

HydroMet AGM
October 18th 2010



HydroMet October 2010

Managing Director's Update

HydroMet 2010

Activities

Hydromet focused on the following activities in the 2010 financial year :

- Successfully increased output through the Unanderra battery recycling plant. Significant and better than forecast throughput achieved.
- Continued to build a solid customer base for our lead products from the recycling operation.
- Achieved important objectives with the ULAB collection network. Better than expected results during the financial year and since.
- Managed the impact of stock and commodity market fluctuations during the year with a better outcome than the experienced in the initial global crisis of 2008 - 09.
- Made significant technical; productivity, quality, and efficiency gains in the selenium, tellurium and precious metals recovery business at our Newcastle facility.
- Secured additional feed streams for the Newcastle facility based on feed source support from very satisfied suppliers.
- Completed initial assessment of alternative lead feed sources for compatibility and diversification of our lead business to establish added revenue opportunities with low cost inputs. Dedicated team assigned to conduct further process evaluation and implementation plans.

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Activities cont'd.

- Progressed with plan to build a secondary lead smelter at the Newcastle facility.
 - Capital quotations received and in line with expectations.
 - Bank finance secured for \$5 Million from principal banker. Withdrawn to fully assess the melting low capital option.
 - Fundraising fell short of requirement due primarily to stock market conditions.
 - Postponed equipment ordering until full capital funding secured.
 - Considered lead metal production options with lower capital requirement. Staged approach.
 - Established a variation to the full smelter proposal now under review with prospects of significantly lower immediate capital spend and with greater flexibility to accommodate other lead source opportunities being considered.
 - Will complete this assessment by 31 December 2010 with full project evaluation and forecasts.
 - In discussion with existing and prospective customers to lock in support for lead production alternative.

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Key performance indicators 2010 financial year.

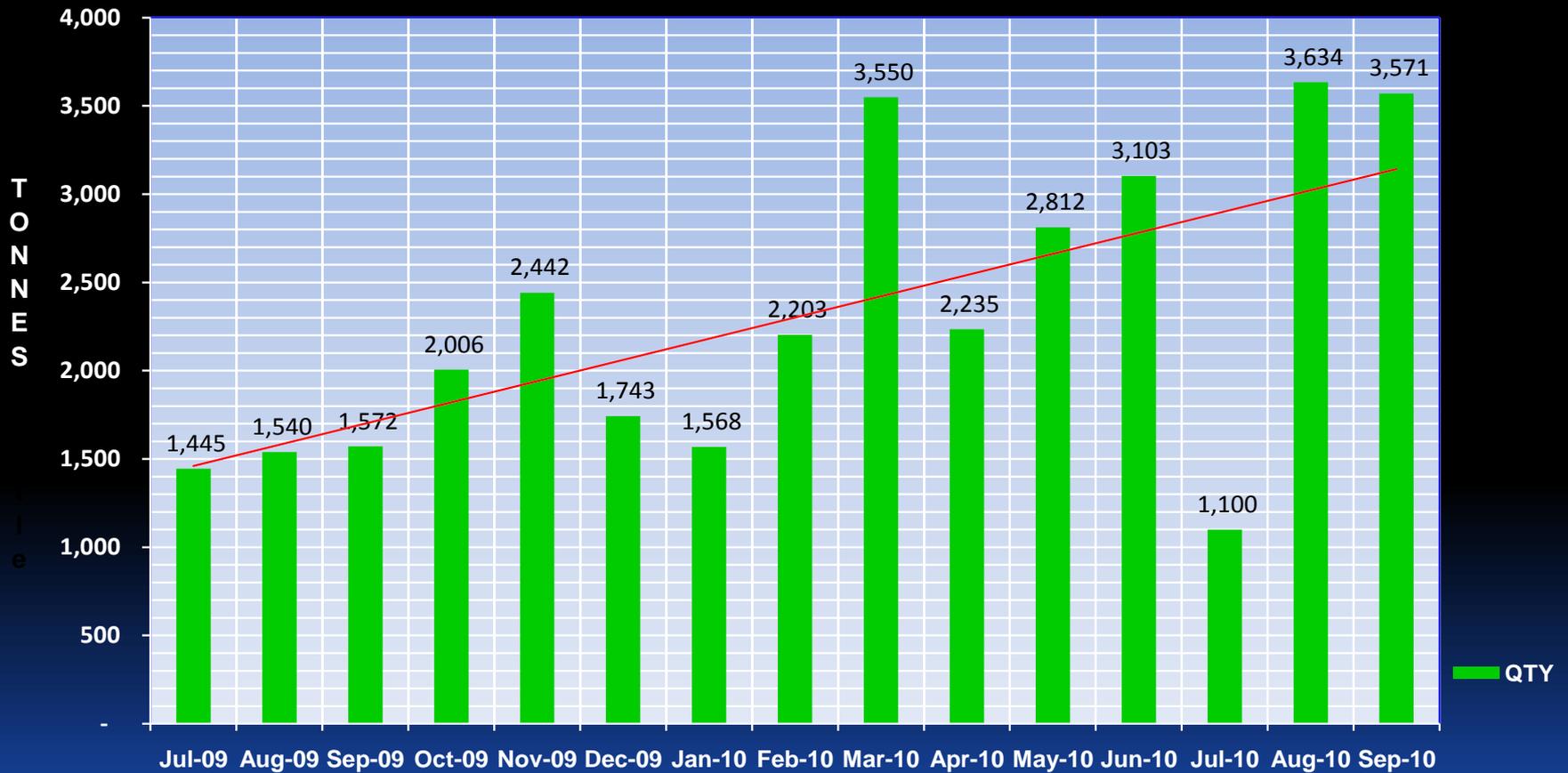
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>Change</u>
	\$ M	\$ M	\$ M	%
Revenue				
▪ Lead products	27.00	9.90	+ 17.10	+172%
▪ Polypropylene	.90	.50	+ .40	+ 80%
▪ Selenium	7.03	4.80	+ 2.23	+ 46%
▪ Tellurium	2.12	1.33	+ .79	+ 59%
▪ Precious Metals	3.61	9.30	- 5.69	- 61%
▪ Treatment Charges	2.06	2.00	0.06	+ 6%
▪ Other	<u>.43</u>	<u>.15</u>	<u>+.28</u>	+ 87%
Total Revenue	<u>\$43.15</u>	<u>\$27.98</u>	+ <u>\$15.17</u>	+ 54%
Gross contribution	\$5.89	\$0.14	\$5.75	+ 3,107%
Net Profit(Loss)	\$3.03	(\$3.34)	\$3.82	+ 291%
Cash on Hand	\$4.45	\$2.91	\$1.54	+ 53%
Net Assets	\$22.65	\$16.45	\$6.20	+ 38%

