadvantages of the Offer, the Directors recommend that you **ACCEPT** the Offer. The reasons for the Directors' recommendation are set out in this Target's Statement and you are encouraged to read this document in its entirety.

As foreshadowed in an announcement to the ASX on 7 May 2012, all of the Directors sold their Hydromet Shares on market for not less than the Offer Consideration. This followed Henry acquiring 49% of the issued Hydromet Shares on 8 May 2012.

### **2.2 Considerations by your Directors**

#### **The Offer is reasonable in the circumstances**

The Offer Consideration reflects a reasonable premium over the market trading prices of Hydromet Shares prior to 29 September 2011, representing a:

- (a) 16.0% premium to volume weighted average price (**VWAP**) on the last trading day prior to 29 September 2011;
- (b) 13.9% premium to VWAP for the period of three months ending on the last trading day prior to 29 September 2011; and
- (c) 9.6% premium to VWAP for the period of six months ending on the last trading day prior to 29 September 2011.

The VWAPs for periods prior to 29 September 2011 have been selected for this analysis as the Directors consider that Hydromet's Share price was supported by purchases of Hydromet Shares by Henry during the period commencing on 29 September 2011 and ending on the last trading day prior to the Offer. During that period, Henry accounted for 92% of Hydromet Shares traded.

#### **No superior or alternative proposal or offer has emerged**

The Directors have approached a number of third parties to determine if those parties would consider making an alternative proposal or offer and are satisfied that it is unlikely that any other offer will be made to purchase your Hydromet Shares, particularly in light of the fact that as at 15 May 2012, Henry held 68.59% of the issued Hydromet Shares.

Unless Henry was to accept a competing offer, Henry's shareholding in Hydromet precludes another party from acquiring the 90% minimum ownership level in Hydromet necessary for a competing bidder to proceed with compulsory acquisition under the Corporations Act. Henry's Shareholding would also make it difficult for a competing bidder to implement a scheme of arrangement with Hydromet.

At this time, no other party has made an offer for Hydromet Shares.

The Board is not aware of any other party intending to make a higher offer in the future. The Board believes that the size of Henry's Shareholding in Hydromet may deter other potential bidders.

### **Henry's Offer will not be increased**

Henry has stated in an announcement to the ASX on 23 April 2012 that the Offer of \$0.048 is final and he will not be increasing the Offer Consideration. Having made this statement, Henry is not permitted by law to increase the Offer, except in very limited circumstances.

### **The Offer is a straightforward cash offer**

Henry's offer is subject only to the Prescribed Occurrences.

By accepting the Offer, you will receive a cash payment of \$0.048 for each of your Hydromet Shares.

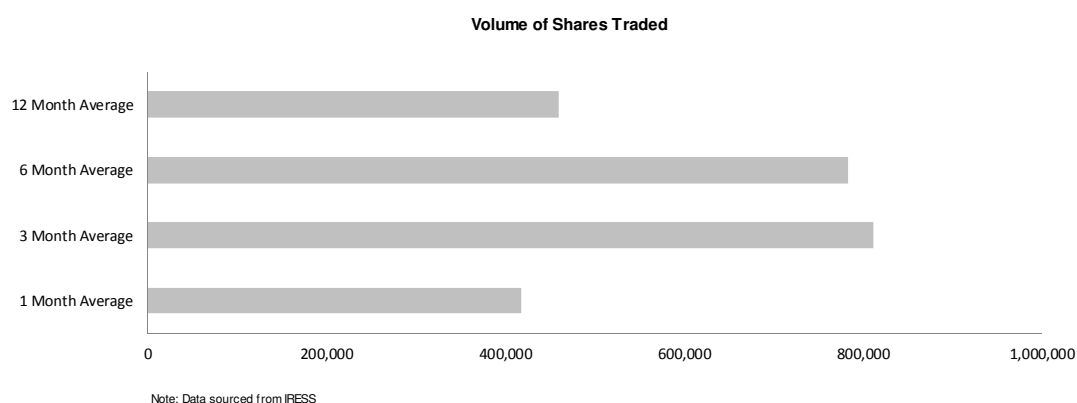
If your Hydromet Shares are registered in an Issuer Sponsored Holding in your name, you will not incur any brokerage if you accept the Offer.

### **Hydromet's Share Price may fall if the Offer does not succeed**

For the 6 months prior to the announcement of the Offer, Hydromet's Share price traded between \$0.051 and \$0.040. Following announcement of the Offer, Hydromet's Share VWAP for the period ended 15 May 2012 has been \$0.048.

