

Electrometals Technologies Limited

ACN 000 751 093

Notice of Annual General Meeting

to be held at:

Time: 11.00am

Date: 31 May 2011

**Place: The Brisbane Polo Club
1 Eagle Street, Brisbane, Queensland 4000**

This is an important document and requires your attention

If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional advisor

Chairman & CEO's letter

31 May 2011

Dear Shareholder

In addition to the customary business of the AGM, motions will be put to the meeting to consider and, if thought fit, approve:

- The acquisition by Waverton Holdings Limited of the shares held by Mr Greg Melgaard and Industrie De Nora SpA (**Proposed Acquisition**).
- The release of voluntary voting restrictions entered into by Waverton as part of its underwriting of the Company's recent rights issue (**Proposed Release of Voting Restrictions**).

The Proposed Acquisition and the Proposed Release of Voting Restrictions are together called the **Proposed Transactions**.

For the reasons outlined in the Explanatory Memorandum, your Independent Directors intend to vote the shares that they hold **in favour** of each of the resolutions required to implement the Proposed Transactions.

Before making any decision, however, you should consider carefully the contents of the Explanatory Memorandum and the attached Independent Expert's Report in its entirety and seek your own legal and financial advice.

Your sincerely



Richard Keevers
Chairman

Notice of general meeting

Notice is given that a general meeting of Electrometals Technologies Limited (the **Company**) will be held at The Inchcape Room, Brisbane Polo Club, 1 Eagle Street, Brisbane 4000, commencing at 11.00am (Brisbane time) on 31 May 2011.

Agenda

Financial statements and reports

To receive and consider the financial statements for the year ended 31 December 2010, together with the related Directors' Report, Directors' Declaration and Auditor's Report.

Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass the following Ordinary Resolution under section 250R of the Corporations Act:

'That for the purposes of section 250R of the Corporations Act, the section of the Directors' Report dealing with the remuneration of the Company's Directors and senior executives ('Remuneration Report') be adopted.'

Resolution 2 – re-election of Mr R G Melgaard

To consider and if thought fit to pass, with or without amendment, the following ordinary resolution:

'That Mr Ronald Gregory Melgaard, a non-executive director retiring in accordance with the Constitution of the Company and being eligible, be re-elected as a Director of the Company'.

Resolution 3 – re-election of Mr M R Nugent

To consider and if thought fit to pass, with or without amendment, the following ordinary resolution:

'That Mr Michael Richard Nugent, a non-executive director who was appointed to the Board since the last general meeting of shareholders, retires in accordance with the Constitution of the Company and, being eligible, be re-elected as a Director of the Company'.

Resolution 4 - renewal of proportional takeover provisions of the Company's constitution

To consider and, if thought fit, pass, with or without amendment, the following ordinary resolution:

'That the proportional takeover approval provisions contained in clause 28 of the Constitution of the Company be hereby renewed for a further period of 3 years from the date of this resolution pursuant to section 648G of the Corporations Act 2001'

Resolution 5 - Proposed Acquisition

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

'That, for the purposes of item 7 of section 611 of the Corporations Act, the acquisition of a total of 70,636,819 ordinary shares by Waverton Holdings Limited, and, subject to the release of the voting restrictions the subject of Resolution 6, the increase in voting power from 50.00% to up to 80.09%, on completion of the Proposed Acquisition on the terms and conditions described in the Explanatory Memorandum be approved.'

[Voting exclusion - the Company will disregard any votes cast on resolution 5 by:

- **Waverton Holdings Limited and its associates**
- **Any person from whom shares will be acquired including Mr Greg Melgaard and Industrie De Nora SpA, and any of their associates]**

Resolution 6 - Proposed Release of Voting Restrictions

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

'That:

- *Waverton Holdings Limited be released from the undertaking described in the Company's Supplementary Prospectus lodged with ASIC on 15 March 2011 and be permitted to exercise its ordinary voting power, and that the Board be authorised to do all such acts, matters and things necessary or desirable to give effect to the resolution; and*
- *As a consequence of the release of the undertaking, for the purposes of item 7 of section 611 of the Corporations Act, the increase in voting power of Waverton Holdings Limited from 50.00% to up to 80.09%, be approved.'*

[Voting exclusion - the Company will disregard any votes cast on resolution 6 by:

- **Waverton Holdings Limited and its associates**
- **Any person from whom shares will be acquired including Mr Greg Melgaard and Industrie De Nora SpA, and any of their associates]**

Notes

Persons entitled to vote

Under regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the meeting will be as it appears in the share register at 7.00pm Brisbane time on Sunday 29 May 2011.

Proxies

Votes at the Meeting may be given personally or by proxy, attorney or representative.

A member entitled to attend and vote at the meeting has the right to appoint no more than two proxies.

A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the member appoints two proxies and the appointment does not specify the proportion or the number of the member's votes each proxy may exercise, each proxy may exercise one half of the member's votes on a poll. If the member appoints two proxies, neither proxy may vote on a show of hands.

A proxy need not be a member of the Company.

A proxy form must be signed by the member or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed by a director, company secretary, sole director and sole company secretary or under the hand of a duly authorized officer or attorney.

The proxy form (and any Power of Attorney under which it is signed) must be received by the Company via fax on +61 7 5527 0299 or by mail or delivery to the Company's registered office at 28 Commercial Drive, Ashmore, Queensland 4214 no later than 48 hours before the commencement of the meeting, that is by no later than 11.00am Brisbane time on 29 May 2011. Any proxy form received after that time will not be valid for the scheduled meeting.

Voting online

There is an online voting facility, where shareholders can vote online.

The website address for this facility is www.investorvote.com.au

By order of the Board

Colin Barker
Company Secretary
29 April 2011

Explanatory Memorandum

This explanatory memorandum has been prepared to assist shareholders with their consideration of the resolutions to be put to a general meeting to be held on 31 May 2011. These explanatory notes should be read with, and form part of, the accompanying notice of general meeting.

Resolution 1 - Directors' Remuneration Report

The Corporations Act requires that the section of the Directors' Report dealing with the remuneration of Directors and senior executives (**Remuneration Report**) be put to the vote of shareholders for adoption. Following consideration of the Remuneration Report, the Chairman will give shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

The vote on this resolution is advisory only and does not bind the Company or its Directors.

Resolution 2 – re-election of Mr R G Melgaard

Mr Melgaard was appointed Deputy Chairman on 23 April 2007. He is a non-executive director with additional responsibilities, assisting the CEO in specific areas of the company's initiatives. He has extensive business interests in London and is Managing Director of Palmaris Capital Plc and Chairman of Semper Holdings Limited, as well as holding positions in several other companies.

The Directors, other than Mr Melgaard, recommend that shareholders vote in favour of this resolution.

Resolution 3 – re-election of Mr Michael Nugent

Mr Nugent is the former CEO of a large ASX company, Goodman Fielder Limited, with wide experience in a variety of industries including food, agriculture, engineering and infrastructure. In addition to his industry, management and director experience, he brings a wide variety of skills to the company, including international business, marketing and finance that will complement the board's expertise.

The Directors, other than Mr Nugent, recommend that shareholders vote in favour of this resolution.

Resolution 4 - renewal of proportional takeover provisions of the Company's constitution

Under clause 28 of its Constitution, the Company is prohibited from registering a transfer resulting from the acceptance of an offer made under a proportional takeover bid unless and until an ordinary resolution approving the proportional takeover bid is passed by the holders of the bid class shares.

In accordance with section 648G(1) of the Act and its Constitution, the proportional takeover provisions automatically cease to have effect on the third anniversary of the date of most recent renewal, but can be renewed by the Company in general meeting. The proportional takeover provisions were most recently renewed on 16 May 2008. Accordingly, the Directors consider that it is convenient to seek shareholder approval to renew the provisions at this general meeting rather than allowing them to lapse.

Reasons for the renewing proportional takeover provision

A proportional takeover bid is an off-market bid to buy a specified portion of each shareholder's shares. Without the provision, a proportional takeover bid for the Company might enable a bidder to obtain control of the Company without shareholders having an opportunity to sell all their shares.

The provision gives shareholders the opportunity to decide whether a proportional takeover bid should proceed. If a meeting of shareholders approves such a bid, individual shareholders can make separate decisions as to whether or not they wish to accept that bid for the specified proportion of their shares.

Advantages and disadvantages of provisions during current period

As far as the Directors are aware, from the date that the provisions took effect to the date of this Notice of Meeting, there have not been any actual advantages or disadvantages to either the Directors or shareholders arising from the proportional takeover provisions.

Potential advantages of renewal - shareholders

The proportional takeover provisions give shareholders a mechanism to decide whether any proportional takeover bid should proceed or not.

The provisions ensure that all shareholders have an opportunity to consider a proportional takeover bid and vote on whether it should be permitted to proceed. This should ensure that any future proportional takeover bid is structured to be attractive to a majority of independent shareholders.

Potential disadvantages of renewal - shareholders

The approval provisions may make a proportional takeover more difficult to achieve and therefore discourage proportional bids. This in turn, may reduce opportunities that shareholders may have to sell shares in the Company at an attractive price to persons seeking control of the Company and may therefore eliminate any element of takeover speculation from the Company's share price.

The provisions may also be seen to constitute an additional restriction on the ability of shareholders to deal freely with their shares.

Potential advantages and disadvantages of renewal - Directors

There are no specific advantages or disadvantages of the proportional takeover provisions for the Directors (in their capacity as Directors of the Company).

Present acquisition proposals

At the date of this notice, except for the Proposed Transactions described in this Explanatory Memorandum, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Copies of the Constitution are available upon request from:

Mr Colin Barker
Company Secretary
Electrometals Technologies Limited
Telephone: +61 7 5526 4663
Facsimile: +61 7 5527 0299
Email: cbarker@electrometals.com

The Directors unanimously recommend that shareholders vote in favour of this resolution.

Resolutions 5 and 6 - approval for the Proposed Transactions

Introduction

These Resolutions seek approval for the following if the Proposed Transactions proceed:

- Waverton Holdings Limited to increase its voting power in the Company from 50% to up to 80.09%.
- Waverton Holdings Limited to be entitled to exercise its ordinary voting power free from the voluntary undertaking it has previously given to the Company.

Regulatory background

Subject to a number of exceptions, section 606 of the Corporations Act 2001 prohibits a person acquiring a relevant interest in a listed company's issued voting shares if that person's (or someone else's) voting power in the company increases from a starting point that is above 20% and below 90%. One of the exceptions to this general prohibition is where shareholder approval is obtained in accordance with section 611, item 7 of the Corporations Act 2001.

'Voting power' is calculated by aggregating the voting shares in which a person and their associates have a relevant interest. In broad terms, a person has a relevant interest in shares if the person can control the vote or disposal of those shares.

The requirement for shareholder approval under section 611, item 7 of the Corporations Act 2001 is intended to protect the rights of existing shareholders where control of a company may change. In order to obtain shareholder approval pursuant to section 611, item 7, shareholders must be provided with all information that is known to the Company or Waverton (or its associates) that is material to the decision on how to vote on the resolution. In particular, the Corporations Act 2001 requires that shareholders be informed as to:

- The identity of the person proposing to make the acquisition and their associates.
- The voting power and the maximum extent of the increase in voting power of the acquirer and their associates that would result from the acquisition.

Proposed Acquisition by Waverton Holdings Limited

Waverton has entered into agreements to buy, subject to shareholder approval, from Mr Greg Melgaard and Industrie De Nora SpA a total of 70,636,819 ordinary shares for a purchase price of 1.5 cents per share. If the Proposed Acquisition proceeds, Waverton will hold 80.09% of the total issued ordinary share capital of the Company.

However, due to the voluntary voting restriction given by Waverton, its voting power will only be 50%. If shareholders approve the release of the voting restrictions (ie pass Resolution 6), Waverton's voting power will also increase to 80.09%.

The agreements are in short form and do not contain any material terms or conditions other than the purchase price and basic warranties as to title and authority to sell.

Resolution 5 is being put to the meeting to consider approving the acquisition by Waverton.

Waverton's current voluntary voting restrictions

Waverton recently fully underwrote the Company's capital raising, which raised approximately \$4.2 million before costs. As a result of its participation in and underwriting of the Offers, Waverton's interest in the Company had the potential to increase from 28.66% to 66.96%.

In order to address concerns relating to the increase in voting power, Waverton undertook to the Company that it would only exercise a maximum of 50% of the voting power of the Company even if

Waverton held more than 50% of the voting power in the Company following completion of the Offers and subscription for the shortfall (**Undertaking**). The Undertaking is described in the Company's Supplementary Prospectus dated 15 March 2011.

The Undertaking ceases to apply if Shareholders (with the Underwriter and its associates not voting) approve the exercise of the Underwriter's ordinary voting power.

The net effect of the Undertaking is that even though Waverton currently holds approximately 64.13% of the total issued ordinary shares of the Company, it can only exercise 50% of the total voting power.

Resolution 6 is being put to the meeting to consider approving the exercise of Waverton's voting power consistent with the proportion of shares that it holds in the Company.

Discussion and analysis of the Proposed Transactions

The persons making the acquisition - Waverton Holdings Limited

The entity making the acquisition is Waverton Holdings Limited. Waverton has advised the Company that Waverton is owned and controlled by an independent trustee for various beneficiaries, including Mr Melgaard and members of Mr Melgaard's family and that there are no current shareholders who are associates of Waverton.

