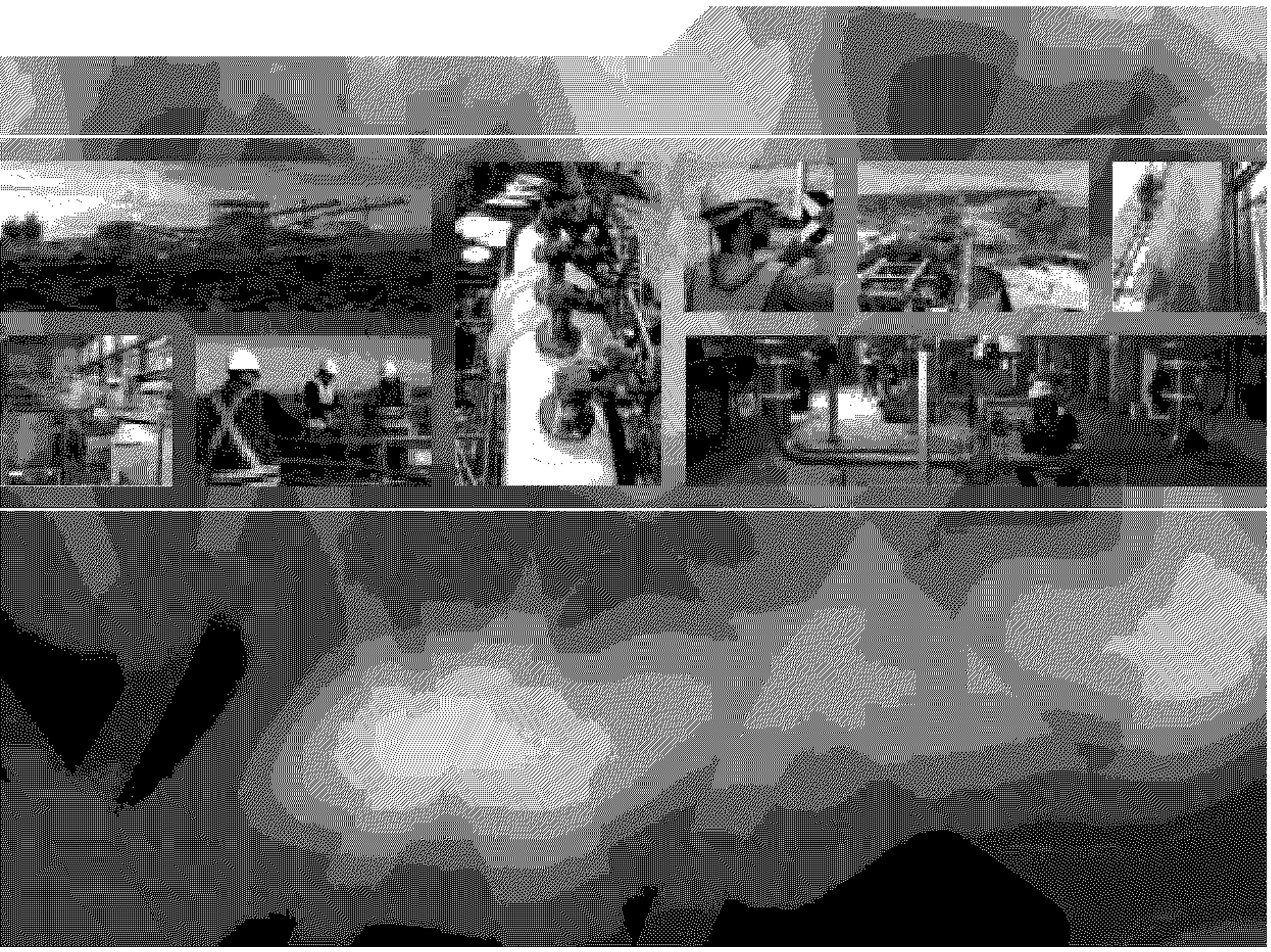
Lycopodium Limited
Annual Report
2005



Lycopodium Limited

Who we are:
Lycopodium Limited is an engineering consultancy business with offices nationally in Perth, Sydney and Melbourne and internationally in Accra, Ghana. Lycopodium's Board and Executives are a diverse and experienced team with a strong knowledge of the engineering industry. They aim to deliver growth opportunities and ultimately sustainable financial returns to Lycopodium's shareholders. Lycopodium's aim is to be the best and believes that its success is a function of the success of its clients' projects.