Whilst there are many factors that may influence the market price of Hydromet Shares, there is a risk that if Henry does not achieve sufficient acceptances to entitle him to proceed to compulsory acquisition, Hydromet Shares may become highly illiquid making disposal difficult for the remaining Hydromet Shareholders. Such reduced liquidity may result in the price for Hydromet Shares falling (at least in the short term).

A comparison of the daily trading volume of Hydromet Shares over selected time periods prior to the Offer is shown below. For the 12 months prior to the announcement of the Offer, the average daily trading volume was approximately 460,000 Hydromet Shares, representing 0.1% of Hydromet Shares on issue.



Although the Directors consider there is a real risk Hydromet's Share price may fall if the Offer is unsuccessful, the Directors cannot predict the magnitude of any potential fall and note that Hydromet's Share price is influenced by a range of company-specific and general market related factors.

### **2.3 Offer Consideration**

In considering whether to accept or reject the Offer, the Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your own broker or financial advisor regarding the Offer and obtain taxation advice regarding the effect of accepting the Offer.

### **2.4 Further developments**

Should there be any developments during the Offer Period (for example, the emergence of a superior or alternative proposal or offer from another bidder) which would alter the Director's recommendations in relation to the Offer, the Directors will issue a supplementary Target's Statement notifying Hydromet Shareholders of such developments.

### **2.5 Reconstitution of the Hydromet Board**

After discussions between the Board and Henry, the Directors intend following despatch of this Target's Statement, to facilitate the replacement of the current Board with persons nominated by Henry.

## **3. Key Features of the Offer**

### **3.1 The Offer**

The following is a summary only of the key features of the Offer. Section 9 of the Bidder's Statement contains the full terms and conditions of the Offer.

Henry is offering to acquire all Hydromet Shares on issue. You may only accept the Offer in respect of all your Hydromet Shares.

The Offer Consideration is \$0.048 for each Hydromet Share you hold.

The Offer is open for acceptance from 3 May 2012 until 7.00 pm (Sydney time) on 4 June 2012, unless it is extended or withdrawn.

### **3.2 Conditions**

The Offer is subject to the Prescribed Occurrences set out in section 9.10 of the Bidder's Statement. Each of the Prescribed Occurrences is a condition subsequent and does not prevent a contract to sell Hydromet Shares resulting from an acceptance of the Offer. However, if a condition is breached, Henry may, by notice in writing rescind the contract as if the contract had not been formed.

### **3.3 Extension of Offer Period**

If any condition of the Offer is not satisfied or waived by the end of the Offer Period (or an event occurs which would prevent a condition being satisfied by the end of the Offer Period), Henry may, in his sole discretion, extend the Offer Period in accordance with the Corporations Act.

If within the last 7 days of the Offer Period:

- (a) the Offer is varied to improve the Offer Consideration (which may only occur in certain limited circumstances as set out in Section 1); or
- (b) Henry's voting power in Hydromet increases to more than 50%,

the Offer Period will automatically extend so that it ends 14 days after the relevant event.

### **3.4 Lapse of Offer**

The Offer will lapse if the Conditions to the Offer are not satisfied or waived by the end of the Offer Period. If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances which have not yet resulted in binding contracts will become void.

### **3.5 Withdrawal of Offer**

Henry may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Henry may withdraw the Offer with the written consent of ASIC and subject to any conditions specified in that consent.

### **3.6 Effect of acceptance**

If you accept the Offer, you will give up your right to sell your Hydromet Shares on ASX, to any competing bidder, or to deal with them in any other manner. The effect of acceptance is set out in detail in section 9.7 of the Bidder's Statement. This section describes the rights attached to your Hydromet Shares that you will be giving up, the



representations and warranties that you will be making and the irrevocable authorities and appointments that you will be giving Henry if you accept the Offer.

Please note that the Hydromet Directors do not take any responsibility for the contents of the Bidder's Statement and are not, in their capacities as Hydromet Directors, endorsing any of the statements contained in it. Information concerning Hydromet contained in this Target's Statement has been prepared by Hydromet using publically available information, including the Bidder's Statement. The information in this Target's Statement concerning Henry has not been independently verified by Hydromet and, subject to the Corporations Act, Hydromet does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Further information relating to Henry is set out in section 3 of the Bidder's Statement.

### **3.7 Your ability to withdraw your acceptance**

If you accept the Offer, you will only have a limited right to withdraw your acceptance of the Offer. You will only be entitled to withdraw your acceptance of the Offer if:

- (a) Henry varies the Offer in a way that postpones, for more than 1 month, the time when Henry must meet his obligations under the Offer; and
- (b) the Offer is still subject to Conditions.

This will occur if Henry extends the Offer Period by more than 1 month and the Offer remains conditional at the time of the extension.