Change in voting power

The following table provides information about the voting power and the maximum extent of the increase in voting power of Waverton and its associates that would result from the Proposed Acquisition:

	Relevant interest in shares	Voting power
Prior to Proposed Transaction	283,849,724	64.13%
Following Proposed Transactions	354,486,543	80.09%

If Resolutions 5 and 6 are approved, Waverton's voting power could increase from 50% to 80.09%.

Waverton's current holdings in the Company are held by itself and through its nominee Equitas Nominees Pty Limited.

Benefits of the Proposed Transactions

The Independent Directors believe that the benefits for the Company if the Proposed Transactions proceed are:

- **(Alignment of interests with major shareholder)** Approval of the Proposed Transactions will further align the interests of Waverton with those of the Company (and minority shareholders). The alignment of interests will encourage Waverton to provide ongoing support for the Company in the form of capital as well as providing a flow of business opportunities.
- **(Access to capital)** Having a supportive major shareholder will provide the Company with access to capital which the Company has been unable to attract in sufficient amount from other shareholders and the broader market.

Access to capital is important because the Company may require further funding for working capital for its equipment sales business and also development capital for its DBOO (develop, build, own, operate) business strategy. Waverton has provided strong support to each of the Company's last two capital raisings.

Waverton is a supportive major shareholder which has a demonstrated track record of supporting the Company in difficult conditions.

A failure to approve the Proposed Transactions could be a material disincentive for Waverton to provide much-needed funding support to allow the Company to achieve its business objectives.

- **(Waverton is committed to the Company's business plan)** Waverton has advised the Company that it supports its current business plan and does not presently intend to make material changes to that plan or the Company's strategy or redeploy assets or employees.

It has also advised that it does not intend to change the composition of the Board and it does not presently intend any further transactions with DeNora or Mr Melgaard. Further, the Independent Directors intend to continue to act as directors.

Disadvantages of the Proposed Transactions

The disadvantages if the Proposed Transactions proceed include:

- **(Dilution of current shareholders)** The voting power of non-associated shareholdings would be diluted substantially if the Proposed Transactions are approved.
- **(Power to pass special resolutions)** Waverton will be able to pass special resolutions of the Company in its own right, as it will have more than 75% of the voting power. Matters which Waverton could pass as special resolutions include a change to the Company's constitution, change of name of the Company, the issue of preference shares, conversion of ordinary shares into preference shares, the selective reduction of share capital or selective buy-back of shares (but not if Waverton was entitled to participate in the capital reduction or buy-back), the provision of financial assistance to a third party to acquire shares in the Company and the voluntary winding up of the Company.
- Waverton's ability to pass special resolutions however would not be unfettered. It would be limited by protections in the Corporations Act such as the requirement that shareholders not associated with Waverton approve any financial benefit that Waverton may receive as a result of any special resolution provisions and the general law which requires that the Directors not propose any corporate action in the first instance unless they, in good faith, considered the action to be for a proper purpose and in the best interests of all shareholders.

Waverton already has effective control of the Company

In the Board's view, the Proposed Transactions will not result in the change of effective control of the Company. That change has already occurred.

This is because, even with Waverton's voting power currently restricted at 50%, the Board believes that Waverton already has the practical ability to control the composition of the Board and to pass ordinary resolutions of the Company.

Accordingly, the Board does not consider that the power to pass special resolutions, having regard to the potential legal limitations of the exercise of that power, would give Waverton any materially increased control over the Company.

Taxation consequences if the Proposed Transactions proceed

There are no taxation consequences for the Company if the Proposed Transactions proceed.

Consequences if the Proposed Transactions do not proceed

If the Proposed Transactions do not proceed:

- **(Risk of not being able to attract new capital)** There is a risk that Waverton will not be prepared to provide future funding and that the Company's ability to develop the DBOO business segment as well as new engineering capabilities, additional products and service lines and to expand the business domestically and overseas, will continue to be constrained by its cash flow, revenue base and access to capital generally.
- **(Loss of support)** There is a risk that Waverton will review its support for the Company.

Independent Expert's Report in relation to the Proposed Acquisition

The independent Directors have commissioned a report by BDO Corporate Finance (QLD) Ltd (the **Independent Expert**) to examine the Proposed Acquisition from the perspective of the Company's shareholders that are not associated with Waverton.

The Independent Expert has concluded that, for those Electrometals Shareholders not associated with Waverton, the advantages of the Proposed Acquisition outweigh the disadvantages. The Independent Expert Report does not consider the Proposed Release of Voting Restrictions and expresses no opinion in relation to that. Shareholders should read the Independent Expert Report on the Proposed Acquisition before making any decisions on how to vote on Resolution 5.

Other information

Resolutions 5 and 6 are not conditional on each other. If Resolution 5 is passed, but Resolution 6 is not passed, Waverton intends to complete the Proposed Acquisition, but its voting power will remain at 50% in accordance with its undertaking.

Directors recommendations

The Directors of the Company are Mr Richard Keevers, Mr Greg Melgaard, Mr Robert Mills and Mr Michael Nugent. The Independent Directors are Messrs Keevers, Mills and Nugent.

Disclosure by Mr Melgaard

Mr Melgaard discloses his material personal interest in Resolutions 5 and Resolution 6 in that he is the seller of part of the shares to be acquired by Waverton and will receive a benefit in the form of the purchase price. He makes no recommendation to shareholders due to his personal interest.

Payments to Directors

Except as disclosed in this document, in connection with Resolutions 5 and 6, no agreement or arrangement has been made between any Director or any associate of any Director in connection with or conditional upon the outcome of the vote on the Resolutions.

Other interests

Other than as stated in this document, the Directors have no interest in the Resolutions.

Voting intentions of Independent Directors - Resolutions 5 and 6

Each Independent Director intends to vote in favour of the proposed Resolutions 5 and 6 in respect of the shares that they hold in the Company.

Recommendation by Independent Directors - Resolution 5

For the reasons outlined above, the Independent Directors consider that the advantages of the Proposed Acquisition outweigh the disadvantages and recommend that shareholders vote in favour of Resolution 5.

Recommendation by Independent Directors - Resolution 6

As a general principle, the Independent Directors consider that the Company should treat all stakeholders in a manner which is commercially fair and which recognises the contribution and support of its stakeholders. The Independent Directors believe that such corporate behaviour enhances the commercial reputation of the Company, adds to its goodwill and is in the best interests of shareholders as a whole.

At critical times in the Company's recent history (in 2004/5, 2007 and 2011), Waverton has provided the necessary financial support to allow the Company to continue to pursue its strategy. For the reasons of commercial fairness set out above, the Independent Directors consider that, if Waverton holds 80.09% of the ordinary shares of the Company, having regard to the circumstances in which the shares were acquired and the benefits received by the Company for its support, it should be entitled to exercise the ordinary voting power conferred by those shares and recommend that shareholders vote in favour of Resolution 6. This is despite there being no direct specific advantage to shareholders in releasing Waverton from its voting restriction and the voting power of shareholders not associated with Waverton (as a group) being diluted from 50% to 19.91%.





Electrometals Technologies Limited
A B N 25 000 751 093

000001 000 EMM
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (Brisbane time) Sunday 29 May 2011**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Electrometals Technologies Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Electrometals Technologies Limited to be held in the Inchcape Room, The Brisbane Polo Club, 1 Eagle Street, Brisbane, Queensland on Tuesday 31 May 2011 at 11.00am and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Ronald Gregory Melgaard as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Michael Richard Nugent as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Renewal of proportional takeover provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Proposed acquisition by Waverton Holdings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Proposed release of Waverton Holdings' voting restriction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____



Electrometals Technologies Limited
A B N 25 000 751 093



All Correspondence to:
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia



000001 000 EMM
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Electrometals Technologies Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.


Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

R.E. Keevers
Chairman



**ELECTROMETALS TECHNOLOGIES
LIMITED**
Independent Expert's Report

April 2011

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act and includes important information regarding the general financial product advice contained in the report ('the Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

The following report sets out what is described as general financial product advice. The Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using the Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a proposed acquisition. Specifically, BDO CFQ has been engaged to provide an independent expert's report in relation to the proposed acquisition of 100% of the shares held by Mr Greg Melgaard and Industrie De Nora SpA ('De Nora') in Electrometals Technologies Limited ('Electrometals') by Waverton Holdings Limited ('Waverton') at 1.5 cents per share ('the Proposed Acquisition').

The scope of the Report is set out in detail in Section 4.0 of the Report. The Report provides an opinion as to whether:

- the advantages of the Proposed Acquisition outweigh the disadvantages; or alternatively
- the disadvantages of the Proposed Acquisition outweigh the advantages.

The Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so.



Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate that our fees for the preparation of this report will be approximately \$35,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for the Report are not contingent on the outcome of any of the matters to which the Report relates.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not provided any services to Electrometals in the previous two years. The signatory to the Report does not hold any shares in Electrometals and no such shares have ever been held by the signatory.

To prepare our reports, including the Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in the Report, where applicable.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.



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Glossary

Reference	Definition
ABV	Asset Based Valuation
Act, the	Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Person	BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates thereof
CME	Capitalisation of Maintainable Earnings
Company, the	Electrometals Technologies Limited
Consideration, the	The 1.5 cents to be paid in cash by Waverton as consideration for the Proposed Acquisition
DBOO	Develop, build, own and operate
DCF	Discounted Cash Flow
De Nora	Industrie De Nora SpA
Directors, the	The Directors of Electrometals
Electrometals	Electrometals Technologies Limited
FSG	Financial Services Guide
General Meeting, the	The General Meeting of Electrometals Shareholders to be held on 31 May 2011
Listing Rules, the	The ASX Listing Rules
MBV	Market Based Valuation
Notice of General Meeting and Explanatory Memorandum, the	The Notice of General Meeting and Explanatory Memorandum prepared in relation to the General Meeting to be held on 31 May 2011
Proposed Acquisition, the	The proposed acquisition by Waverton at 1.5 cents per share to acquire 100% of the shares held by Mr Greg Melgaard and Industrie De Nora SpA
Report, this	This independent expert's report prepared by BDO CFQ
RG 111	ASIC Regulatory Guide 111: Contents of Expert Reports
RGs	Regulatory Guides published by ASIC
Total Shares on Issue	Refers to the 441,970,735 Electrometals ordinary shares on issue in addition to the 666,667 preference shares. Preference shares have been included in total shares on issue for reasons set out in Section 5.3.3 of this Report.
USD	US dollars
VWAP	Volume weighted average price
Waverton	Waverton Holdings Limited

The Shareholders
C/- The Directors
Electrometals Technologies Limited
28 Commercial Drive
ASHMORE QLD 4214

27 April 2011

Dear Shareholders

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged by the directors ('the Directors') of Electrometals Technologies Limited ('Electrometals' or 'the Company') to prepare an Independent Expert's Report ('this Report') to the shareholders of Electrometals in relation to Waverton Holdings Limited ('Waverton') proposal to acquire 100% of the shares held by Mr Greg Melgaard and Industrie De Nora SpA ('De Nora') in Electrometals. This acquisition of shares is referred to as 'the Proposed Acquisition' in this Report.

Broadly, the Proposed Acquisition involves Waverton paying cash consideration of 1.5 cents per share for:

- 100% of Mr Greg Melgaard's shares in Electrometals, being 38,286,819 shares representing approximately 8.65% of the total Electrometals ordinary and preference shares on issue ('Total Shares on Issue'); and
- 100% of De Nora's shares in Electrometals, being 32,350,000 shares representing approximately 7.31% of the Total Shares on Issue.

Waverton currently holds 283,849,724 ordinary shares in Electrometals representing approximately 64.13% of the Total Shares on Issue. If the Proposed Acquisition is approved, Waverton will increase the total number of shares it holds to 354,486,543 shares representing approximately 80.09% of the Total Shares on Issue. A more detailed summary of the Proposed Acquisition is set out in Section 3.0 below.

This Report has been prepared solely for use by the shareholders of Electrometals not otherwise associated with the Proposed Acquisition to provide them with information relating to the Proposed Acquisition and cannot be used by any other persons or for any other purpose. In this Report, BDO CFQ has expressed an opinion as to whether:

- the advantages of the Proposed Acquisition outweigh the disadvantages; or alternatively
- the disadvantages of the Proposed Acquisition outweigh the advantages.

This Report does not provide taxation, legal or other advice.



BDO CFQ understands that this Report will be provided to Electrometals shareholders not otherwise associated with the Proposed Acquisition to assist them to make an informed decision as to whether to vote in favour of or to vote against the Proposed Acquisition. Apart from this purpose, this Report cannot be used or relied on for any other purpose or by any other person or entity. This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to Electrometals shareholders in conjunction with this Report (including the Notice of General Meeting and Explanatory Memorandum prepared in relation to the General Meeting to be held on 31 May 2011 ('Notice of General Meeting and Explanatory Memorandum') which accompanies this Report).

This Report does not address circumstances specific to individual shareholders. A shareholder's decision to vote in favour of or to vote against the Proposed Acquisition is likely to be influenced by the shareholder's particular circumstances, for example, the shareholder's taxation considerations and risk profile. Shareholders should obtain their own professional advice in relation to their own circumstances.

