



AUSMELT
GLOBAL ENVIROMETAL TECHNOLOGIES

2001 Annual Report



Chairman's Statement

This year shareholder expectations for Ausmelt have been realised and your directors have every confidence this will continue.

The company reported its largest operating profit since listing in 1994. It has declared its first dividend to shareholders at 25c per share and the policy is to continue paying dividends.

Over the past two years, the company's overall financial position has improved dramatically. This has been reflected in the company's share price and market valuation. The shares traded at \$1.05 at the start of the financial year (giving Ausmelt a market capitalisation of \$12.2 million) and reached \$2.65 on 30 June 2001 (when the market capitalisation was in excess of \$32 million).

The excellent operating profit was underpinned by Ausmelt's core non-ferrous business. That has followed many years of pioneering development of Ausmelt's top submerged lance technology and the financial risks taken to establish the technology. A record of more than \$30

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Robin Chambers



million of new contracts was secured over the past 18 months. A significant contribution was the \$11.2 million contract signed with Anglo Platinum Corporation for the conversion of nickel and platinum group metals. In September 2001 Ausmelt signed a major contract with the Indo Gulf Corporation Limited in India. This is Ausmelt's largest single contract to date. Other contracts in China have confirmed our expectations that China will be a very important ongoing market for all of Ausmelt's technologies.

The continuing development of Ausmelt's patented Auslron® technology at the SASE demonstration plant in South Australia is producing a potentially significant additional revenue source for the company in the world ferrous industry. The SASE demonstration plant has reached an advanced stage and SASE expects to complete its bankable feasibility study in the middle of 2002. Ausmelt retains a significant shareholding in Aulron Energy, which owns 90% of SASE Pty Ltd. Ausmelt holds a 5% direct equity in SASE and is the 100% owner of the Auslron® technology, which is being assessed for that project. Ausmelt will be pursuing markets for this technology in other projects globally to capture its full value. Auslron® is expected to become a major contributor to Ausmelt's future profitability.

The waste management area continues to offer very attractive prospects, especially with the spent potliner technology that

has been developed in conjunction with Alcoa at the Portland smelter. Ausmelt expects to initiate the establishment of a second commercial-scale operation for that technology at another location during 2001-2002 to take advantage of opportunities in the aluminium industry.

Ausmelt is also seeking to develop its other revolutionary technologies to entrench its position as a leading world technology provider. The AM2 flotation reagent technology is at an important stage and we look forward to its commercialisation to add a new dimension to our growth.

Your board has seen some changes over the past year. Mr Geoff Lord joined the board in February of this year. Mr Lord is a director of Triako, Ausmelt's second largest shareholder, and holds numerous other directorships. His considerable corporate experience adds significantly to the expertise on the board.

Mr Phillip Bruce resigned from the board last October when he left his position as Managing Director of Triako. Mr John Innes also resigned from the board in February. We express our appreciation to both of them for their valuable contributions as directors.

Mr Terry Silverson will not seek re-election at the annual meeting. Mr Silverson was appointed as chairman of the board in September 1993 and held that position until my appointment in November 1999. Mr Silverson brought considerable business

acumen to the board based on his long-standing experience at ICI Australia. Terry's stewardship has seen Ausmelt through some difficult times while Ausmelt positioned itself in the technology business.

Dr John Floyd, the inventor of Ausmelt's top submerged lance technology, and Mr Peter Coates, who was formerly chairman of Davy John Brown, both of whom have been long-serving directors, will remain on the board. All directors over the past year have continued to make very important contributions towards the success of Ausmelt. Their commitment and the demands placed upon them were often more than would normally be expected of directors.

The board has worked very closely with the management team led by Mr Paul Abbott. We have appreciated their extraordinary commitment towards the successes achieved in the past year.

Over the next year, we intend to remain very focussed on prioritising our resources to capitalise on the most attractive opportunities to capture new business and optimise shareholder value.

Handwritten signature of Robin Chambers.

Robin Chambers