### **3.8 Timing of receipt of Offer Consideration**

If you accept the Offer in accordance with the instructions contained in the Bidder's Statement, Henry will, in the usual course, pay the consideration for your Hydromet Shares to you by the earlier of:

- (a) the day that is 1 month after you accept the Offer; and
- (b) the day that is 21 days after the end of the Offer Period.

Full details of when you will receive consideration for your Hydromet Shares are set out in section 9.12 of the Bidder's Statement.

### **3.9 Effect of improvement in price on Hydromet Shareholders who have already accepted the Offer**

If Henry improves the Offer, all Hydromet Shareholders, whether or not they have accepted the Offer before that improvement in price, will be entitled to the benefit of that improved price.

On 23 April 2012, Henry announced that he will not be increasing the Offer Consideration beyond \$0.048 per Hydromet Share.

Under ASIC Regulatory Guide 25, a market participant that makes a last and final statement and then seeks to depart from it risks:

- (a) regulatory action by ASIC for contravention of misleading or deceptive conduct provisions, particularly sections 670A and 1041H of the Corporations Act; or
- (b) an application by ASIC or another party to the Takeovers Panel for a declaration of unacceptable circumstances.

Accordingly, Henry may only increase the Offer Consideration in limited circumstances, for example, if ASIC were to grant Henry relief from compliance with this requirement.

### **3.10 Compulsory acquisition**

Henry has stated in section 5.3 of the Bidder's Statement that if he becomes entitled to proceed to compulsory acquisition of Hydromet Shares under Part 6A.1 of the Corporations Act, then he presently intends to proceed to compulsory acquisition.

Under Part 6A.1 of the Corporations Act, Henry will be entitled to compulsorily acquire any outstanding Hydromet Shares for which he has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, Henry (together with his associates):

- (a) has Relevant Interests in at least 90% (by number) of the Hydromet Shares; and
- (b) has acquired at least 75% (by number) of the Hydromet Shares that Henry offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If these thresholds are met, Henry will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Hydromet Shareholders who have not accepted the Offer. Hydromet Shareholders have statutory rights to challenge in court the compulsory acquisition, but a successful challenge will require the relevant Hydromet Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent "fair value" for the Hydromet Shares.

Hydromet Shareholders should be aware that if they do not accept the Offer and their Hydromet Shares are compulsorily acquired, those Hydromet Shareholders will face a delay in receiving the consideration for their Hydromet Shares compared with Hydromet Shareholders who have accepted the Offer.

## 4. Directors and Directors' Recommendations

### 4.1 Directors

As at the date of this Target's Statement, the Directors of Hydromet are:

Director	Position
Dr Lakshman D Jayaweera	Chairman, Managing Director
Mr Timothy Richard Allen	Deputy Chairman, Non-Executive Director, Independent Director
Mr Stephen H Kwan	Non-Executive Director, Independent Director
Mr Pipvide Sai-Kwan Tang	Executive Director

### 4.2 Profiles of Directors

#### **Dr Lakshman D Jayaweera – Chairman, Managing Director**

Dr Jayaweera was one of the founders of Hydromet and is currently its Chairperson and Managing Director. He has more than 30 years of experience in metallurgical processing and in the hazardous waste and metal recycling field and holds a Masters Degree in Science and a PhD in chemical engineering. Dr Jayaweera has been a Director of Hydromet since 1991, was appointed Deputy Chairperson in 2000 and appointed Chairman of Hydromet in 2001.

#### **Mr Timothy Richard Allen – Deputy Chairman, Non-Executive Director, Independent Director**

Mr Allen has been a Director of Hydromet since 2001 and was appointed Deputy Chairperson in 2006. He is also a member of Hydromet's Audit and Remuneration Committee. Mr Allen is a member of the Securities Institute of Australia and was formerly Chairperson of Central West Gold NL.

#### **Mr Stephen H Kwan – Non-Executive Director, Independent Director**

Mr Kwan has been a Director of Hydromet since 1991 and is a member of Hydromet's Audit and Remuneration Committee. He holds a Master of Philosophy.

#### **Mr Pipvide Sai-Kwan Tang – Executive Director**

Mr Tang has been a Director of Hydromet since 1997. He has more than 25 years experience in accounting, corporate finance and administration. Mr Tang holds a Masters Degree in Business Administration and is a certified public accountant.

### 4.3 Directors' Recommendations

After careful consideration of the advantages and disadvantages of the Offer, your Directors unanimously recommend that you **ACCEPT** the Offer for all Hydromet Shares that you hold.

**4.4 Directors' Reasons for Recommendations**

Section 2 of this Target Statement sets out the Directors' reasons for recommending that you accept the Offer.