2.0 Summary of Opinion

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our assessment of the Proposed Acquisition is set out in detail in Section 7.0 of this Report.

In summary, we have assessed the Proposed Acquisition by comparing the advantages of the Proposed Acquisition to the disadvantages of the Proposed Acquisition. Tables 2.1 and 2.2 below summarise the advantages and disadvantages to Electrometals shareholders of approving the Proposed Acquisition. The advantages and disadvantages of the Proposed Acquisition are discussed in further detail in Sections 7.1 and 7.2 of this Report.

Table 2.1: Summary of the Advantages of the Proposed Acquisition

Advantages

- Waverton is paying a minority interest value for the shares of Mr Greg Melgaard and De Nora (i.e. Mr Greg Melgaard and De Nora are not receiving a control premium on the sale of their shares to Electrometals).
- Waverton, a cornerstone investor in Electrometals and an entity that has supported Electrometals over a relatively long period of time, is increasing its interest in the Company.
- The non-associated shareholders of Electrometals are not forgoing the opportunity to receive a takeover bid as a direct consequence of the Proposed Acquisition.
- Relatively large parcels of shares will not be sold on market which reduces the potential for downward pressure on the share price.

Table 2.2: Summary of the Disadvantages of the Proposed Acquisition

Disadvantages

- Waverton's voting power in Electrometals may increase above 75%, specifically in circumstances where Resolution 6 is approved by shareholders at the General Meeting to be held on 31 May 2011 ('the General Meeting'). If Waverton's voting power increases above 75% then Waverton will be able to control any special resolution at a general meeting of the Company except where Waverton is not independent of the resolution.
- Waverton is purchasing the shares off-market. If Waverton were to acquire the shares on market then this may place upward pressure on the share price. Similarly, if Mr Greg Melgaard and De Nora were to sell their shares on-market then this would increase the liquidity of the market for Electrometals shares and potentially present any shareholder looking to increase their stake in Electrometals with an opportunity to do so.

After considering the information and methodology summarised above and set out in further detail in the balance of this Report, it is our view that in the absence of any other information, **the advantages of the Proposed Acquisition outweigh the disadvantages.**

Before deciding whether to vote in favour or against the Proposed Acquisition, we strongly recommend that Electrometals shareholders:

- consult their own professional advisers;
- carefully read all relevant documentation provided to them including this Report and the Notice of General Meeting and Explanatory Memorandum; and
- consider their own specific circumstances.

3.0 Outline of the Proposed Acquisition

This section of this Report sets out an overview of the Proposed Acquisition as follows:

- Section 3.1 sets out a description of the Proposed Acquisition; and
- Section 3.2 sets out a description of the parties involved.

3.1 Description of the Proposed Acquisition

The total consideration to be paid for the shares of Mr Greg Melgaard and De Nora under the Proposed Acquisition is \$1,059,552.29. This amount does not include transaction costs.

The agreements in relation to the Proposed Acquisition are in short form and do not contain any material terms or conditions other than the purchase price and basic warranties as to title and authority to sell.

3.2 Parties to the Proposed Acquisition

The parties involved in the Proposed Acquisition are Waverton, Mr Greg Melgaard and De Nora. A brief summary of each party involved in the Proposed Acquisition is set out in the following sections of this Report.

3.2.1 Waverton

Waverton is an international investment firm, with offices based off the coast of England. The main focus of Waverton is to invest significant stakes in small companies which possess high potential, good management and a clear strategic focus. Waverton's main interests lie within industrial and resource businesses in Australia and Europe.

The Directors have instructed us that Waverton brings to Electrometals the benefits of a stable, long term supportive shareholder and that Waverton has provided the necessary financial support to Electrometals at critical times to allow management to continue to pursue their strategy.

Waverton is owned and controlled by an independent trustee for various beneficiaries, including members of Mr Greg Melgaard's family.

Waverton has a current interest in a total of 283,849,724 Electrometals shares, which represents 64.13% of the Total Shares on Issue. Waverton holds its relevant interest in Electrometals shares both directly and through Equitas Nominees Pty Ltd, as set out in Table 3.1 below.

Table 3.1: Relevant Interest in Electrometals Shares Held by Waverton

Shareholder	Number of Shares	Percentage of Electrometals Total Shares on Issue
Waverton	237,229,550	53.60%
Equitas Nominees Pty Ltd	46,620,174	10.53%
Total	283,849,724	64.13%

Source: Top 20 Shareholders after Rights Issue

Notwithstanding that Waverton owns 64.13% of the Total Shares on Issue, Waverton has undertaken to the Company that, of the 64.13% ownership interest, it will exercise a maximum of 50% of the voting power of the Company. We have been instructed that this undertaking only relates to the shares Waverton currently holds and that the shares to be acquired as part of the Proposed Acquisition will increase Waverton's voting power proportionally (being an additional increase to voting power of 15.96%). Resolution 6 at the General Meeting relates to the proposal to allow Waverton to vote the 14.13% stake that it has currently undertaken not to vote.

In the event that the Proposed Acquisition is approved by the non-associated shareholders of Electrometals and the Proposed Acquisition is completed as anticipated, Waverton's interest in Electrometals shares will increase from 64.13% to 80.09% and its voting power will increase from 50.00% to 65.96%. In the event Resolution 6 at the General Meeting is also successful then Waverton's voting power will increase to 80.09% if the Proposed Acquisition is also approved.

3.2.2 Mr Greg Melgaard

Mr Greg Melgaard is a non-executive Director of Electrometals and Deputy Chairman.

Mr Greg Melgaard holds 38,286,819 shares in Electrometals representing approximately 8.65% of the Total Shares on Issue.

3.2.3 De Nora

De Nora is recognised as a leading supplier of technologies for the production of chlorine, caustic soda and derivatives. The company is well regarded as the largest worldwide supplier of noble metal-coated electrodes for the electrochemical industry.

We are instructed that De Nora currently has four agreements in place with Electrometals but that only one of these agreements remains active. We understand that all agreements, including the active agreement, are arm's length contracts and on commercial terms. The active agreement relates to Electrometals exclusively sourcing its anodes (a vital part of the Company's EMEW® plants) from De Nora. We understand that Electrometals gave notice to De Nora in May 2010 that it intends to terminate the supply agreement at the end of May 2011. We understand that Electrometals may or may not continue to source anodes from De Nora once the agreement finishes.

De Nora holds 32,350,000 shares in Electrometals or 7.31% of the Total Shares on Issue.

4.0 Scope of the Report and Methodology of Assessment

4.1 Scope of the Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act 2001 ('the Act'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and in some cases, the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Act and the listing requirements in Sections 4.1.1 and 4.1.2 below respectively and we have summarised the guidance provided by the RGs in Section 4.2 below.

The sole purpose of this Report is to express BDO CFQ's opinion on whether:

- the advantages of the Proposed Acquisition outweigh the disadvantages; or alternatively
- the disadvantages of the Proposed Acquisition outweigh the advantages.

This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of General Meeting and Explanatory Memorandum to be sent to Electrometals shareholders by the Company.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual Electrometals shareholders. Therefore, before acting in relation to their investment, individual Electrometals shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs (including their own taxation consequences). Shareholders should read in full both the Notice of General Meeting and Explanatory Memorandum.

The decision to vote in favour of or against the Proposed Acquisition is a matter for individual shareholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Acquisition should consult their own professional adviser.

4.1.1 Requirements of the Corporations Act

Section 606 of the Act states that a relevant interest in a listed company cannot be increased from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless one of the exceptions set out in section 611 of the Act is met. As Waverton currently has a relevant interest of 64.13% in Electrometals shares it is, prima facie, prevented from acquiring any further shares in Electrometals (including as envisaged under the Proposed Acquisition) unless it meets one of the exemptions set out in section 611 of the Act.

Item 7 of section 611 of the Act provides that one exemption from the requirements of section 606 of the Act is if approval of the acquisition of shares is received from non-associated shareholders in the form of an ordinary resolution passed at a general meeting. We have been requested to prepare this Independent Expert's Report to provide additional information to the non-associated shareholders of Electrometals to assist them form a view on whether to vote in favour of or against the Proposed Acquisition.

4.1.2 Listing Requirements

We have been instructed that Electrometals will not be using this Report or our assessment of the Proposed Acquisition for the purpose of complying with the listing requirements of the ASX or any other stock exchange. This Report cannot be used for the purpose of meeting the listing requirements of any stock exchange.

4.2 Assessment Methodology

The Corporations Act does not provide any specific guidance in relation to the principles and content of an expert's report relating to the approval of a sale of securities under item 7 of section 611 of the Act. However ASIC are of the view that the report should follow the requirements of other expert reports under the Act and ASIC have set out specific guidance in RG 111: Content of Expert Reports ('RG 111') in relation to the approval of a sale of securities under item 7 of section 611 of the Act.

To meet the ASIC requirements in relation to the approval of a sale of securities under item 7 of section 611 of the Act, an expert should complete steps including the following:

- Consider whether the vendor of the securities of Electrometals is to receive a premium for control, by determining the value of Electrometals shares on a minority interest basis and comparing this to the consideration offered;
- In the event a control premium is being paid, consider if shareholders not associated with the Proposed Acquisition are forgoing sharing in any premium for control by comparing the premium for control to the advantages of the Proposed Acquisition to the non-associated holders.

As stated in paragraph 44 of RG 111, the greater the control premium, the greater the advantages of the Proposed Acquisition to the non-associated holders would need to be to support a finding that the advantages of the proposal outweighed the disadvantages. These other advantages may come, for example, from a better long-term profit outlook as the incoming security holder offers superior management skills;

- Consider whether the security holders of Electrometals not associated with the Proposed Acquisition may be forgoing the opportunity of receiving a takeover bid;
- Inquire as to whether further transactions are planned between the entity, the seller or any of their associates. If further transactions are contemplated, an assessment will be undertaken to ensure that the transactions are on an arm's length basis. If not, an implication may arise resulting in the vendor being compensated for a price that is too low; and
- Examine any other significant factors to which Electrometals shareholders may give consideration prior to voting in favour of or against the Proposed Acquisition, including considering the position of Electrometals shareholders if the Proposed Acquisition is not approved.

This Report concludes by providing our opinion as to whether:

- the advantages of the Proposed Acquisition outweigh the disadvantages; or alternatively
- the disadvantages of the Proposed Acquisition outweigh the advantages.



When opining on a transaction, RG 111 states that shareholders should be informed of the particulars of how a proposal was examined and evaluated as well as the results of the examination and evaluation. RG 111 also provides guidance on common valuation methodologies and other matters which should be considered by an expert when completing a valuation. For completeness we note the valuation work set out in this Report will be completed using publicly available information, in addition to information provided to us by the Directors.

We have not provided any advice, taxation, legal or otherwise in relation to the operation of the Proposed Acquisition. Other advisors have provided advice to Electrometals in relation to the Proposed Acquisition on those matters.

In the process of making an assessment of the Proposed Acquisition, we have made some assumptions. Where these assumptions are material to our work, we have stated them in this Report.

5.0 Overview of Electrometals¹

Section 5.0 of this Report is set out as follows:

- Section 5.1 provides an overview of Electrometals and its business activities;
- Section 5.2 sets out the ownership structure of Electrometals;
- Section 5.3 sets out the equity structure of Electrometals;
- Section 5.4 summarises the recent share market performance of Electrometals; and
- Section 5.5 summarises the recent historical financial information of Electrometals.

5.1 Profile and Business Activities

5.1.1 Overview

Electrometals is listed on the Australian Stock Exchange ('ASX') and engineers, manufactures and sells electrowinning technology under the trademark EMEW®. The Company's principle operating activity currently consists of equipment sales although it is looking to expand this through develop, build, own and operate ('DBOO') projects. Electrometals also invests in developing and improving the patented EMEW® technology.

The Electrowin technology currently used by Electrometals in its business was originally acquired by Euralba Mining Limited (as Electrometals was called in 1991) through an option to purchase dated 24 September 1991 with the purchase consideration set out in the agreement being:

- Cash of \$500,000;
- The issue of 2 million fully paid ordinary shares in the Company; and
- A right to receive a share of any bonus issues of shares in the Company made between the option date and settlement date.

Electrometals is the parent entity of wholly-owned subsidiaries Electrometals Canada Inc, Electrometals USA, LLC (a wholly-owned subsidiary of Electrometals Canada Inc) and Materials Research Pty Ltd, and has a 97.4% holding in Mallonbury Pty Ltd (refer to Section 5.2 of this Report).

5.1.2 Key Benefits of the EMEW® Technology

The principle purpose of Electrometals' equipment is to recover solid metal cathode or loose metal powder from a variety of electrolyte solutions. The benefits of the Electrometals' EMEW® technology can be summarised as follows:

- The efficient recovery of high-grade metal plate or powder in the presence of other metal contaminants, often when the target metal is in a dilute concentration;

¹ Information in this section of this Report is sourced from publicly available information at electrometals.com.au and other information provided by the management of Electrometals.