Forecast Revenue for F2011

+ \$60 Million based on planned activities
commodity expectations and exchange rate as at June 10.

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USED LEAD ACID BATTERY THROUGHPUT FY2010



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MONTHLY AVERAGE LME IN US\$ AND AU\$ PRICE PER TONNE



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US\$ EXCHANGE RATE



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SELENIUM PRICE HISTORY METAL BULLETIN



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Unanderra (Wollongong)



Primary activities :

	<u>2010</u>	<u>2009</u>	<u>Change</u>	
▪ Used lead acid batteries processed– number	1.75 Mill	0.961 Mill	+ 0.789 Mill	+82%
▪ Used lead acid batteries processed – tonnes	26,246	14,413	+11,833	+82%
▪ Production of plastic for recycling – sold tonnes	1,312	720	+ 592	+82%
▪ Lead product sold – tonnes	20,520	11,300	+ 9,220	+82%
▪ Lead recovered and sold – tonnes	14,435	7,900	+ 6,535	+ 83%

An overall 82 – 83% exceptional improvement across the battery recycling project better than expectations. Further significant improvement predicted for 2011. Achieved lower unit cost of production benefit with improved throughput.



Technical and commercial evaluation commenced on lead recovery from CRT glass and another niche market source of industrial residue containing lead and other base metals. Both capable of diversifying our lead source and improving revenue outcome along with lower processing cost.

Lead price fluctuated in June 10 quarter, but relatively stable over remainder of year.

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Unanderra (Wollongong) cont'd.

Focus for 2011 :

- Stabilize battery throughput at current levels and test plant upper limits.
- Maintain ULAB collection network success and collection rate to meet lead output expectations.
- Extend product customer portfolio.
- Install mini tilting rotary furnace to facilitate further lead feed options to expand lead units via other than ULAB sources. Initial test work conducted is very promising. Mini furnace will facilitate valuable test work for recovery of base metals/precious metals in conjunction with extraction technology developed by Hydromet.
- Complete evaluation of lead based feeds currently under review including CRT glass.
- Determine suitability of site for lead melting/refining.