What we do:
Lycopodium Limited, through its subsidiaries Lycopodium Engineering, Pdf and Orway provides consulting engineering and specialist services to process industries including mining, pharmaceutical, chemical, food and automotive. Lycopodium's services are provided both nationally and internationally.

Using a combination of technical skills and engineering experience, Lycopodium focuses on achieving a client's aims as its primary objective. To do this Lycopodium has developed a business model based on an EPCM (engineering, procurement and construction management) contracting method. Using this business model Lycopodium provides a seamless transition from feasibility study through design, procurement, construction management and commissioning to handover.

How we performed:
During the 2004/5 year, Lycopodium delivered a profit after tax of $5.7 million, on a turnover of $69 million and is confident it will maintain this level of performance.

Financial Highlights

	2005 Financial Year	
	Actual	**Prospectus**
Shares on issue	36,770,000	36,740,000
Options on issue	1,070,000	1,100,000
Net tangible assets per Share	49 cents	32 cents
Revenue	$69 million	$51.3 million
Net Profit after Tax	$5.7 million	$4.28 million
Earnings per Share after Tax	15.4 cents	11.6 cents
Dividend per Share (fully franked)	10.5 cents	8.2 cents
Dividend yield on Issue Price	10.50%	8.20%

Contents

Chairman's Report to Shareholders

Dear Shareholder

Lycopodium has enjoyed another successful year, this time as a listed public company. While the resources boom has helped underpin the Company's continuing growth we also believe it is a function of the strategies adopted since the Company's inception. We strive to be the best and in our opinion the quality of clients we service and the staff we employ reflects our achievement of this aspiration.

We recognise that the resource industry is cyclical and just as the present growth was unpredictable so we expect will be the next downturn. To stabilise earnings and still enjoy growth Lycopodium has targeted a mix of commodities, clients, project types and project locations. We believe some commodities, such as nickel, provide a long term market for our services due to the consistent increase in stainless steel production while gold projects provide a natural hedge in times when demand for other commodities reduces. We also enjoy as clients major mining companies who tend to provide a demand for our services in projects at existing operations and in evaluating and developing replacement production capacity both in Australia and offshore. Lycopodium also targets projects with emerging technologies to enable the Company's growth both in revenue and expertise.

While Lycopodium Engineering has been the significant contributor to Lycopodium's revenue and profit, Pdf continues to develop as a member of Lycopodium. The client base and project types enjoyed by Pdf provide for its increasing recognition in the industrial engineering market and its growth.

The Directors continue to look at opportunities for Pdf both nationally and internationally.

During the year, to further strengthen the Board of Lycopodium Engineering, two senior employees of that company, Doug Rogers, the Manager of Process, and David Taylor, the Manager of Engineering , were appointed as Executive Directors. Similarly to further strengthen the Board of Orway a senior employee, Brian Putland, Principal Metallurgist, was appointed as an Executive Director.

We are grateful for the support you as shareholders have given the Company in its first year as a listed public entity. The demand for shares in the IPO and subsequent market price increase has given us great encouragement.

We are pleased to advise a 10.5 cents per share dividend has been declared which is in accordance with the Company's dividend policy.

Please take the time to read the Annual Report and if you have any questions feel free to call us.

Thank you again for your support and we look forward to seeing you at the Annual General Meeting.

Yours sincerely

M.J. Caratti
Chairman

Telfer Treatment Plant - Western Australia

Managing Director's Report to Shareholders

Dear Shareholder

The financial year ended 30 June 2005 was an extremely exciting, busy and successful year for Lycopodium with both revenue and growth exceeding expectations.

Revenue increased from the $51.3 million forecast in the December 2004 Prospectus to $69 million, an increase of 35%. Personnel numbers grew from in excess of 350 at December 2004 to in excess of 400 by 30 June 2005.