- The control of toxic gas and mist emissions which are contained within closed EMEW® tubular electrolytic cells and pumped to electrolyte management tanks for centralised collection and scrubbing during normal operations; and
- While the electrolyte is being pumped through the EMEW® system, it is possible to have external control of electrolyte conditions such as temperature and pH, allowing more efficient electrowinning of some metals.

5.1.3 Current Position and Progress to Date

The management of Electrometals have recently sought to reposition the equipment sales activities of the Company by seeking out new customers in new geographic regions, as well as perfecting the applications for EMEW®. We understand that this has led to some success, particularly in relation to the following:

- The engineering, sale and manufacturing of a silver-copper leach and EMEW® plant in India to recover high grade silver and copper from impure silver rich ingots, a product of recycled jewellery;
- Technology improvement in copper recovery of an EMEW® plant in Mexico, to recover copper metal from complex recycled waste product. The Company has made substantial laboratory and pilot scale advances to enable the recovery of the cadmium and cobalt, but commercial production remains to be demonstrated;
- Technology improvement in tin recovery of an EMEW® plant in the USA to recover tin metal from spent industrial solutions. This is the first EMEW® tin plant to have been developed;
- The sale of an EMEW® plant to a customer in Chile to recover high grade copper metal cathode by treating the EW bleed stream from an SX-EW heap leach copper operation, the first such application of an EMEW® plant; and
- The demonstration of laboratory and pilot plant scale production of copper and nickel metal from recycled industrial waste in the USA, which provides the technical foundations for future plans to establish DBOO operations in the USA.

Despite these positive developments, the financial performance over the last three years has been poor with sales failing to meet expectations. Electrometals' order book is currently very small and relates primarily to some minor amounts related to one plant in progress and some orders for spare parts.

5.1.4 Applications of the EMEW® Technology

We understand that the EMEW® electrowinning system is capable of recovering high-grade metal from a number of different solution (electrolyte) types including:

- Copper from sulphuric and nitric acid solutions;
- Nickel from sulphuric acid, electroless nickel and nitric acid solutions;
- Silver from nitric acid and also alkaline solutions where the solvent is potassium cyanide;
- Gold from alkaline cyanide solution;
- Tin from alkaline potassium hydroxide solution;

- Tin from phenol sulphonic acid solution;
- Cadmium and cobalt from sulphuric acid solutions; and
- Tellurium from several different solution chemistries.

We understand that all of these applications have been demonstrated at either commercial scale in full-sized plants, or in pilot plants, or in some cases, laboratory scale tests.

5.1.5 Current Opportunities

Electrometals has dedicated significant resources to the investigation of opportunities to develop its own metal production business, by using EMEW® technology, in conjunction with other companion technologies integrated into a metal production plant. These investigations have included technical and financial studies, as well as determining the business licence requirements to receive and treat the relevant waste materials.

Electrometals also plans to establish a separate DBOO business group, located in the USA, with the aim of capitalising on the knowledge and expertise which has been developed during the last four years.

The work completed on DBOO projects to date indicates opportunities to treat various liquid and solid industrial wastes in North America. Electrometals engineers have advanced this work to the stage where successful test work has been completed at laboratory and pilot plant scale. Feasibility studies are currently in progress with key milestones including:

- securing suitable leased premises. We understand that this milestone has been met with a lease signed for a building subject to getting the appropriate business license;
- securing the appropriate business licence; and
- securing commercial supply agreements for material for the plant.

Electrometals also plans to grow the Company through a number of avenues, including the following:

- Developing a greater international process and sales capability, with plans to further expand the number of technical process and sales staff in North America and India;
- Developing improved know-how for Electrometals EMEW® applications, particularly for extracting high quality EMEW® metal cathode from recyclable industrial waste, spent solutions, and recycled silver-rich materials, including the application of companion technology to pre-treat solutions to produce electrolytes; and
- Increasing the experience of Electrometals staff through working with a number of waste generating and waste collection/recycling companies. This experience will enable Electrometals to better advance its DBOO opportunities.

5.1.6 Commodity Prices

The commercial supply of EMEW® and the success of the Company’s DBOO projects are dependent on a strong commodity market, in particular, copper, nickel, tin and silver. The recent global market downturn brought about a severe fall in commodity prices and coincided with declining interest in the EMEW® technology.

Since the lows of early 2009 however, commodities prices have experienced significant gains, with silver and tin in particular at all time highs.

Refer to Appendix A for an overview of various commodity prices from 2003 to present.

5.2 Ownership Structure of Electrometals

The ownership structure of Electrometals and its associated entities is detailed in Table 5.1 below.

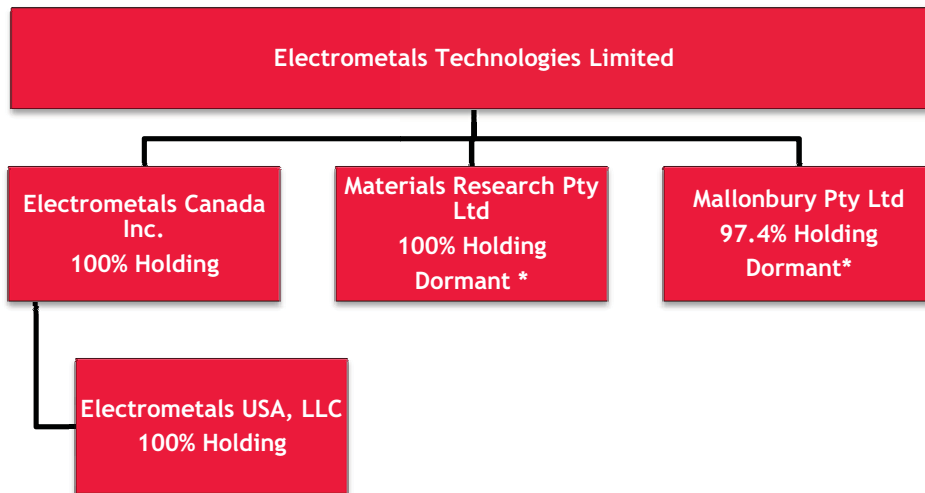
Table 5.1: Ownership Structure of Electrometals and Associated Entities

Name of Subsidiary	Country of Incorporation	Percentage Equity Holding
Electrometals Canada Inc.	Canada	100%
Electrometals USA, LLC	USA	100%
Materials Research Pty Ltd	Australia	100%
Mallonbury Pty Ltd	Australia	97.40%

Source: Electrometals 2010 Annual Report

Figure 5.1 below sets out a graphical representation of the ownership structure of Electrometals.

Figure 5.1: Electrometals Corporate Structure



Source: Electrometals 2010 Annual Report

* Materials Research Pty Ltd and Mallonbury Pty Ltd are not consolidated because each is dormant and the investment is not considered to be material.

We note the following in relation to the subsidiaries of Electrometals:

- Electrometals provides ongoing financial support to its subsidiaries. This support is reviewed in the annual budget process and at board meetings as the need arises;

- The recoverable amount of the Canadian subsidiary, Electrometals Canada Inc, has been assessed as \$nil. Currently, the subsidiary derives a small amount of income, but continues to make losses; and
- Electrometals USA, LLC is a company recently incorporated in relation to the DBOO business and holds the head lease for the business.

5.3 Equity Structure of Electrometals

5.3.1 Ordinary Shares

Electrometals has 441,970,735 ordinary shares on issue as at the date of this Report. The top 10 shareholders and other shareholders of Electrometals as at 8 April 2011 are set out in Table 5.2 below. Table 5.2 does not consider the impacts of any change in shareholdings arising as a result of the Proposed Acquisition.

Table 5.2: Top 10 Electrometals Shareholders and other shareholders as at 11 April 2011

Shareholder	Number of Shares	Percentage of Total Shares
1 Waverton Holdings Limited ^(a)	237,229,550	53.68
2 Equitas Nominees Pty Ltd <Group C a/c>	46,620,174	10.55
3 Mr Ronald Gregory Melgaard	38,286,819	8.66
4 Industrie De Nora SpA	32,350,000	7.32
5 Pegmont Mines Limited	8,458,370	1.91
6 Rhead Investments Pty Ltd <RHead Super Fund a/c>	4,915,000	1.11
7 Liz Claiborne Pty Ltd <R&M Gibson Super Fund a/c>	4,073,961	0.92
8 Mr Richard Edward Keevers	4,000,000	0.91
9 Mr Robert John Henry Mills	2,485,428	0.56
10 JP Morgan Nominees Australia Limited <Cash income a/c>	2,395,090	0.54
Other Shareholders	61,156,343	13.84
Total Shares on Issue	441,970,735	100.00

Source: Electrometals Share Register as at 8 April 2011

(a) Waverton holds its relevant interest both in its own name and in the name of Equitas Nominees Pty Ltd.

5.3.2 Listed and Unlisted Options

Electrometals has 3.27 million unlisted options on issue. Table 5.3 sets out a summary of the unlisted share options currently issued and outstanding as at the date of this Report together with their associated exercise prices. At the date of this Report, the unlisted options are considered to be 'out of the money'.

Table 5.3: Share Options Issued and Outstanding

Expiry Date	Exercise Price (\$)	Number of Options
30 May 2011	0.05	500,000
30 May 2011	0.05	500,000
15 September 2011	0.05	300,000
15 September 2011	0.05	300,000
31 August 2012	0.12	417,500
31 August 2012	0.12	417,500
31 August 2012	0.12	417,500
31 August 2012	0.12	417,500
Total		3,270,000

Source: Electrometals Prospectus as at 28 February 2011

We also note that there were 33,255,577 listed options, exercisable at 14 cents and expiring on 18 April 2011. We have not provided a detailed analysis of these options as they have recently expired and were materially 'out of the money'.

5.3.3 Preference Shares

Electrometals has 666,667 preference shares on issue which were issued in June 1998. These preference shares are convertible and redeemable shares with a preferential right to receive a cumulative fixed dividend at the rate of 8% per annum on their \$0.40 issue price.

Two key conditions of the preference shares are set out below:

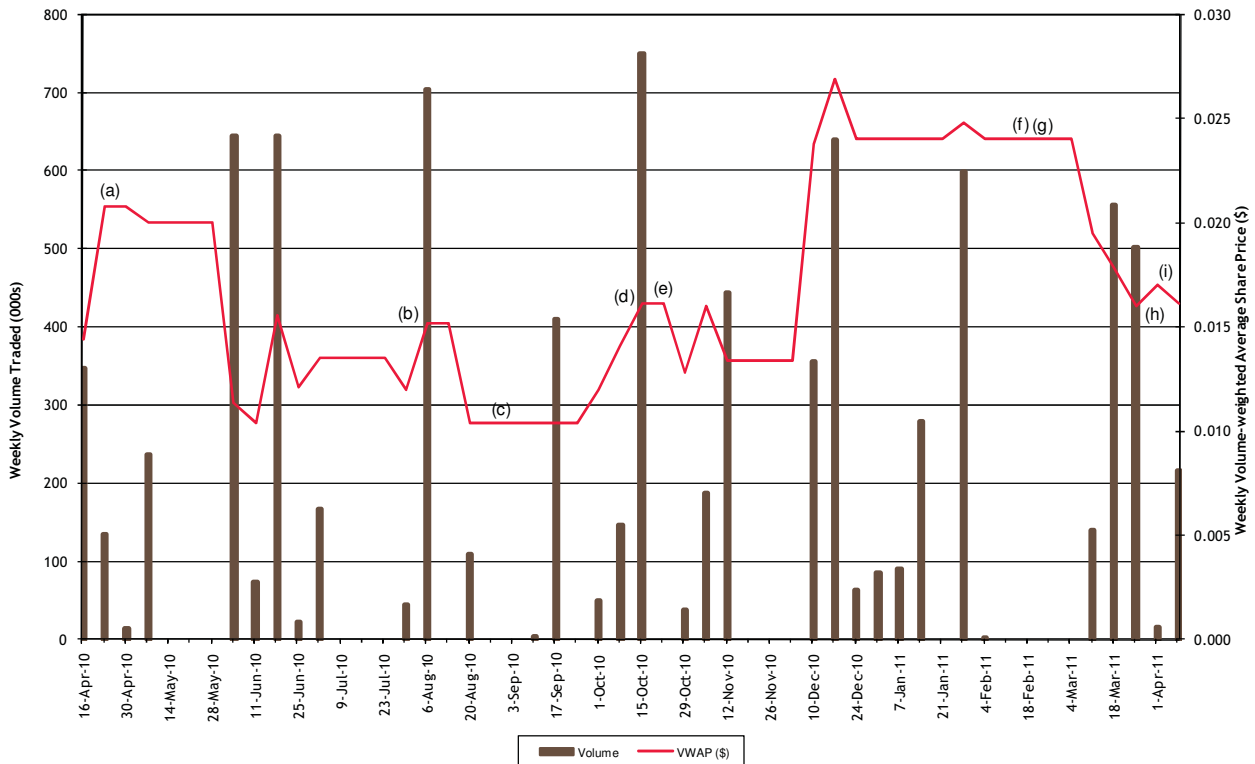
- The preference shares are redeemable at the option of Electrometals although there is no requirement for Electrometals to ever redeem them. We have been instructed by the Directors that Electrometals has no plans to redeem the preference shares in the short to medium term as it will be required to pay out the accumulated dividend of \$267,193 (as at 31 December 2010) in addition to the \$266,667 face value of the preference shares; and
- The preference shareholders can convert their preference shares to ordinary shares at any time on the basis of one ordinary share for each preference share (i.e. once converted, the preference shares would equal 666,667 ordinary shares in total). However, at the Company's current share price, any conversion of preference shares would result in a capital loss, forfeit entitlement to accumulated dividends and waive all rights to receive preferential dividends in the future.

