

1 May 2009

AUSMELT'S TSL BUSINESS CONTINUES TO PERFORM PROFITABLY

The Directors of Ausmelt Ltd would like to update the market on the Company's operating performance in the current six months to June 30.

Trading Update

As foreshadowed in its interim report, the Company will report a loss for the full year to 30 June 2009 as a result of the closure and subsequent write-down of the Whyalla smelter. However, the Company's continuing business operations – comprising mainly the non-ferrous TSL business – are expected to deliver earnings before tax of between \$2.8 million and \$3.2 million.

This result would be equivalent to pre-tax earnings per share on continuing business operations (excluding the Whyalla facility write-down) of between 7 cents and 8 cents. As a consequence of the write-downs associated with the closure of the Whyalla facility, the Company will not pay any tax on the consolidated 2008-09 result.

The Company expects to finalise the sale of its AM2 flotation reagent business within the next month. As previously announced, the AM2 business is being sold to Axis House (Pty) Ltd of South Africa, which has acted as Ausmelt's marketing representative for AM2 in southern Africa. Ausmelt has already received half the agreed \$3.7 million sale price.

The Company's cash at 31 December 2008 was \$2.6 million. The forecast earnings performance of the non-ferrous TSL operations and the sale of the AM2 business will combine to improve Ausmelt's cash position by June 30.

Whilst the global financial crisis has resulted in delays to some projects, the current pipeline for the Company's TSL non-ferrous business remains satisfactory and the level of enquiry relating to new smelter projects, particularly from China, is encouraging.

Auslron Technology

Following successful pilot plant trials in Dandenong in December 2008, Ausmelt has signed a contract with South African company SA Metals Equity (Pty) Ltd to provide metallurgical and engineering services for a pre-feasibility study for a pig iron production project in South Africa.

If this project were to proceed beyond feasibility to project implementation, it would use Ausmelt's patented Auslron iron-making technology to produce pig iron from stockpiled calcine residue waste materials. This would provide Ausmelt with its first commercial application of the Auslron technology.

The pre-feasibility study is scheduled to begin early in May 2009.

Whyalla Smelter MOU

The Company has executed a Memorandum of Understanding (MOU) with Intec Limited to evaluate the potential for using Ausmelt's Whyalla smelter to treat electric arc furnace (EAF) dust and other zinc-bearing feed materials. Intec has a stockpile of EAF dust available for treatment.

The MOU provides Intec with a three-month exclusivity period for evaluating use of the Whyalla facility for processing Intec's EAF dust stockpile and provides a framework for the possible acquisition, lease or other suitable transaction related to the Whyalla plant.

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