**4.5 Directors' dealings with respect to their own Hydromet Shares**

As foreshadowed in an announcement to the ASX on 7 May 2012, all of the Directors sold their Hydromet Shares on market for not less than the Offer Consideration. This followed Henry acquiring 49% of the issued Hydromet Shares on 8 May 2012.

## **5. Other Important Considerations for Hydromet Shareholders**

### **5.1 Inability to accept a superior proposal if one were to emerge**

Except under limited circumstances provided for in the Corporations Act, Hydromet Shareholders who accept the Offer will not be able to accept an alternative offer, should any emerge. You may only withdraw your acceptance and accept an alternative proposal if Henry extends the Offer Period for more than one month and that Offer remains subject to any Condition at the time.

### **5.2 Minority ownership consequences**

Now that Henry has acquired more than 50% of the issued Hydromet Shares, there may be a number of possible implications for Hydromet Shareholders including:

- (a) that Henry will be able to cast the majority of votes at a general meeting of Hydromet enabling him to control the composition of the Board, determine Hydromet's dividend policy and control Hydromet's strategic direction and financial and operating policies;
- (b) the Directors believe it is reasonably likely that the liquidity of Hydromet Shares would be lower than present if a significant number of Hydromet Shareholders accept the Offer;
- (c) if the number of Hydromet Shareholders is less than that required by the ASX Listing Rules, Henry may apply for Hydromet's removal from the official list of the ASX. If delisting occurs, Hydromet Shares will not be able to be traded on the ASX; and
- (d) that if Henry acquires 75% or more of the Hydromet Shares, he will be able to pass special resolutions of Hydromet. This will enable Henry to, amongst other things, amend Hydromet's constitution including in particular, the rights attached to Hydromet Shares.

## **6. Profile of Hydromet**

### **6.1 Overview**

Hydromet is an Australian owned industrial residue treatment and recycling company that is one of Australia's leading specialists in the processing of industrial waste, metals and smelter residues for value-added products. Hydromet has pioneered environmental processing technology in Australia with its unique treatment and recycling of industrial waste residue.

### **6.2 Operations**

Hydromet has three wholly-owned Subsidiaries which operate its business, Hydromet Operations, MinMet Operations and Mineral Estates.

#### **(a) Hydromet Operations**

Hydromet Operations operates from a 2 hectare site at Unanderra, New South Wales. The recycling plant located at this site recovers lead products from used lead acid batteries which are sold to secondary lead smelters both in Australia and overseas.

In addition, the plant recovers polypropylene (plastic) from battery casings which is recycled by an established local recycler.

The plant has capacity to process up to 36,000 metric tonnes of used lead acid batteries per annum, recovering up to 20,000 tonnes of contained lead products each year.

#### **(b) MinMet Operations**

MinMet Operations operates from a 3.45 hectare site at Tomago, 15 kilometres north of Newcastle, in New South Wales. The plant located at this site is used for the recovery of precious metals, as well as selenium, copper and tellurium from copper/nickel smelter residues. This process involves the separation of selenium, copper and tellurium from the precious metals bound up in the residues. Precious metals are either purchased by MinMet or returned to the client with the recovered selenium, copper and tellurium being retained by MinMet for upgrading to be sold on the global market.

MinMet currently processes up to 120 tonnes per annum of selenium. By-products from this process include copper and tellurium, which are both metals of considerable value.

#### **(c) Mineral Estates**

Mineral Estates is the registered holder of Mining Lease 23348, a 16.5 km<sup>2</sup> cobalt / copper mining lease in the gulf country of the Northern Territory. Indicated resources currently total approximately 800,000 metric tonnes containing cobalt of up to 0.15%, nickel of up to 0.08% and copper of up to 0.15%.

On 31 January 2012, Hydromet and Mineral Estates entered into an Option Agreement pursuant to which in consideration for the payment of an option fee of \$20,000, Mineral Estates granted an option to sell its interest in Mining Lease 23348 for \$2 million. The purchaser intends to apply for admission to the Official List of the ASX. The purchase price for Mining Lease 23348 is to be satisfied by the issue of listed public

company vendor shares. The option is exercisable on or before 31 October 2012.

### 6.3 Recent financial results

Hydromet's auditor reviewed the half year financial report of Hydromet for the 6 months ended 31 December 2011 (**HY11**), issued on 21 February 2012 (**Half Yearly Report**).

As set out in the Half Yearly Report, revenue for HY11 was \$33.0 million, 11.9% lower compared to Hydromet's results for the half year ended 31 December 2010 (**HY10**), of \$37.4 million. Hydromet's performance in HY11 resulted in a net loss of \$1.9 million. By contrast, Hydromet generated a net profit of \$1.3 million for HY10.