Given our instruction that Electrometals has no intention of redeeming the preference shares in the short to medium term and given that the Company is under no obligation to pay a dividend to preference shareholders, the most probable way for a preference shareholder to realise any value for their preference shares in the short to medium term is to convert them into ordinary shares and sell them on market. For this reason, it is our view that it is appropriate to treat the preference shares as ordinary shares for the purpose of this Report.

5.4 Share Market Performance of Electrometals

Electrometals shares are listed on the ASX. Figure 5.2 below shows Electrometals weekly volume-weighted average share price ('VWAP') and the volume of shares traded each week over the period from 9 April 2010 to 8 April 2011 inclusive.

Figure 5.2: Weekly VWAP and Volume Traded for Electrometals from 9 April 2010 to 8 April 2011



Source: Bloomberg as at 12 April 2011

Over the period graphed in Figure 5.1, the Electrometals weekly VWAP shows a period low of \$0.0104 for the week ended 11 June 2010 and a period high of \$0.0269 for the week ended 17 December 2010.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in Electrometals share price and volume of shares traded over the time period analysed. The references in Figure 5.2 correspond to the references in Table 5.4 below.

Table 5.4: Summary of Electrometals Announcements over the Period 9 April 2010 to 8 April 2011

Date	Announcement
(a) 21 Apr 10	Electrometals released its Annual Report for year ended 31 December 2009. Operating losses totalled approximately \$1.58 million and gross profit totalled approximately \$1.94 million.
(b) 3 Aug 10	Electrometals announced the sale of its 51% interest in the UK water treatment company Kurion Technologies. The consideration for the sale totalled approximately \$171,000 receivable on deferred terms. In addition, intercompany loans and accrued interest amounting to approximately \$390,000 were repaid to Electrometals on settlement.
(c) 31 Aug 10	Electrometals released its half year report for the six months ended 30 June 2010.
(d) 13 Oct 10	Electrometals announced that the legal dispute between Electrometals and Molymet has been resolved. As a result of this agreement, all legal actions taken or contemplated by either party in relation to the claim will be discontinued.
(e) 14 Oct 10	Electrometals advises the shareholders that they are continuing to experience difficulties completing sales, with an expectation that there will be an increase in losses for the 2010 financial year.

	Date	Announcement
(f)	28 Feb 11	Electrometals announces operating loss of approximately \$2.6 million and gross profit of approximately \$1.45 million, for the year ended 31 December 2010.
(g)	28 Feb 11	Electrometals released its prospectus for the rights issue to raise \$4.277 million. A fully underwritten non-renounceable pro rata entitlement offer to eligible shareholders of one new share for every one share held at record date, at an offer price of 1.8 cents per new share.
(h)	5 Apr 11	Electrometals announced the successful completion of a \$4.277 million capital raising. Shareholders and optionholders applied for 12,514,306 new shares at 1.8 cents per share with the shortfall of 225,098,850 shares taken up by the underwriter in accordance with the underwriting agreement.
(i)	8 Apr 11	Electrometals announced the completion of rights issue, the number of shares allotted as a result of the issue is 237,613,156 ordinary shares.

Source: Electrometals Announcements

In Table 5.5 below, we have set out Electrometals' VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 8 April 2011.

Table 5.5: Electrometals's VWAP prior to 8 April 2011

Period Prior to 8 April 2011	VWAP Start Date	VWAP End Date	VWAP (\$)
1 Week	2 April 2011	8 April 2011	0.0162
1 Month	9 March 2011	8 April 2011	0.0168
3 Months	9 January 2011	8 April 2011	0.0199
6 Months	9 October 2010	8 April 2011	0.0199
9 Months	9 July 2010	8 April 2011	0.0184
12 Months	9 April 2010	8 April 2011	0.0174

Source: Bloomberg as at 12 April 2011

5.5 Summary of Historical Financial Information

This section of this Report sets out the historical financial information of Electrometals and its consolidated entities. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in the full statements of comprehensive income, statements of financial position and statements of cash flows.

Electrometals accounts for the 12-month period ended 31 December 2010 were audited by Ernst & Young. BDO CFQ has not performed any audit or review of any type on the historical financial information of Electrometals. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is misleading.

5.5.1 Financial Performance

The consolidated statement of comprehensive income of Electrometals for the 12 month periods ended 31 December 2009 and 2010 are summarised in Table 5.6 below. Electrometals shareholders interested in reading the full statement of comprehensive income should refer to Electrometals Annual Report for the 12 months ended 31 December 2010.

Table 5.6: Summarised Electrometals Statement of Comprehensive Income for the 12 Months Ended 31 December 2009 and 2010

	12 Months Ended 31 December 2009 Audited \$	12 Months Ended 31 December 2010 Audited \$
Plant sales	2,592,830	3,476,471
Other sales income	885,611	471,464
Less: discount	(12,371)	-
Cost of goods sold	(3,026,134)	(2,498,256)
Gross Profit	439,936	1,449,679
Other income	88,660	78,076
Marketing expenses	(58,804)	(97,913)
Occupancy expenses	(286,491)	(249,701)
Administrative expenses	(1,551,830)	(2,095,435)
Other expenses	(511,203)	(1,066,707)
Loss from continuing operations before income tax	(1,879,732)	(1,982,001)
Income tax (expense) / benefit	-	-
Loss from continuing operations after income tax	(1,879,732)	(1,982,001)
Profit / (loss) from discontinued operations after income tax	296,739	(459,523)
Net loss for the year	(1,582,993)	(2,441,524)
Foreign currency translation	1,714	(127,654)
Total Comprehensive Income for the Period	(1,581,279)	(2,569,178)

Source: Electrometals 2010 Annual Reports

In relation to the financial performance of Electrometals set out in Table 5.6 above we note the following:

- Revenue increased by 14% to \$3.9 million in 2010 from \$3.5 million in 2009 while gross margin increased by 230% to \$1.4 million in 2010 from \$0.4 million in 2009; and
- The growth in revenue was primarily due to the 34% increase in plant sales to \$3.5 million in 2010 from \$2.6 in 2009 while cost of goods sold fell by 17% to \$2.5 million in 2010 from \$3.0 million in 2009.

5.5.2 Financial Position

The consolidated statement of financial position of Electrometals as at 31 December 2009 and 31 December 2010 is summarised in Table 5.7 below.

Table 5.7: Summarised Electrometals Statement of Financial Position as at 31 December 2009 and 2010

	As at 31 December 2009 Audited \$	As at 31 December 2010 Audited \$
Current Assets		
Cash and cash equivalents	2,362,720	890,511
Trade and other receivables	1,525,179	725,010
Inventories	487,044	482,708
Prepayments	411,620	125,137
Total Current Assets	4,786,563	2,223,366
Non-Current Assets		
Receivables	26,909	114,200
Investment	90	-
Plant & Equipment	1,091,438	912,436
Goodwill and other intangible assets	1,615,721	20,456
Total Non-Current Assets	2,734,158	1,047,092
Total Assets	7,520,721	3,270,458
Current Liabilities		
Trade and other payables	1,351,451	548,822
Interest-bearing liabilities	23,549	-
Deferred income	357,641	57,945
Provisions	145,016	168,057
Total Current Liabilities	1,877,657	774,824
Non-Current Liabilities		
Accrual for future buy-out of non-controlling interest	960,000	-
Provisions	47,214	48,422
Total Non-Current Liabilities	1,007,214	48,422
Total Liabilities	2,884,871	823,246
Net Assets	4,635,850	2,447,212
Equity		
Issued capital	33,320,788	33,320,788
Reserves	176,473	58,363
Accumulated losses	(28,715,581)	(30,931,939)
Parent Interests	4,781,680	2,447,212
Non-controlling interests	(145,830)	-
Total Equity	4,635,850	2,447,212

Source: Electrometals 2010 Annual Report

In relation to the financial position of Electrometals set out in Table 5.7 above we note the following:

- Electrometals' goodwill and other intangible assets as 31 December 2010 consist of capitalised patent acquisition costs. Goodwill and other intangible assets as at 31 December 2010 fell by 99% to \$20,456 from 31 December 2009 primarily due to the write-down of \$1.6 million of goodwill as a result of the sale of Electrometals 51% shareholding in Kurion Technologies; and
- Electrometals net assets fell by 47% to \$2.4 million as at 31 December 2010 from \$4.6 million as at 31 December 2009.

5.5.3 Cash Flows

The consolidated statement of cash flows of Electrometals for the 12 month periods ended 31 December 2009 and 2010 are summarised in Table 5.8 below.

Table 5.8: Summarised Electrometals Statement of Cash Flows for the 12 Months Ended 31 December 2009 and 2010

	12 Months Ended 31 December 09 Audited \$	12 Months Ended 31 December 10 Audited \$AUD
Cash flows from operating activities		
Receipts from customers	8,448,020	5,429,967
Payments to suppliers and employees	(8,941,506)	(7,297,370)
Net cash provided by/(used in) operating activities	(493,486)	(1,867,403)
Cash flows from investing activities		
Interest received	63,877	69,672
Loans made	-	(18,778)
Loan to discontinued operation repaid	-	390,551
Cash held by discontinued operation	-	(40,236)
Payment for plant and equipment	(218,106)	(20,976)
Payment for patents	-	(11,315)
Net cash provided by/(used in) investing activities	(154,229)	368,918
Cash flows from financing activities		
Loan repayments received	(47,939)	43,963
Loan repayments paid out	-	(20,392)
Interest paid	(2,609)	(2,269)
Net cash provided by/(used in) financing activities	(50,548)	21,302
Net increase/(decrease) in cash held	(698,263)	(1,477,453)
Net foreign exchange differences	62,981	5,244
Cash held at the beginning of the period	2,998,002	2,362,720
Cash held at the end of the period	2,362,720	890,511

Source: Electrometals 2010 Annual Report



In relation to the cash flow of Electrometals set out in Table 5.8 above we note the following:

- Electrometals receipts from customers fell by 36% to \$5.4 million in 2010 while payments to suppliers and employees decreased by 18% to \$7.3 million in 2010; and
- The Company's operating activities generated a negative cash flow for the 12 months ended 31 December 2009 and 2010.

6.0 Valuation of Electrometals

This section of this Report sets out our valuation of Electrometals shares and is structured as follows:

- Section 6.1 sets out a summary of several common valuation methodologies;
- Section 6.2 sets out our view of the most appropriate methodology to value each Electrometals share;
- Section 6.3 sets out our calculation of the value of each Electrometals share using the asset based valuation methodology;
- Section 6.4 sets out our calculation of the value of each Electrometals share using the market based valuation methodology; and
- Section 6.5 sets out our view on the most appropriate value per Electrometals share to assess the Proposed Acquisition.

6.1 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, among other metrics, the valuation methodologies recommended by ASIC in RG 111 regarding contents of expert reports. These methodologies include those mentioned directly below.

6.1.1 Discounted Future Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

6.1.2 Capitalisation of Future Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the rate is an alternative way of stating the expected return on an asset, allowing for a risk premium over the risk free rate.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered when relevant comparable information is available.

6.1.3 Asset Based Valuations ('ABV')

Asset based valuations are used to estimate the market value of an entity based on the realised value of its identifiable net assets. The ABV approach ignores the possibility that an entity's value could exceed the realisable value of its net assets, however when used in conjunction with other methods which determine the value of an entity to be greater than the realisable value of its net assets, it is also possible to arrive at a reliable estimate of the value of goodwill.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

6.1.4 Market Based Valuations ('MBV')

Market based valuations relate to the valuation of an entity, where its shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

6.2 Valuation Approach

Our view of the most appropriate valuation methodologies to apply when calculating the value of Electrometals shares is summarised in Table 6.1 below.