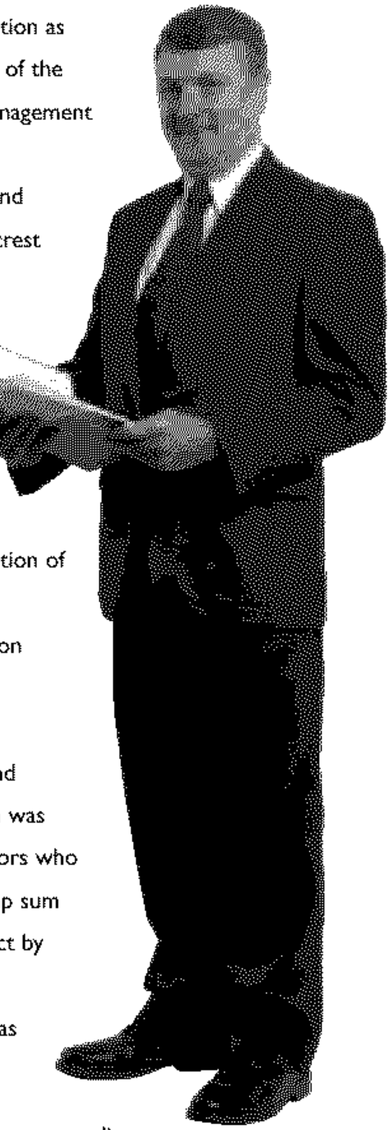
Overview of Operations

As evidenced by the wide range of projects serviced by the Company through its operating subsidiaries, Lycopodium Engineering, Pdf and Orway, the Company continues to service a diversity of clients in varied industries and geographic locations. Lycopodium Engineering and Orway focus on the resource industry, both within Australia and internationally, and have developed an impressive client base whilst Pdf is rapidly developing its reputation as a leading service provider to the Australian industrial sector.

Lycopodium Engineering Pty Ltd

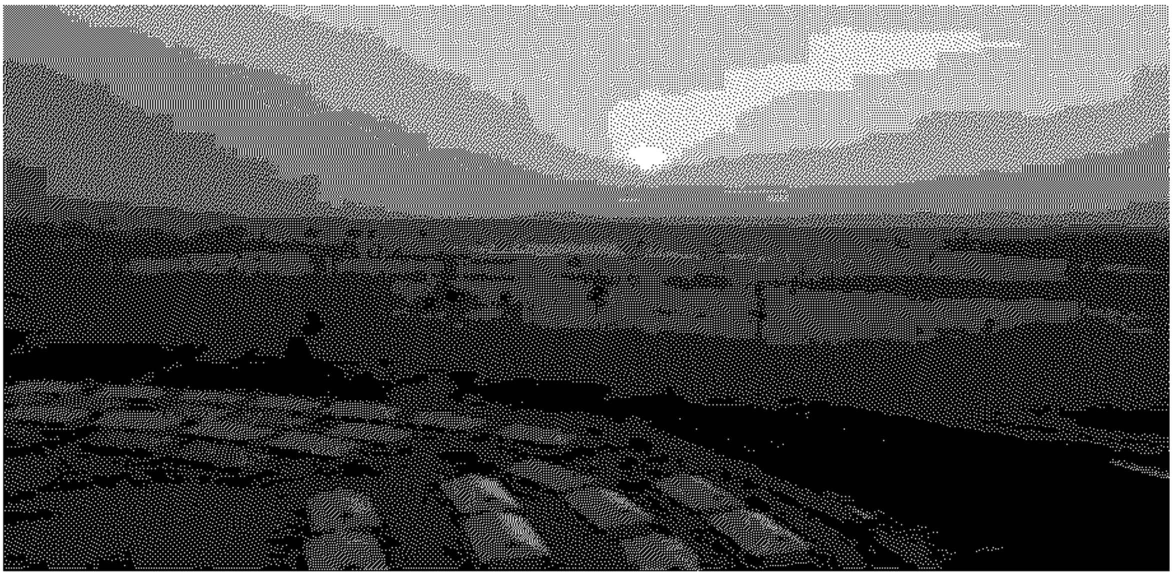
Resource projects serviced by Lycopodium Engineering through the year involved a range of minerals, including cobalt, copper, gold, iron ore, lead, manganese, mineral sands, nickel, platinum, silver, tantalum, tin and zinc, and locations, including Australia, China, Cote D'Ivoire, Egypt, Finland, Ghana, Guinea, Papua New Guinea, Philippines and Tanzania. Operational highlights for the reporting period for Lycopodium Engineering included successful continuation and completion of a number of major contracts including:

- The commencement of construction as part of the EPCM contract for Newmont Mining Corporation's Ahafo gold project in Ghana, West Africa. This project with a projected 7.5 million tonne per annum throughput and a capital cost of approximately US$450 million is Lycopodium's largest project to date.
- The successful completion and commissioning of an EPCM contract for Gold Fields Limited's gold project at Tarkwa in Ghana, West Africa.
- The successful completion as part of a joint venture of the design and project management of the Copper/Gold Treatment Plant first and second train for Newcrest Mining Limited at the Telfer mine in the north-west of Western Australia.
- The successful completion of the design phase and construction supervision for a gold and copper zinc project on the Philippines island Rapu Rapu. This design was for Leighton Contractors who were awarded the lump sum contract for the project by Lafayette Mining. Plant commissioning has recently begun.