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Tomago (Newcastle)

Primary activities :

- | | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-------------|-------------|
| ▪ Selenium feeds processed | 160 tonnes | 149 tonnes |
| ▪ Tellurium feeds processed | 159 tonnes | 117 tonnes |
| ▪ Other Feeds processed | 60 tonnes | 119 tonnes |
| ▪ Selenium produced/sold | 103 tonnes | 80 tonnes |
| ▪ Tellurium produced/sold | 14 tonnes | 8 tonnes |
| ▪ Precious metal processed | 6 parcels | 6 parcels |
| ▪ Copper Sulphate sol'n produced/sold | 800 tonnes | 700 tonnes |
- Sourced additional feed during F2010 with expectation of further increase in F2011.
 - Productivity, quality and efficiency gains in F2010 improved Selenium output. Set solid base for 2011.
 - Concentrated effort to make efficiency/cost gains has yielded desired results.
 - Selenium pricing in F2010 relatively stable with strong demand lifting price from May 10.
 - Tellurium price increased across F2010 by 36% and up to 74% by October 2010.
 - Customer base expanded during the year.
 - Products widely sought after by existing customers and others.

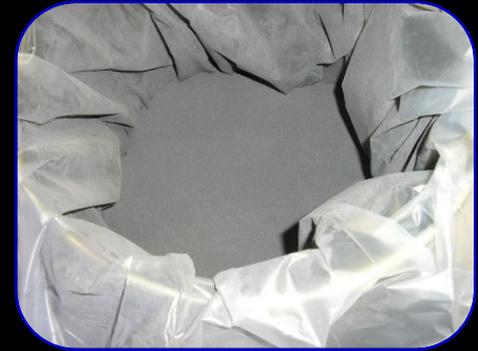


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Tomago (Newcastle) cont'd.

Focus for 2011:

- Increase precious metals purchase/selenium processing through the plant.
- Complete precious metals recovery options development work. Objective to produce a higher grade intermediate product – increase value and revenue to Hydromet.
- Install additional plant to reduce bi product management costs.
- Source additional Tellurium bearing feed material. Tellurium is a valuable input to solar cell manufacturing where demand is accelerating across the world.



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Secondary Lead Smelter and new development

- Efforts to complete the \$12 Million fundraising for construction of the 20,000 tonne smelter for the Newcastle facility proved difficult in 2010 under prevailing market conditions.
- With adverse market sentiment, the Board and management revisited the smelter plan to determine possible capital reduction and other cost reduction measures to meet this objective.
- Determined potential to vary the original smelter plan – to introduce a lead metal melting/refining stage at the Unanderra facility. A new separate stage development.
- Capitalising on :
 - Our firmly established battery collection capability.
 - Our experienced operating and technical team.
 - Our demonstrated plant processing capacity – additional capability available.
 - Our well established lead product customer base.
 - Our plans to optimise throughput in F2011.
- Likely benefits of the development :
 - Eliminate transport cost of product to Newcastle for smelting.
 - Lower labour requirement.
 - Utilisation of existing facilities at Unanderra – after re arrangement.
 - Lower overall production costs.
 - Additional refining potential – increase value and revenue.
 - Significant capital investment reduction – possible 60% decrease.
- Newcastle smelter project to progress as next major step in the lead business development and to include other feed sources currently under assessment



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Timeframe

Work has commenced to :

- Define equipment and services requirement.
- Determine necessary regulatory requirements – expect to be minimal compared to full smelter.
- Complete detailed layout plans and plant allocation.
- Confirm capital and operating cost models.
- Complete test work to confirm process expectations.
- We expect to have a clear picture of above and commencement timeframe by December 2010.
- Equipment requirements are minimal and would expect a 12 to 16 week lead time.
- Subject to necessary approvals and above workload we would hope to commence production under this development by Q3 calendar 2011.
- We will continue with our smelter plan for Newcastle. In parallel we will confirm the same information for the Newcastle site and any amendment requirements to existing smelter approval.
- At the same time consider two other lead based recovery plans for the Newcastle smelter.

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Overall benefits in this strategy :

- Bring the lead metal production facility online at lower capital investment.
- Minimise risk with significant capex requirement.
- Take advantage of existing facilities at Unanderra.
- Reduced operating costs of ULAB processing.
- Little or no debt financing subject to equity raising.
- Eliminate transport cost of lead feed to planned Newcastle smelter.
- Opportunity to generate greater revenue from alloy production earlier.
- Provides greater flexibility.