Table 6.1: Summary of Possible Electrometals Valuation Methodologies

Valuation Methodology	Appropriate	Explanation
DCF Valuation	×	<p>The DCF methodology relies on projections which predict the future cash flows of a company using assumptions about the company's future performance. As at the date of this Report, it is both the Directors and our view that there are not reasonable grounds for relying on the forward-looking financial information required to value Electrometals using a DCF methodology.</p> <p>In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing Electrometals shares in this Report. A more detailed discussion of our reasoning is provided below this table.</p>
CME Valuation	×	Electrometals does not currently have maintainable earnings suitable for use in a CME valuation methodology.
Asset Based Valuation	✓	The assets and liabilities of Electrometals can be identified and their values determined. We have been provided with Electrometals' audited statement of financial position as at 31 December 2010 along with an unaudited statement of financial position as at 31 March 2011.
Market Based Valuation	✓	<p>As mentioned in Section 5.1, Electrometals is publicly listed on the ASX. It is possible to complete a market based valuation as there is a readily observable, albeit relatively illiquid, market for the trading of shares in Electrometals.</p> <p>Electrometals also recently completed a significant rights issue that resulted in an additional 237.6 million shares being issued in Electrometals representing an increase of approximately 116% in the shares on issue in Electrometals.</p>

Having regard to the information set out in Table 6.1 above, it is our view that the most appropriate valuation methodologies to apply to a valuation of Electrometals are the asset based valuation methodology and the market based valuation methodology. For completeness, we note that the valuation methodologies that we have adopted in this Report are based on the current circumstances of the Company. In particular, we have had regard to the following:

- Electrometals financial performance over the last three years has been relatively poor. We understand that sales have consistently failed to meet Directors expectations. Electrometals' last profitable full year result was the 12 month period ended 31 December 2007;
- We understand that, as at the date of this Report, Electrometals' order book is low and relates primarily to some minor amounts related to one plant in progress and some spare part orders. While we understand that there is an encouraging list of sales prospects in the 'sales pipeline', the progress of these prospects to sales depends upon Electrometals' demonstration of a variety of technical and financial benefits of EMEW® to its customers which may or may not then be followed by a purchase commitment from these customers. This process often takes several months;
- Despite the lack of financial returns, the Directors are of the view that the Company is making progress through:
 - Modest expansion in the number of technical process and sales staff in North America and India;

- Improving the 'know-how' of its EMEW® applications particularly for extracting high quality EMEW® metal cathode from recyclable industrial waste, spent solutions, and recycled silver-rich materials, including the application of companion technology to pre-treat solutions to produce electrolytes, to be supplied to the EMEW® plants; and
- Compiling a substantial database together with laboratory and pilot plant scale test 'proof of concept' results, for the extraction of metals from metalliferous industrial waste generated by a wide variety of industries mainly in the USA. Electrometals has also worked with a number of waste generating and waste collection/recycling companies and the Directors believe that the Company is now in a position to advance DBOO opportunities using the data and relationships established;
- Electrometals is progressing its DBOO projects with key milestones including:
 - Identifying suitable premises which can be leased by the Company. We understand that this milestone has been met with a conditional lease having been signed for a building subject to getting the appropriate business license;
 - Securing the appropriate business licence; and
 - Securing commercial supply agreements for feed stock for the plant.

As at the date of this Report we understand that only the first milestone has been met;

- There is no guarantee that Electrometals will become profitable at any time in the near future or successfully progress the DBOO projects. The value of companies similar in nature to Electrometals can rise or fall significantly depending on whether the milestones set are achieved; and
- Until such time that Electrometals is able to return to profitability it will remain dependent on the financial support it receives from shareholders. This financial support may not be required again for several years given the recent rights issue that raised approximately \$3.9 million net of costs.

6.3 Asset Based Valuation of Electrometals Shares

This section sets out an asset based valuation of Electrometals on a per share basis and is set out as follows:

- Section 6.3.1 summarises the value that we adopted for each category of Electrometals' tangible assets and liabilities;
- Section 6.3.2 sets out additional information in relation to the value of Electrometals' intellectual property; and
- Section 6.2.3 concludes on our view of an appropriate asset based value.

6.3.1 Value of Tangible Assets and Liabilities Adopted in this Report

As mentioned previously, it is our view that it is appropriate to apply an asset based valuation methodology to determine the value of Electrometals.

We have adopted the values reported in Electrometals' management accounts as at 31 March 2011 in order to complete our asset based valuation. We have not performed any audit or review of any type on the historical financial information of Electrometals. Accordingly, we make no statement as to the accuracy of the information although we have no reason to believe that the financial information is not complete and accurate.

We have assumed that the fair value of the tangible assets and liabilities of Electrometals is equal to the values set out in the unaudited 31 March 2011 statement of financial position. We have discussed this assumption with the management of Electrometals and believe this assumption to be reasonable in the circumstances.

Table 6.2 below sets out the value we have adopted for the net tangible assets of Electrometals.

Table 6.2: Value of Electrometals Key Tangible Assets and Liabilities

Item	Description	Value (\$)
Assets		
Cash and cash equivalents	Electrometals has a significantly improved cash balance following the successful completion of the approximately \$3.9 million capital raising (net of costs) that closed on 1 April 2011.	4,206,531
Trade and other receivables	The Directors have instructed us that they expect to be able to realise the full value of trade and other receivables which include unbilled accrued revenue and deposits held in relation to the Electrometals office accommodation, workshop space and power supply.	664,772
Inventories	We understand that inventories are recorded at cost and primarily relate to spare parts and a small stock of partially manufactured EMEW® cells.	482,959
Prepayments	The Directors expect to be able to realise the value of the prepayments.	105,560
Plant and Equipment	The value of plant and equipment is recorded in the Company's balance sheet at a depreciated book value. We have made enquiries of the Directors in relation to whether it is appropriate to adopt depreciated book value as a proxy for fair market value and have been instructed that depreciated book value provides the best available information in relation to fair value for use in this Report.	874,342
Goodwill and other intangible assets	We have considered the value of intellectual property inherent in the Electrometals business in Section 6.3.2 below.	n/a
Total		6,334,164

Item	Description	Value (\$)
Liabilities		
Trade and other payables	The Directors have instructed us and it is our view that it is reasonable to adopt book value as an approximation of fair value in relation to trade and other payables.	341,392
Deferred income	The Directors have instructed us and it is our view that it is reasonable to adopt book value as an approximation of fair value in relation to deferred income.	119,706
Provisions	The Directors have instructed us and it is our view that it is reasonable to adopt book value as an approximation of fair value in relation to provisions.	206,570
Total		667,668
Net Assets		
Total net tangible assets		5,666,496

Source: Electrometals 2010 Annual Report and unaudited Electrometals management accounts as at 31 March 2011

In our view, it is appropriate to adopt a net tangible asset figure of approximately \$5.67 million for the purpose of our asset based valuation.

6.3.2 Value of Electrometals' Intellectual Property

We have made reasonable enquiries of the Directors to understand the Intellectual Property asset categories and the potential for returns from the assets and further value creation. We understand that Electrometals key intellectual property in relation to the EMEW® technology can be summarised as:

- several international patents (either granted or pending) for the EMEW® electrowinning equipment which it developed and now engineers and manufactures; and
- the 'know-how' that comprises the plant processing knowledge which enables Electrometals to create the various applications for its product (refer to Section 5.1.4 of this Report for additional discussion in relation to the various application) and the mechanical engineering skills which enable the Company to manufacture and improve the hardware.

We are informed by the Directors that the intellectual property consisting of the patents and 'know-how' referred to above have been in development for over 10 years and that the expenditure on the intellectual property, while difficult to quantify precisely, has been in the order of \$10 million to \$15 million.

The significant investment by Electrometals in its intellectual property could be regarded as a proxy for the costs required to recreate or replace its intellectual property. However, in the case of Electrometals it is our view that the costs required to recreate or replace the intellectual property is unlikely to represent fair value for reasons which include the following:

- The economic returns which have been generated by the intellectual property to date have been negative and we have not been provided with any information to suggest that this trend will reverse in the 12 month period ended 31 December 2011 or in the foreseeable future;

- Much of the know-how rests with Electrometals process and mechanical engineering staff. Notwithstanding that these staff members are bound by confidentiality provisions in their employment arrangements, if several key staff members were to leave the Company then it would reduce Electrometals ability to deliver EMEW® systems;
- Electrometals is in the early phases of its growth cycle and still in the process of proving itself as a technology that can be used in addition to large conventional electrowinning and metal refinery tank houses. There is no guarantee that Electrometals will prove itself to be a viable business proposition;
- The capital cost per unit of metal produced using the EMEW® system is often higher than for large conventional electrowinning or metal refinery tank houses which has the result of reducing possible demand for the EMEW® system; and
- Electrometals is currently attempting to leverage its EMEW® system through DBOO projects. In our view, it will remain unclear whether Electrometals can profitably leverage its EMEW® system through DBOO projects until such time as Electrometals has completed its feasibility study and successfully operated its first DBOO project.

Having regard to the points set out above, it is our view that it is appropriate to adopt a value for the intellectual property of \$nil for the purpose of our low scenario under the asset based valuation methodology.

Notwithstanding the above, it is our view that the Company's intellectual property may have some value to a potential purchaser. To determine the amount that a potential purchaser may pay for the intellectual property, we have had regard to our market based valuation set out in Section 6.4 of this Report. In relation to our market based valuation, we particularly note the following:

- We have determined a value for each Electrometals share on a minority interest basis under the market based valuation to be within the range of \$0.015 to \$0.017 as at the date of this Report;
- In determining this value, we have considered the issue of 237,613,156 ordinary shares at a price of \$0.018 per share. This rights issue was a significant transaction and resulted in the number of shares on issue in Electrometals more than doubling; and
- The rights issue was undersubscribed, with shareholders and option holders applying for 12,514,306 new shares, or 5.27% of the total offer (this point is discussed in further detail in Section 6.4.3 of this Report). In accordance with the underwriting agreement, Waverton covered the shortfall of 225,098,850 shares.

In our view, the undersubscribed nature of the rights issue suggests that a potential purchaser is unlikely to attribute a value to the Company's intellectual property that would imply a net asset value for the Company that is higher than our market based valuation, particularly given the size of the rights issue.

Having regard to the above, we consider it appropriate to adopt a value of \$2 million for the purpose of our high scenario under the asset based valuation methodology. Adopting a value of \$2 million for the intellectual property results in a net asset value for the Company that is approximately equal to the high end of our market based valuation. This value also broadly implies that a potential purchaser may pay an amount to purchase Electrometals' intellectual property that is approximately equal to 15% to 20% of the amount incurred to develop the intellectual property.

Having regard to the time period over which the expenditure relating to the intellectual property has been incurred, the lack of returns on the investment to date and the requirement to consider optimising the cost of the asset when considering its fair market value, we are of the view that the fair market value of the intellectual property would reflect a significant discount to its overall cost. This view also reflects the consistent shortfall between actual sales and the Directors sales expectations.

For completeness, we note that attributing any value above \$nil to Electrometals intellectual property exceeds a value which could reasonably be calculated having regard to the economic returns which have been generated by the intellectual property to date. As mentioned previously, the economic returns from deployment of the Company's assets have been negative and the Company in recent years has fallen short of the sales expectations it has set for itself.

6.3.3 Conclusion - Asset Based Valuation

Table 6.6 below sets out our view of the net asset value of Electrometals having regard to the asset values set out in Sections 6.3.1 and 6.3.2 above.

As noted earlier, we consider it appropriate to treat the preference shares as ordinary shares for the purposes of this Report (refer to Section 5.3.3 of this Report). As a result, the values per share set out in Table 6.6 are calculated assuming a total of 442,637,402 Electrometals shares on issue, being the sum of the 441,970,735 ordinary shares on issue and the 666,667 preference shares on issue.

Table 6.3: Summary of Asset Based Valuation of Electrometals

Item	Low Asset Value (\$)	High Asset Value (\$)	Low Per Share Value (\$)	High Per Share Value (\$)
Net tangible assets (refer Table 6.2 above)	5,666,496	5,666,496	\$0.0128	\$0.0128
Intellectual Property (refer Section 6.3.2 above)	Nil	2,000,000	Nil	\$0.0045
Total	5,666,496	7,666,496	\$0.0128	\$0.0173

Source: BDO CFQ Analysis

Using an ABV we calculate a value for each Electrometals share in the range of \$0.0128 to \$0.0173 on a minority interest basis.

6.4 Market Based Valuation of Electrometals

This section sets out our market based valuation of Electrometals ordinary shares by considering:

- the recent share market performance of Electrometals ordinary shares (Section 6.4.1);
- the liquidity of Electrometals ordinary shares (Section 6.4.2); and
- recent transactions involving trades of large parcels of Electrometals ordinary shares (Section 6.4.3).

We conclude in Section 6.4.4 with our view of an appropriate market based value to apply to Electrometals.

6.4.1 Analysis of Electrometals' Share Market Performance

Electrometals' shares are listed on the ASX. We have considered Electrometals share price data in Section 5.4 of this Report including an analysis of significant announcements made by Electrometals to the ASX over the past 12 months. An analysis of Electrometals' VWAPs over specified periods of time is considered in Table 6.4 below.