The completed projects are exceeding design expectations and the projects were completed with an excellent safety record and a high level of client satisfaction.

Managing Director's Report to Shareholders *(continued)*



Ahafo mine village - Ghana.

Supported by its performance record Lycopodium Engineering also secured a number of additional contracts during the reporting period including:

- Awarded jointly with Pdf the EPCM contract for the replacement Hydrogen Sulphide plant at WMC Resources Ltd's Nickel Refinery in Kwinana, Western Australia.
- The EPCM contract for the nickel plant upgrade at LionOre Mining International Limited's Black Swan Disseminated Nickel Project in Western Australia. While still subject to LionOre's final board approval, project design has begun.
- Following the successful continuation of their Ahafo Gold Project Newmont Mining Corporation has awarded the EPCM contract to Lycopodium Engineering for the Akyem Gold Project in Ghana, West Africa and early engineering has begun.

Additional information on Lycopodium Engineering its services and projects can be obtained by visiting their website at www.lycoeng.com.au.

Process Design and Fabrication Pty Ltd

Industrial projects serviced by Pdf were located across Australia and involved a diverse range of engineering skills and industries, including automotive, beverage, chemical, food, pharmaceutical and steel. During the year Pdf's standing in the market place was further enhanced with the presentation of a Pace Zenith Award to acknowledge Pdf and GlaxoSmithKline as the 2004 Winner in the category of Chemicals and Petrochemicals for the GlaxoSmithKline Fine Chemicals Facility.

Operational highlights for the reporting period for Pdf included the successful continuation, completion and awarding of a number of major contracts, including:

- Commencement and completion of a car body panel Press Line Project at Toyota's Altona site in Victoria. As a result of this project's success Toyota has awarded a second press line project to Pdf.
- The engineering, procurement and construction management of an Alkaloid Extraction Project for

Alkaloid Extraction Plant for GlaxoSmithKline at Port Fairy - Victoria.

Managing Director's Report to Shareholders *(continued)*

GlaxoSmithKline at Port Fairy in Victoria. Completed sections were being tested at the end of the period.

- The design and construction of two radiation filtering instruments for the Australian Nuclear Science and Technology Organisation were awarded and were in construction at the end of the period.
- Awarded jointly with Lycopodium Engineering the EPCM contract for the replacement Hydrogen Sulphide plant at WMC Resources Ltd's Nickel Refinery in Kwinana, Western Australia.

All contracts were executed with an excellent safety record and a high level of client satisfaction.

Additional information on Pdf its services and projects can be obtained by visiting their website at www.pdf.com.au.

Orway Mineral Consultants (WA) Pty Ltd

Although only a relatively small group Orway continues to consolidate its standing in the market place as a specialist supplier of process engineering services, particularly in the field of comminution modelling. Orway services a diverse range of clients within the resource industry as its clients comprise mining companies, engineering companies and equipment suppliers. Orway is therefore involved in supporting both on-going operations and new projects. Orway also provides much valued process engineering support to Lycopodium Engineering.

Additional information on Orway can be obtained by visiting their website at www.orway.com.au .