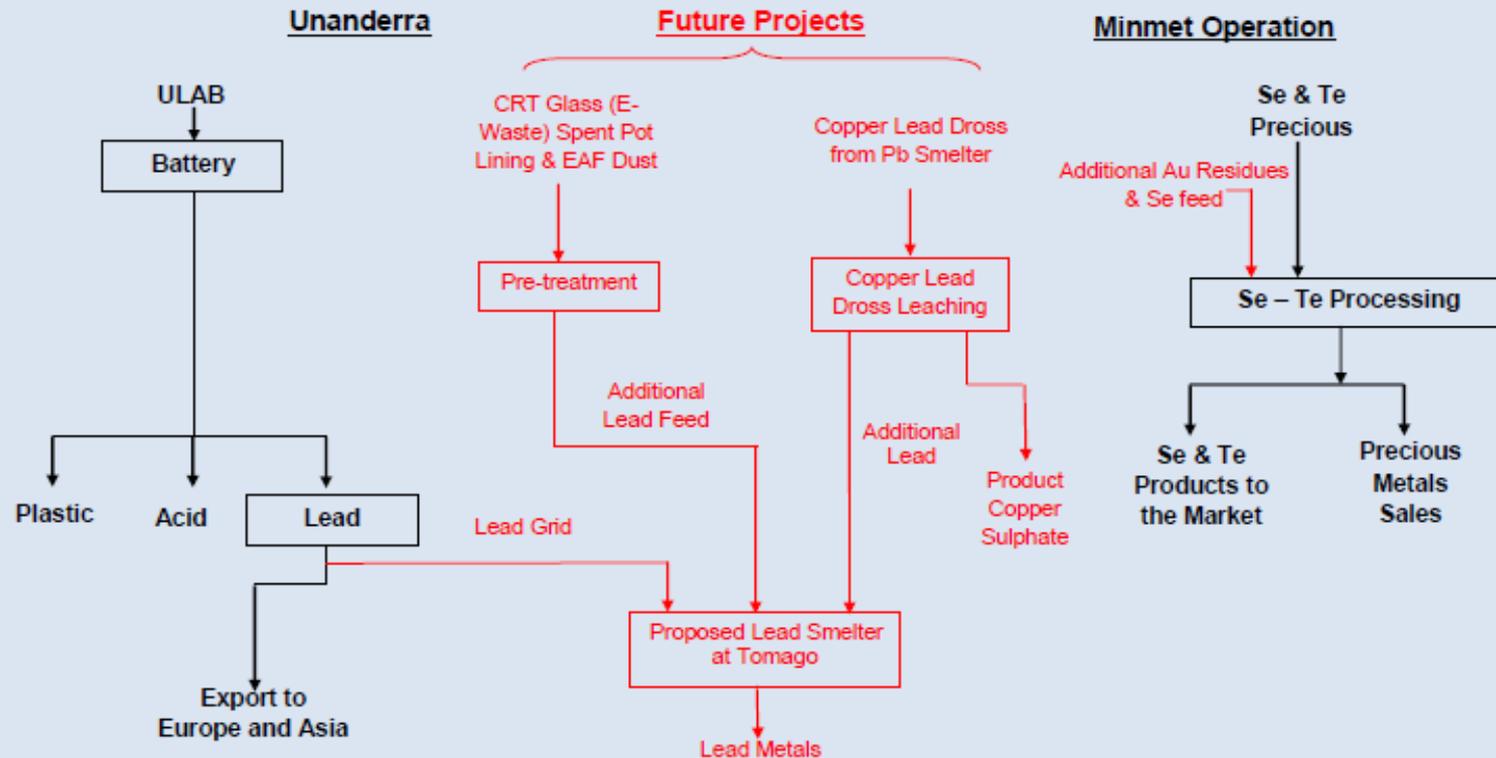
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Hydromet Personnel

- **The lead smelter project is supported by :**
 - A number of Hydromet senior industry qualified operations personnel who manage the processing/production and development activities within the group.
 - Extensive smelting experience within senior personnel pool.
 - External support from leading Australian lead smelting consultant considered an expert in the field.
 - In house analytical, quality assurance and R and D laboratory. and marketing support.
 - Combined experience in excess of 150 years.
- Experienced marketing support in house.
- Corporate management and support.
- A strong loyal and dedicated team with one in three employees having worked for HydroMet in excess of 15 years.

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HydroMet - Current Activities and Future Plans (3-5 Years)



Revenue for FY 09/10

= \$40 million/year

Expected Revenue for FY 10/11

= \$60 – 70 million/year

(ULAB processing at 40,000Mt/year & increased Se & Precious Metals activities)

Projected Revenue in next 3-5 years

= \$80 – 100 million/year

(with the proposed Lead smelter in operation, including increased additional lead feed, copper chemicals, Precious Metals, Se & Te)

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Revenue streams expectations for F2011

With mature lead product and selenium/precious metals/tellurium customer base and assuming commodity and exchange rate utilized.

▪ Lead product sales	32,000 tonnes	A\$46 Million
▪ Plastics sale	1,650 tonnes	1.3 Million
▪ Precious metals sales		6 Million
▪ Selenium sales	105 tonnes	9.5 Million
▪ Tellurium sales	10 tonnes	2.5 Million
▪ Treatment fees		1 Million
▪ Other product sales and developments		<u>1</u> Million
Total Revenue		<u>\$67</u> Million

Thank you for your attention