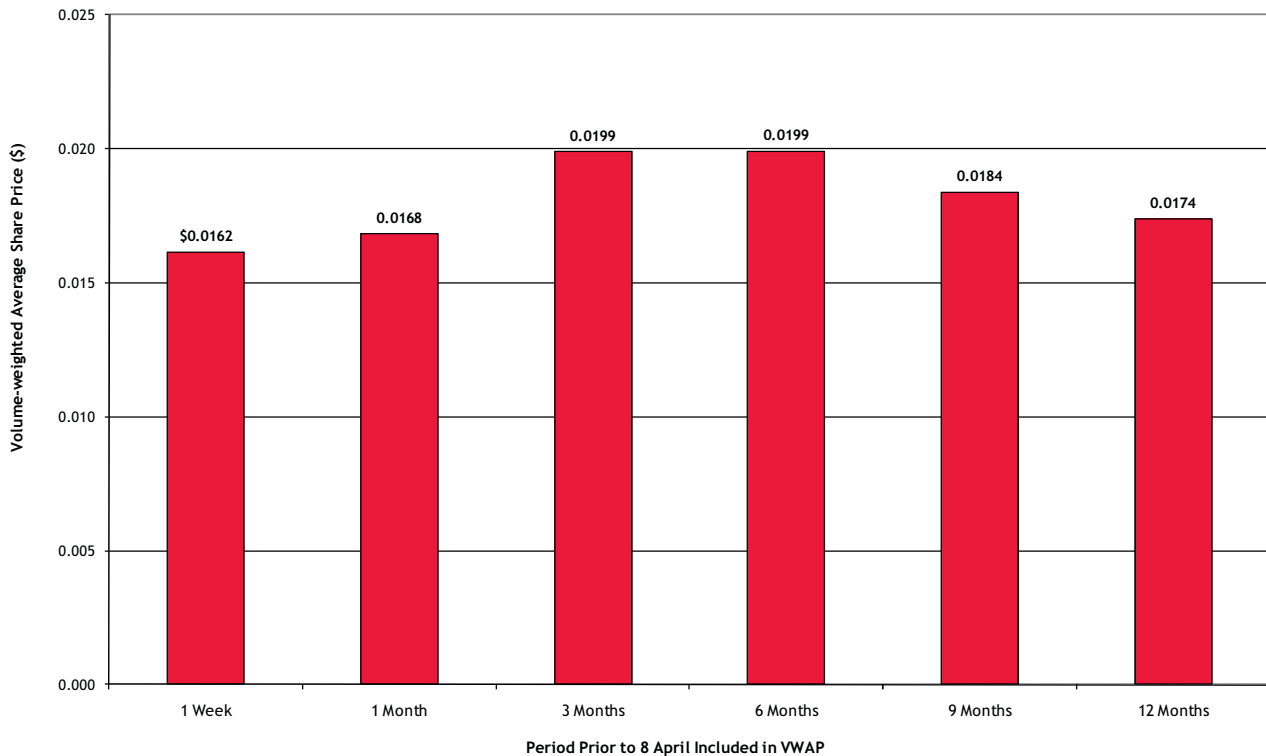
Table 6.4: Electrometals VWAPs over Specified Periods of Time

Period Prior to 8 April 2011	VWAP (\$)
1 Week	0.0162
1 Month	0.0168
3 Months	0.0199
6 Months	0.0199
9 Months	0.0184
12 Months	0.0174

Source: Bloomberg as at 12 April 2011

The information set out in Table 6.4 above is also expressed graphically in Figure 6.1 below.

Figure 6.1: Electrometals VWAPs over Specified Periods of Time



Source: Bloomberg as at 12 April 2011

Table 6.4 and Figure 6.1 above show that the VWAPs for the periods of time analysed (ranging from 1 week to 12 months) are within a range of \$0.0156 (1 week VWAP) to \$0.0199 (6 month VWAP).

6.4.2 Liquidity of Electrometals Shares

The rate at which equity instruments are traded is generally referred to as the ‘liquidity’ of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or of the company to which the equity instruments relate as a whole.

Table 6.5 below summarises the monthly liquidity of Electrometals shares from April 2010 to March 2011. Liquidity has been summarised by considering the following:

- Value of total trades in Electrometals ordinary shares per month;
- Volume of Electrometals ordinary share trades per month;
- VWAP of Electrometals ordinary share price per month;
- Number of trades in Electrometals ordinary shares per month;
- Average value of trades per month; and
- Average volume of Electrometals ordinary shares per trade per month.

Table 6.5: Liquidity of Electrometals Shares

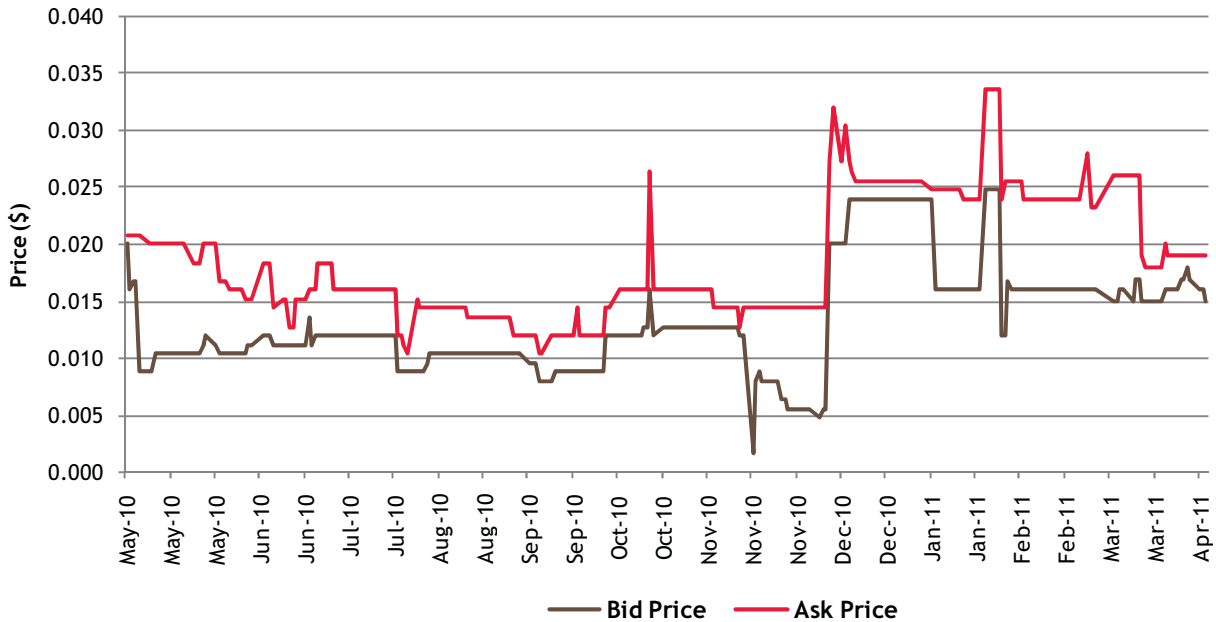
Period	Value of Trades (\$)	Volume of Shares Traded	VWAP (\$)	Number of Trades	Average Value per Trade (\$)	Average Volume of Shares per Trade
March 2011	20,891	1,210,352	0.0173	11	1,899	110,032
February 2011	46	1,928	0.0240	1	46	1,928
January 2011	23,677	967,066	0.0245	6	3,946	161,178
December 2010	29,186	1,141,469	0.0256	11	2,653	103,770
November 2010	8,933	631,250	0.0142	8	1,117	78,906
October 2010	14,627	933,070	0.0157	10	1,463	93,307
September 2010	4,890	462,500	0.0106	3	1,630	154,167
August 2010	11,802	812,599	0.0145	8	1,475	101,575
July 2010	521	43,456	0.0120	4	130	10,864
June 2010	19,366	1,487,480	0.0130	19	1,019	78,288
May 2010	5,985	299,260	0.0200	2	2,993	149,630
April 2010	8,498	531,250	0.0160	11	773	48,295
	148,422	8,521,680	0.0174	94	1,579	90,656

Source: Bloomberg as at 12 April 2011

Assuming a consistent number of 204,357,579 ordinary Electrometals shares on issue over the above period (the number of ordinary shares on issue prior to the recent rights issue), approximately 4.17% of the total shares on issue were traded in the 12 months to 31 March 2011. Given the above information, we would consider Electrometals shares to exhibit a low level of liquidity.

We note that this low level of liquidity is also reflected in Electrometals daily closing prices over the previous twelve month period. Figure 6.2 below displays the daily closing bid and ask prices for Electrometals from May 2010 to April 2011.

Figure 6.2: Electrometals Daily Bid and Ask Price for Last Twelve Months



Source: Bloomberg as at 12 April 2011

Figure 6.2 indicates that for the period analysed, Electrometals' shares had a bid range of \$0.0016 to \$0.0248 and ask range of \$0.0104 to \$0.0336. The average closing bid price and closing ask price over the period were \$0.0131 and \$0.0184 respectively.

In practical terms, a lower level of liquidity can have either a:

- Positive effect on the market trading price if the lower level of liquidity resulted from a lack of supply (which would be expected to put upwards pressure on price); or
- Negative effect on the market trading price if the lower level of liquidity resulted from a lack of demand (which would be expected to put downwards pressure on price) or from investors paying less initially for the shares to allow for the potential inability to sell at market value when required.

It is for the above reasons that we recommend that caution be exercised when assessing the Proposed Acquisition and utilising Electrometals' historical share price data.

6.4.3 Recent Significant Transactions in Electrometals Shares

Electrometals recently issued 237,613,156 ordinary shares at a price of \$0.018 per share. In relation to this recent rights issue we note the following:

- The rights issue was a significant transaction and resulted in the number of shares on issue in Electrometals more than doubling;

- The rights issue was undersubscribed, with shareholders and option holders applying for 12,514,306 new shares, or 5.27% of the total offer. In accordance with the underwriting agreement, Waverton covered the shortfall of 225,098,850 shares. For completeness we note that Waverton was entitled to approximately 30% of the shares to be issued under the rights issue but rather than subscribing for shares through the rights issue, elected to obtain the shares through the underwriting agreement. Had Waverton elected to subscribe for its shares through the rights issue then the actual amount of new shares subscribed for under the rights agreement would have been significantly higher than 5.27%;
- Mr Richard Keevers was the only director of Electrometals to subscribe for additional shares under the rights issue with Waverton acquiring the balance of shares that the Directors were entitled to in its capacity as underwriter; and
- Waverton was entitled to an underwriting fee of \$278,007 which equated to 6.5% of the underwritten amount. Once this 6.5% underwriting fee is netted off against the subscription price of 1.8 cents under the rights issue then the maximum amount that Waverton would effectively purchase shares for under the rights issue is 1.68 cents (i.e. a 6.5% discount to the issue price of 1.8 cents).

It is our view, having regard to the market information available, it would not be unreasonable to conclude that the current market value of Electrometals shares on a minority interest basis is less than the recent rights issue price of \$0.018. There was a shortfall of investor support for Electrometals at the rights issue price of \$0.018 per share.

6.4.4 Market Based Valuation of Electrometals

Having regard to the information set out in Sections 6.4.1 to 6.4.3 above, recent market evidence relating to trading in Electrometals shares shows that:

- Electrometals' VWAPs are within a range of \$0.016 to \$0.020, depending on the period observed;
- Electrometals' liquidity is low with approximately 4.17% of the total shares on issue traded in the 12 months to 31 March 2011; and
- A significant transaction involving a total of 237,613,156 Electrometals shares was completed on 1 April 2011. At the offer price of \$0.018 per share, shareholders and option holders subscribed to 5.27% of the offer, with the shortfall covered in accordance with the underwriting agreement.

Having regard to the above, it is our view that the value of each Electrometals share on a minority interest basis under the market based valuation is within the range of \$0.015 to \$0.017 as at the date of this Report.

6.5 Value Adopted for a Minority Interest in an Electrometals Share

In our view, after considering the information set out in Sections 6.3 and 6.4 above, it is appropriate to assess the Proposed Acquisition adopting a value within the range of \$0.013 to \$0.017 for a minority interest in each Electrometals share. This value was determined having regard to both our asset based valuation and market based valuation.

7.0 Assessment of the Proposed Acquisition

This section of this Report sets out our opinion on whether:

- the advantages of the Proposed Acquisition outweigh the disadvantages; or alternatively
- the disadvantages of the Proposed Acquisition outweigh the advantages.

This section is set out as follows:

- Section 7.1 outlines the potential advantages of the Proposed Acquisition to Electrometals' non-associated shareholders;
- Section 7.2 outlines the potential disadvantages of the Proposed Acquisition to Electrometals' non-associated shareholders;
- Section 7.3 considers the position of Electrometals' non-associated shareholders in the event the Proposed Acquisition is not approved; and
- Section 7.4 provides our assessment of the Proposed Acquisition.

7.1 Advantages of the Proposed Acquisition

Table 7.1 below outlines the potential advantages to Electrometals non-associated shareholders of approving the Proposed Acquisition.

Table 7.1: Advantages to Electrometals Non-Associated Shareholders of Approving the Proposed Acquisition

Advantages	Explanation
Mr Greg Melgaard and De Nora are not receiving a control premium on the sale of their shares to Electrometals	<p>In Section 6.0 of this Report we have valued a minority interest in Electrometals' shares in the range of 1.3 cents to 1.7 cents while the consideration for Electrometals shares under the Proposed Acquisition is 1.5 cents. Given that the consideration under the Proposed Acquisition falls within our valuation range for Electrometals on a minority interest basis, it is our view that Mr Greg Melgaard and De Nora are not receiving a control premium on the sale of their shares to Electrometals.</p> <p>For completeness we note that we have been instructed by both Waverton and Mr Greg Melgaard that there are no further transactions planned between Waverton and the vendors of the shares to Electrometals. As stated in Section 4.2, in circumstances where further transactions were contemplated, it may be that the vendors are receiving additional compensation for a price that is too low.</p>
Cornerstone investor increasing their interest in Electrometals	<p>In the event the Proposed Acquisition is approved, Waverton's interest in Electrometals shares will increase from 64.13% to 80.09% and further align the interests of Waverton with those of the Company.</p> <p>We understand that Waverton has been a long term supportive shareholder of Electrometals and has provided the Company with the necessary financial support to allow the management of the Company to continue to pursue their strategy notwithstanding the Company's financial performance.</p> <p>A failure to approve the Proposed Acquisition could be a disincentive for Waverton to provide additional funding support, if required, to allow the Company to achieve its business objectives.</p>

Advantages	Explanation
Non-associated shareholders not forgoing the opportunity to receive a takeover bid	In the event the Proposed Acquisition is successful, it is our view that Electrometals non-associated shareholders will remain in a largely unchanged position in relation to the opportunity to receive a takeover bid. The reason for this is that Waverton's existing interest in the Company is greater than 50% and therefore, any entity interested in taking over control of the Company could not do so without the support of Waverton. This situation occurs irrespective of whether the Proposed Acquisition is approved or not.
Large parcels of shares will not be sold on market	As a result of the illiquidity in the Company's shares (refer Section 6.4.2 above for additional discussion), any attempt by either Mr Greg Melgaard or De Nora to sell their shares on market is likely to result in a downward pressure on the share price of Electrometals in the short to medium term. By completing an off-market transfer, this potential downward pressure on the share price is avoided.