As at 31 December 2011, the total assets of Hydromet were \$35.3 million with total liabilities of \$14.2 million, providing a net asset position of \$21.1 million. The assets total included \$2.5 million in cash. As at 31 December 2011, net tangible assets per share were \$0.0438 compared to a net tangible assets per share of \$0.0471 as at 31 December 2010.

Based on Hydromet's unaudited management accounts, Hydromet suffered a pre-tax loss of \$807,000 for the quarter ended 31 March 2012. However, Hydromet's unaudited management accounts for the month of March 2012 show Hydromet generated a pre-tax profit of approximately \$180,000. Due to uncertain economic conditions and ongoing volatility in exchange rates and commodity prices, the Directors are unable to predict Hydromet's results for the year ending 30 June 2012.

In February 2012, Hydromet completed a Share Purchase Plan which raised a total of \$2.6 million. Hydromet also completed a 15% share placement to Sell & Parker Pty Ltd which was priced at \$0.0385 and raised \$2.93 million.

Hydromet's unaudited management accounts as at 31 March 2012 show that Hydromet had a net cash position (cash less debt) of \$3,900,000.

### 6.4 Historical performance of Hydromet Shares

The price performance of Hydromet Shares over the past 12 months is shown in the diagram below.



Note: Data sourced from IRESS

## **6.5 Recent trading of Hydromet Shares**

The highest sale price paid on the ASX during the 6 months ending immediately before 18 April 2012, being the day immediately before the date of Henry's announcement of the Offer was \$0.051 and the lowest price during that time was \$0.04.



## **7. Interests of Directors**

### **7.1 Directors' Relevant Interests**

As at 17 May 2012, the day before the date of this Target's Statement, the Directors (and their respective associates) do not have any Relevant Interests in Hydromet Shares.

### **7.2 Directors' dealings in Hydromet Shares**

Lenvat Pty Ltd, trustee and beneficiary of the Lenvat Super Fund, a fund in relation to which Mr Timothy Allen is a beneficiary, acquired 394,736 Hydromet Shares on 28 February 2012 and disposed of 1,119,736 Hydromet Shares at a price no less than the Offer Consideration on 9 May 2012.

Mr Stephen Kwan acquired 394,736 Hydromet Shares on 28 February 2012 and 92,000 Hydromet Shares on 17 January 2012 and disposed of 532,736 Hydromet Shares at a price no less than the Offer Consideration on 9 May 2012.

Dr Lakshman Jayaweera acquired 334,000 Hydromet Shares on 12 January 2012 and Dr Jayaweera and his associates, Chemmet Pty Ltd and Chemmet Pty Ltd Superannuation Fund, disposed of all of their Hydromet Shares (being 29,643,498 Hydromet Shares in aggregate) on 9 May 2012.

Mr Pipvide Tang and his associate, P & J Pty Ltd disposed of all of their Hydromet Shares (being 3,334,000 Hydromet Shares in aggregate) on 9 May 2012.

Other than as detailed in this Section 7.2, no Director has provided, or agreed to provide, consideration for Hydromet Shares under any purchase or agreement during the 4 months ended on the day immediately before the date of this Target's Statement.

### **7.3 Conditional agreements**

There is no agreement made or arrangement between any Director and any other persons in connection with or conditional upon the outcome of the Offer other than in their capacity as a holder of Hydromet Shares.

### **7.4 Interests of Directors in any contract with Henry**

No Director has an interest in any contract entered into by them with Henry.

### **7.5 Benefits to Directors**

#### **Executive Directors**

Pursuant to a Service Agreement between Hydromet and Dr Lakshman Jayaweera dated 1 July 2009, Dr Jayaweera is entitled to the following benefits upon retirement as Director of Hydromet and/or termination of his employment with Hydromet:

- (a) a retirement payment of \$45,000 in recognition of his service as a director of Hydromet for the period commencing on 1 July 2006 and ending on 1 July 2009;
- (b) should Hydromet or Dr Jayaweera terminate the Service Agreement, by giving the other party not less than 6 months written notice, Dr Jayaweera is entitled to a termination payment based on 4 weeks for every year of service completed with Hydromet, such period of service commencing on 1 August 1997, being the first date on which Dr

Jayaweera commenced employment with Hydromet. The Service Agreement further provides that such termination payment must not exceed the cash remuneration received by Dr Jayaweera in the 12 months prior to termination of his employment; and

- (c) Hydromet must, in lieu of the termination notice period, pay Dr Jayaweera an amount equivalent to the proportion of Dr Jayaweera's annual remuneration package at the time the notice is given which corresponds with the unexpired notice period.

In addition to the above benefits, Dr Jayaweera may receive certain statutory entitlements in connection with termination of his employment, such as payment of annual leave and long service leave.

Pursuant to a Service Agreement between Hydromet and Mr Pipvide Tang dated 14 July 2009, Mr Tang is entitled to the following benefits upon retirement as Director of Hydromet and/or termination of his employment with Hydromet:

- (a) a retirement payment equivalent to \$15,000 for each year or pro rata for any part of a year, of service as a director of Hydromet for the period commencing on 1 July 2006 and ending on 14 July 2009;
- (b) should Hydromet or Mr Tang terminate the Service Agreement, by giving the other party not less than 6 months written notice, Mr Tang is entitled to a termination payment based on 4 weeks for every year of service completed with Hydromet. As at 31 May 2012, Mr Tang will have completed 10 and half years' service with Hydromet. The Service Agreement further provides that such termination payment must not exceed the cash remuneration received by Mr Tang in the 12 months prior to termination of his employment; and
- (c) Hydromet must, in lieu of the termination notice period, pay Mr Tang an amount equivalent to the proportion of Mr Tang's annual remuneration package at the time the notice is given which corresponds with the unexpired notice period.

In addition to the above benefits, Mr Tang may receive certain statutory entitlements in connection with termination of his employment, such as payment of annual leave and long service leave.

#### **Non-Executive Directors**

Each Non-Executive Director is entitled, on removal or retirement, to receive a retirement payment equivalent to \$15,000 for each year or pro rata for any part of a year, of service as a director of Hydromet for the period commencing on 1 July 2006 and ending on the date of retirement of the Director.

#### **Limitations on Benefits Payable to Directors**

The above retirement payments to be made to Hydromet Directors may be limited by operation of law.

#### **Other Benefits**

Other than as detailed in this Section 7.5, no Director is entitled to receive any benefit in connection with his retirement as a Director of Hydromet and neither any Director nor his spouse, relatives or associates is entitled to receive any benefits in connection with the Offer, the transfer of the whole or any part of the undertaking or property of Hydromet, a change or likely change in the control of Hydromet, or a change or likely change in the composition of the Board.

## **8. Other Material Information**

### **8.1 Hydromet Shares**

As at 17 May 2012, the day before the date of this Target's Statement, the issued securities of Hydromet consist of 599,064,683 Hydromet Shares. Hydromet has no options on issue.

### **8.2 Recent Hydromet Financial Performance**

The Hydromet Directors have previously declared that Hydromet financial statements comply with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements.

Based on Hydromet's unaudited management accounts, Hydromet suffered a pre-tax loss of \$807,000 for the quarter ended 31 March 2012. However, Hydromet's unaudited management accounts for the month of March 2012 show Hydromet generated a pre-tax profit of approximately \$180,000. Due to uncertain economic conditions and ongoing volatility in exchange rates and commodity prices, the Directors are unable to predict Hydromet's results for the year ending 30 June 2012.

### **8.3 Effect of the Offer on Hydromet's material contracts**

No contract to which Hydromet or any of its Subsidiaries is party is affected by the Offer.

### **8.4 Material litigation**

Hydromet is not aware of any current or proposed litigation or dispute that is material in the context of Hydromet and its Subsidiaries.

### **8.5 ASX Announcements**

A list of ASX Announcements made in relation to Hydromet during the period commencing on 21 February 2012 (being the date on which Hydromet's Half Yearly Report and Accounts were announced to the ASX) and ending on 15 May 2012 (being the date on which this Target's Statement was approved by the Board) is set out in Annexure A to this Target's Statement.

### **8.6 Taxation considerations**

The taxation consequences of accepting the Offer will depend on the circumstances of individual shareholders. However, a general summary of the likely Australian tax consequences is set out in section 7 of the Bidder's Statement. You should consult a taxation advisor if you need further information regarding your taxation position.

If you are in any doubt as to the action you should take in relation to the Offer, you should consult a professional advisor.

### **8.7 ASIC modifications and exemptions**

Hydromet has not obtained from ASIC any modifications of, or exemptions from, the Corporations Act in relation to this Target's Statement. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including Hydromet.

## **8.8 Continuous disclosure**

Hydromet is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Hydromet is subject to the ASX Listing Rules, which require continuous disclosure of any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Hydromet Shares. Hydromet Shares have been quoted on ASX at all times during the 12 months prior to the date of this Target's Statement.