7.2 Disadvantages of the Proposed Acquisition

Table 7.2 below outlines the potential disadvantages to Electrometals non-associated shareholders of approving the Proposed Acquisition.

Table 7.2: Disadvantages to Electrometals Non-Associated Shareholders of Approving the Proposed Acquisition

Disadvantages	Explanation
Waverton's voting stake may increase above 75%	<p>If the Proposed Acquisition is approved and Resolution 6 at the General Meeting^(a) is approved then Waverton will increase its voting stake in Electrometals from 64.13% to 80.09%. If Waverton's voting power increases above 75% then Waverton will be able to control any special resolution at a general meeting of the Company where Waverton is able to vote on that resolution. This could, for example, enable Waverton to change the name of the Company or its constitution.</p> <p>In the event that Resolution 6 is not approved at the General Meeting,^(a) Waverton will increase its voting stake in Electrometals from 50.0% to 65.96% and its share ownership interest in Electrometals from 64.13% to 80.09%. In this circumstance Waverton's voting power will move closer to the 75% threshold but not exceed it as a result of the Proposed Acquisition.</p>
Shares are being purchased off-market	<p>Under the Proposed Acquisition, Waverton has proposed to acquire the shares of Mr Greg Melgaard and De Nora off-market. If, as an alternative to purchasing these additional shares off-market, Waverton increased its stake on market the share price may increase. There is no guarantee that this will occur as Waverton would still need shareholder permission to increase its stake by more than 3% in each six month period.</p> <p>Similarly, if Mr Greg Melgaard and De Nora were to sell their shares on-market then this would increase the liquidity of the market for Electrometals shares and potentially present any shareholder looking to increase their stake in Electrometals with an opportunity to do so. As an off-market transaction, the Proposed Acquisition does not present Electrometals non-associated shareholders with this opportunity.</p>

(a) Resolution 6 at the General Meeting relates to the proposal to allow Waverton to vote the 14.23% stake that is currently restricted from voting as part of the rights issue.

7.3 Position of Electrometals Shareholders if the Proposed Acquisition is Not Approved

Mr Greg Melgaard and De Nora will continue to hold shares in Electrometals in the event the Proposed Acquisition is not approved by Electrometals non-associated shareholders. In Table 9.3 below we have considered the possible impact on Electrometals shareholders if the Proposed Acquisition is not approved.

Table 7.3: Potential Impact on Electrometals Shareholders if the Proposed Acquisition Does Not Proceed

Position	Potential Impact on Electrometals Shareholders
Vendors may sell Electrometals shares on-market	<p>Mr Greg Melgaard and De Nora may choose to exit their investment in Electrometals by selling Electrometals shares on market. This option may result in an oversupply of Electrometals shares and may place downward pressure on the Electrometals share price given the low volume of Electrometals shares traded in the market relative to the number of shares to be transferred under the Proposed Acquisition.</p> <p>The likely decrease in the share price of Electrometals following an on market sale of the shares held by Mr Greg Melgaard and De Nora may be detrimental to Electrometals shareholders seeking to exit their investment in Electrometals over the same period of time. We note, however, that an on market sale may increase the liquidity of Electrometals shares which could be beneficial to Electrometals shareholders over the longer term.</p> <p>Alternatively, an on-market sale may be beneficial to any Electrometals shareholder who wants to increase their proportion of ownership in Electrometals.</p>
Vendors may retain their investment in Electrometals	<p>Mr Greg Melgaard and De Nora may choose to retain their investment in Electrometals if the Proposed Acquisition does not proceed.</p>
Waverton will retain a significant stake in Electrometals and may choose to increase this stake under creep provisions	<p>If the Proposed Acquisition is not approved then Waverton's voting power will remain at 50.0% (or 64.13% if Resolution 6 at the General Meeting^(a) is approved). Over time, Waverton may elect to increase its voting power in the Company under the creep provisions of the Act whereby Waverton would be entitled to acquire an additional 3% of shares in the Company every 6 months.</p> <p>For completeness, we note that if Waverton elects to increase its existing stake in Electrometals via on-market trading then this could place upward pressure on the share price. There is no guarantee that Waverton would seek to increase its stake in Electrometals via on-market trading or that this would lead to upward pressure on Electrometals share price.</p>

(a) Resolution 6 at the General Meeting relates to the proposal to allow Waverton to vote the 14.23% stake that is currently restricted from voting as part of the rights issue.

In addition to the alternatives set out in Table 9.3 above, we note that Electrometals may not be able to recover the costs that it has incurred in relation to the Proposed Acquisition in the event that it does not proceed.

7.4 Assessment of the Proposed Acquisition

In our opinion, after consideration of all issues including those set out above in this section of this Report, it is our view that, in the absence of any other information, **the advantages of the Proposed Acquisition outweigh the disadvantages of the Proposed Acquisition.**

8.0 Sources of Information

This Report is based on information from sources including the following:

- Share sale and purchase agreement between Waverton and Mr Greg Melgaard dated 27 April 2011;
- Share sale and purchase agreement between Waverton and De Nora dated 27 April 2011;
- Notice of Meeting and Explanatory Memorandum;
- Electrometals annual report for the twelve months ended 31 December 2010;
- Electrometals unaudited management accounts for the 3 months ended 31 March 2011;
- Prospectus relating to Electrometals recent rights issue that closed on 1 April 2011;
- Various other financial documents provided by the management and Directors of Electrometals;
- Publicly available information from sources including Electrometals's ASX announcements, Bloomberg, Aspect Huntley and industry websites; and
- Discussions and correspondence with the management and Directors of Electrometals and other advisors engaged by the Company.

9.0 Indemnities, Representations & Warranties

Electrometals has agreed to our terms of engagement and the following indemnities and representations.

9.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, Electrometals has agreed to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. Electrometals will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

Electrometals has agreed to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by Electrometals (including but not limited to the directors and advisers of Electrometals) as part of this engagement.

9.2 Representations & Warranties

Electrometals recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons have used and relied on publicly available information and on data, material and other information furnished to BDO Persons by Electrometals, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and has not assumed any responsibility for independent verification of, such publicly available information and the other information so furnished.

10.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act 2001.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the Directors to provide non-associated Electrometals shareholders with information in relation to Waverton's proposal to acquire 100% of the shares in Electrometals held by Mr Greg Melgaard and De Nora. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Acquisition, it is strongly recommended that non-associated Electrometals shareholders obtain their own taxation advice, specific to their own particular circumstances.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 27 April 2011.

BDO Corporate Finance (QLD) Ltd



Steven Sorbello
Director

Appendix A: Commodity Prices

This appendix provides an overview of several global commodity prices that impact Electrometals business. As noted in Section 5.1.6 of this Report, the commercial supply of EMEW® and the success of the Company's DBOO projects is assisted by a strong commodity market, in particular, copper, nickel, tin and silver.

This appendix is not intended to provide a comprehensive analysis of global commodity prices. We recommend that Electrometals shareholders refer to the original source of the information listed in this appendix, and any other information they consider appropriate, for a more comprehensive analysis of global commodity prices. This appendix should be referred to as a broad guide only.

A.1 Silver

The spot price for silver, in USD per ounce, is set out in Figure A.1 below for the period January 2003 to April 2011.

Figure A.1: Silver Spot Price per oz over the Period January 2003 to April 2011



Source: Bloomberg as at 12 April 2011

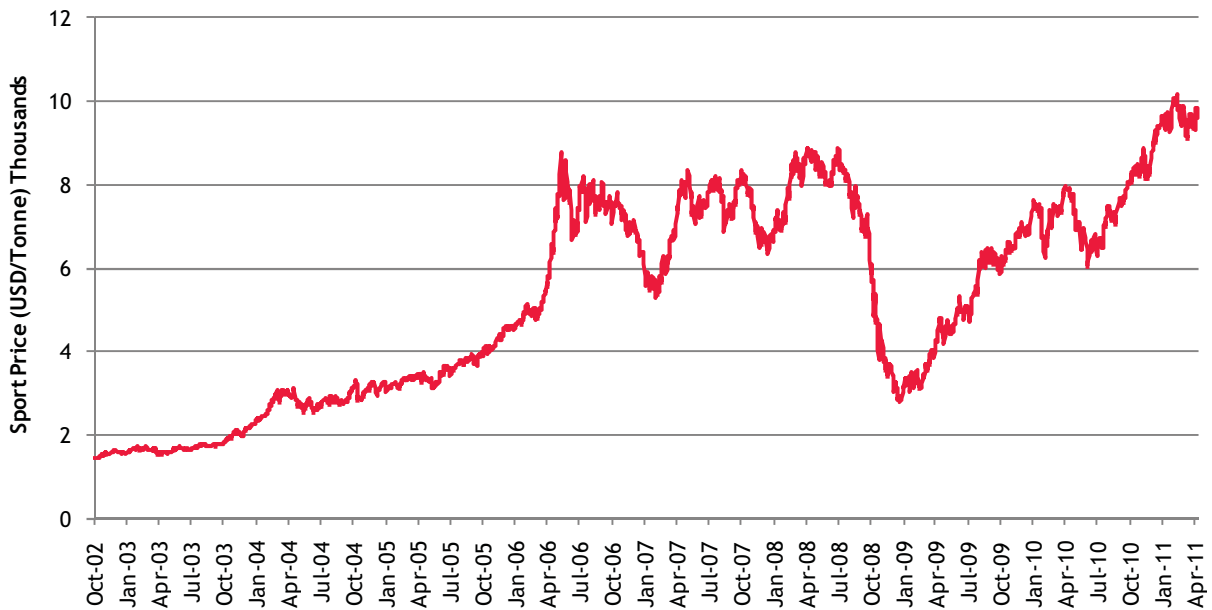
We note the following in relation to Figure A.1 above:

- From the period January 2003 to April 2011, the price of silver has moved from a low of USD4.78 per ounce to a high of USD41.42 per ounce;
- The price of silver has moved from approximately USD10 per ounce in March 2006 to approximately USD20 per ounce in September 2010; and
- The price of silver has increased rapidly from approximately USD17 per ounce in July 2010 to its current level in excess of USD40 per ounce as at 12 April 2011.

A.2 Copper

The spot price for copper, in USD per tonne, can be seen in Figure A.2 below for the period October 2002 to April 2011.

Figure A.2: Copper Spot Price per Tonne over the Period October 2002 to April 2011



Source: Bloomberg as at 12 April 2011

We note the following in relation to Figure A.2 above:

- From the period October 2002 to April 2011, the price of copper has moved from a low of USD1,455 per tonne to a high of USD9,855 per tonne;
- The price of copper is volatile, having moved within the range of USD5,500 per tonne to USD8,600 per tonne over the period February 2006 to June 2008; and
- The price of copper has increased significantly from a low in December 2008 of USD2,985 per tonne to its current level of above USD9,600 per tonne as at 12 April 2011.

A.3 Tin

The spot price for tin, in USD per tonne, can be seen in Figure A.3 below for the period October 2002 to April 2011.

Figure A.3: Tin Spot Price per Tonne over the Period October 2002 to April 2011



Source: Bloomberg as at 12 April 2011

We note the following in relation to Figure A.3 above:

- From the period October 2002 to April 2011, the price of tin has moved from a low of USD4,107 per tonne to a high of USD33,265 per tonne;
- The price of tin experienced significant increases, moving from USD7,900 per tonne in May 2006 to a high of USD24,500 per tonne in May 2008; and
- The price of tin fell dramatically during the global downturn, reaching a low of USD10,600 per tonne in February 2009. Since February 2009, the price of tin has increased considerably, reaching a new high of USD33,265 on 11 April 2011.

A.4 Nickel

The spot price for nickel, in USD per tonne, can be seen in Figure A.3 below for the period October 2002 to April 2011.

Figure A.4: Nickel Spot Price per Tonne over the Period October 2002 to April 2011



Source: Bloomberg as at 12 April 2011

We note the following in relation to Figure A.4 above:

- From the period October 2002 to April 2007, the price of nickel has moved from a low of USD6,395 per tonne to an all time high of USD54,050 per tonne;
- The price of nickel experienced significant falls post April 2007, coinciding with the global down turn; and
- The price of nickel has subsequently increased from USD9,900 per tonne in February 2009 to over USD26,600 per tonne in April 2011.