## **8.9 Consents**

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent to the following statements in this Target's Statement in the form and context in which they appear:

- each Hydromet Director – to be named as a director of Hydromet and the inclusion of statements made by him and each statement that is based on a statement made by him;
- Kemp Strang – to be named as legal advisor to Hydromet in the form and context in which it is named;
- Greenstone Partners Pty Ltd – to be named as financial advisor to Hydromet in the form and context in which it is named; and
- Boardroom Pty Limited – to be named as Share Registry in the form and context in which it is named.

None of Kemp Strang, Greenstone Partners Pty Ltd or Boardroom Pty Ltd has caused or authorised the issue of this Target's Statement.

Other than the Hydromet Directors, each party named above as having given its consent to the inclusion of a statement or to be named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a party referred to above as having given its consent to the inclusion of a statement, a statement included in the Bidder's Statement with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a party referred to above as having given its consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that party.

This Target's Statement includes statements which are made in or based on statements made in documents lodged with ASIC or given to ASX including statements made by Henry in the Bidder's Statement and in an announcement to the ASX on 23 April 2012. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement.

If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, free of charge, during the Offer Period, please contact the Hydromet Offer Information Line on (02) 4271 1822 (within Australia) or +61 2 4271 1822 (outside Australia) which is available Monday to Friday between 9.00 am and 5.00 pm (Sydney time).

**8.10 Costs of the Offer**

The fees paid in connection with the preparation and distribution of this Target's Statement and for services provided in connection with the Offer, including legal, financial and registry fees are expected to total approximately \$500,000.

**8.11 No other material information**

There is no information that holders of Hydromet Shares and their professional advisors would reasonably require to make an informed assessment whether or not to accept the Offer and reasonably expect to find in this Target's Statement that is known to any of the Hydromet Directors other than:

- (a) information set out in this Target's Statement and the Bidder's Statement and the Offer; and
- (b) information which has previously been disclosed to the holders of Hydromet Shares or disclosed to ASX or ASIC under the regular reporting and disclosure obligations to which Hydromet is subject as a disclosing entity for Corporations Act purposes.

**8.12 Authorisation of Target's Statement**

This Target's Statement has been approved by a resolution passed by all Directors of Hydromet on 15 May 2012.

Signed by Mr Lakshman Jayaweera, Chairman of Hydromet, in accordance with section 351(2) of the Corporations Act.



**Dr Lakshman Jayaweera**  
**Chairman**

Date: 18 May 2012

## 9. Definitions and Interpretation

### 9.1 Definitions

The following definitions apply in interpreting this Target's Statement, except where the context makes it clear that a definition is not intended to apply:

<b>ASIC</b>	means Australian Securities and Investments Commission.
<b>ASX Settlement</b>	means the ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHESSE system in Australia.
<b>ASX Settlement Rules</b>	means the operating rules of the settlement facility provided by ASX Settlement.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691.
<b>ASX Listing Rules</b>	means the Listing Rules of the ASX.
<b>Bidder's Statement</b>	means the bidder's statement received by Hydromet from Henry under Part 6.5 of the Corporations Act on 19 April 2012.
<b>Board</b>	means the board of directors of Hydromet.
<b>CHESSE</b>	means the Clearing House Electronic Sub-register System established and operated by ASX Settlement for the clearing, settlement, transfer and registration of securities in Australia.
<b>CHESSE Holding</b>	means a holding of Hydromet Shares on the CHESSE Sub-register of Hydromet.
<b>CHESSE Subregister</b>	has the same meaning attributed to it in ASX Settlement Rules.
<b>Condition</b>	means a condition of the Offer set out in section 9.10 of the Bidder's Statement which, if not satisfied or waived, entitles Henry to rescind the Offer.
<b>Controlling Participant</b>	has the meaning attributed to in the ASX Settlement Rules.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Directors or Hydromet Directors</b>	means the directors of Hydromet.
<b>Henry</b>	means Mr Simon Henry of Level 7, AMI House, 63 Albert Street, Auckland 1010, New Zealand.
<b>HIN</b>	stands for Holder Identification Number and has the same meaning attributed to it in ASX Settlement Rules.
<b>Hydromet</b>	means Hydromet Corporation Limited ABN 71 002 802 646.
<b>Hydromet Operations</b>	means Hydromet Operations (Southern) Ltd ACN 056 018 789.
<b>Hydromet Share</b>	means a fully paid ordinary share in Hydromet.
<b>Hydromet Shareholder</b>	means the holder of a Hydromet Share.
<b>Issuer Sponsored Holding</b>	means a holding of Hydromet Shares on Hydromet's issuer sponsored sub-register.
<b>Mineral Estates</b>	means Mineral Estates Pty Ltd ACN 009 088 340
<b>MinMet Operations</b>	means Minmet Operations Pty Limited ACN 062 647 741.

<b>Offer</b>	means the offer by Henry made in the Bidder's Statement to acquire Hydromet Shares.
<b>Offer Consideration</b>	means \$0.048 for each Hydromet Share held.
<b>Offer Period</b>	means the period during which the Offer is open for acceptance by Hydromet Shareholders and has the same meaning given in the Bidder's Statement.
<b>Prescribed Occurrences</b>	means the matters in section 9.10 of the Bidder's Statement.
<b>Register Date</b>	means 19 April 2012, being the date set by Henry under section 633(2) of the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>SRN</b>	stands for Securityholder Reference Number and means the number allocated by Hydromet to identify a Hydromet Shareholder on its issuer sponsored sub-register.
<b>Subsidiary</b>	has the meaning given in the Corporations Act.
<b>Target's Statement</b>	means this target's statement, being the statement made by Hydromet under Part 6.5 Division 3 of the Corporations Act relating to the Offer.
<b>VWAP</b>	means volume weighted average price

## 9.2 Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the singular includes the plural and conversely;
- (c) a reference to a Section is to a section of this Target's Statement;
- (d) a general includes all genders;
- (e) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) \$, or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (g) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substitute for it and all regulations and statutory instruments issued under it;

- (j) a reference to any instrument or document includes any variation or replacement of it;
- (k) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Rules, as the case may be;
- (l) a reference to a right or obligation or any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
- (m) a reference to "you" is to a person to whom an Offer is made under section 9 of the Bidder's Statement (as applicable);
- (n) the words "include", "including", "for example", or "such as" are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.



## Annexure A

### Hydromet Announcements during the period 21 February 2012 to 15 May 2012

Date	Event
15/05/2012	Change in substantial holding
14/05/2012	Change in substantial holding
11/05/2012	Change in substantial holding
10/05/2012	Ceasing to be a substantial holder
10/05/2012	Change of Director's Interest Notice
10/05/2012	Change in substantial holding
10/05/2012	Change in substantial holding
09/05/2012	Change in substantial holding
08/05/2012	Change in substantial holding
07/05/2012	Updated Response to Takeover Offer
07/05/2012	Final Director's Interest Notice
07/05/2012	Director Resignation
07/05/2012	Ceasing to be a substantial holder
07/05/2012	Change in substantial holding
04/05/2012	Bidder's Statement from Mr Simon Henry
04/05/2012	Change in substantial holding
03/05/2012	Ceasing to be a substantial holder
03/05/2012	Change in substantial holding
01/05/2012	Updated response to takeover offer
27/04/2012	Change in substantial holding
23/04/2012	Final Offer Price
23/04/2012	Final Director's Interest Notice
23/04/2012	Change of Director's Interest Notice
23/04/2012	Updated response to takeover offer
20/04/2012	Change of Director's Interest Notice
20/04/2012	Change in substantial holding
20/04/2012	Director Resignation
20/04/2012	Change in substantial holding
19/04/2012	Directors` response to takeover offer
19/04/2012	Bidder's Statement - Off-market bid
19/04/2012	Off-market Takeover Offer by Mr Simon Henry
19/04/2012	Change in substantial holding
02/04/2012	Grant awarded from the IRIIF
02/04/2012	Change in substantial holding
15/03/2012	Change in substantial holding
13/03/2012	Change in substantial holding

<b>Date</b>	<b>Event</b>
01/03/2012	Initial Director's Interest Notice
01/03/2012	Director Appointment
29/02/2012	Becoming a substantial holder
29/02/2012	Appendix 3B
29/02/2012	Cleansing Statement
29/02/2012	Change in substantial holding
28/02/2012	Change of Director's Interest Notice
28/02/2012	Change of Director's Interest Notice
28/02/2012	Appendix 3B
28/02/2012	Results of Share Purchase Plan
24/02/2012	Placement of shares
23/02/2012	Change in substantial holding
21/02/2012	Update on acquisition of PGM Refiners Pty Ltd

# Corporate Directory

## Head Office

201 Five Islands Road  
Unanderra NSW 2526

## Directors

Dr Lakshman D Jayaweera (Chairman, Managing Director)  
Mr Timothy Richard Allen (Deputy Chairman, Non Executive Director, Independent Director)  
Mr Stephen H Kwan (Non Executive Director, Independent Director)  
Mr Pipvide Sai-Kwan Tang (Executive Director)

## Company Secretary

Mr Pipvide Sai-Kwan Tang

## Financial Advisor

Greenstone Partners Pty Ltd  
Level 23  
56 Pitt Street  
Sydney NSW 2000

## Legal Advisor

Kemp Strang  
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175 Pitt Street  
Sydney NSW 2000

## Offer information

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## Share Registry

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