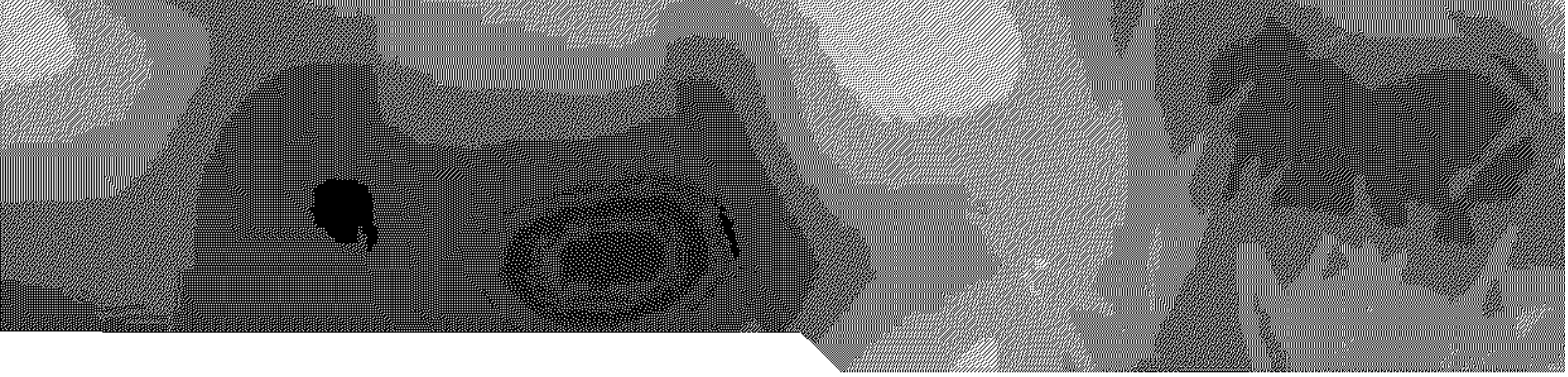
Health and Safety

Lycopodium is firm in its belief that the health and safety of its employees and contractors is of primary importance in the successful pursuit of its business activities and has a strong commitment to conduct its operations in a manner that will not cause people to be hurt, or their health put at risk.

During the period the Lost Time Injury frequency rate recorded by Lycopodium Engineering was 1.13 per million manhours and Pdf was 7.66 per million manhours. While below the five year industry average of 14.01 per million manhours Lycopodium continues to strive for better.

Risk Management

The Company's risk management systems are continuously under review to ensure that the controls are appropriate for the dynamic environment in which it operates. The demands placed on the Company from both internal and external sources are constantly changing as the Company evolves and the size and complexity of projects increase. An important phase of this process was completed during the year with the installation of a core data centre comprising new and expanded data storage, file servers with hot swap capability, data backup facilities and power supply conditioning and backup. This facility has significantly improved the speed and reliability of the IT system and provides a robust base for maintaining and developing the company's risk management systems.



Design office - Perth.

Office Relocation

During the year the Company's, Lycopodium Engineering's and Orway's head office operations were relocated into larger, upgraded facilities at 1 Adelaide Terrace, East Perth, Western Australia. The need for this move was identified a number of years ago in order to provide the additional office space required to accommodate forecast growth and to provide upgraded facilities to ensure that we could meet the expectations of our personnel and clients. The new facilities are more than twice the size of our previous premises. The transfer was very successful and the Company's personnel now enjoy working within a more efficient and attractive environment.

Personnel

The Company is a service organisation and our greatest challenge is the recruitment and retention of skilled personnel to allow the Company to continue to meet client demands and deliver quality services. As mentioned above the number of personnel has grown to over 400 during the past year. This could not be achieved without a high rate of personnel retention. The Company is focused on retaining and attracting new personnel and strives to provide both an enjoyable work environment and career development opportunities.

A wide variety of project work is available within Australia and overseas. We offer the opportunity for personnel to develop their careers whilst travelling and receiving the financial rewards that flow from servicing remote projects.

Acknowledgement

Lycopodium is a service organisation and is dependent upon the skill and dedication of its personnel to facilitate delivery of quality services to clients and to foster future growth and I take this opportunity to thank all of them for their contribution to date.

L. W. Marshall
Managing Director

Project Reviews

Project Selection

The following projects have been chosen to give an understanding of the varied nature of Lycopodium Limited's work. The projects aren't necessarily the largest undertaken by the Company but each one exhibits a unique skill or area of expertise that the Company provides to its clients.

Project Ahafo Gold
Client Newmont Mining Corporation
Location Ghana

With a planned 7.5 million tonne per annum throughput and a capital cost of approximately US$450 million the Ahafo Gold Project represents the largest project undertaken by Lycopodium Engineering to date.

Located on a new gold belt in the western region of Ghana the Ahafo Gold Project involves the engineering, procurement and construction management (EPCM) of the treatment plant, water supply, power supply, mine administration buildings, workshops and temporary and permanent accommodation.

Lycopodium Engineering started preliminary work on the Ahafo Gold Project in 2003 and completion is anticipated mid 2006. Company staffing at site presently comprises 90 nationals and 48 expatriates reflecting Lycopodium Engineering's philosophy to maximise employment from the local workforce.
The ore processing plant comprises primary crushing of the ore, stockpiling, grinding to liberate the gold, gravity processing for coarse gold recovery, leaching and adsorption of fine gold onto carbon, gold elution from carbon, electrowinning and smelting of gold to bullion. The size and location of the plant required special attention to reliability and power supply, the grinding circuit alone comprising a 13 megawatt semi-autogenous grinding mill and 13 megawatt ball mill.

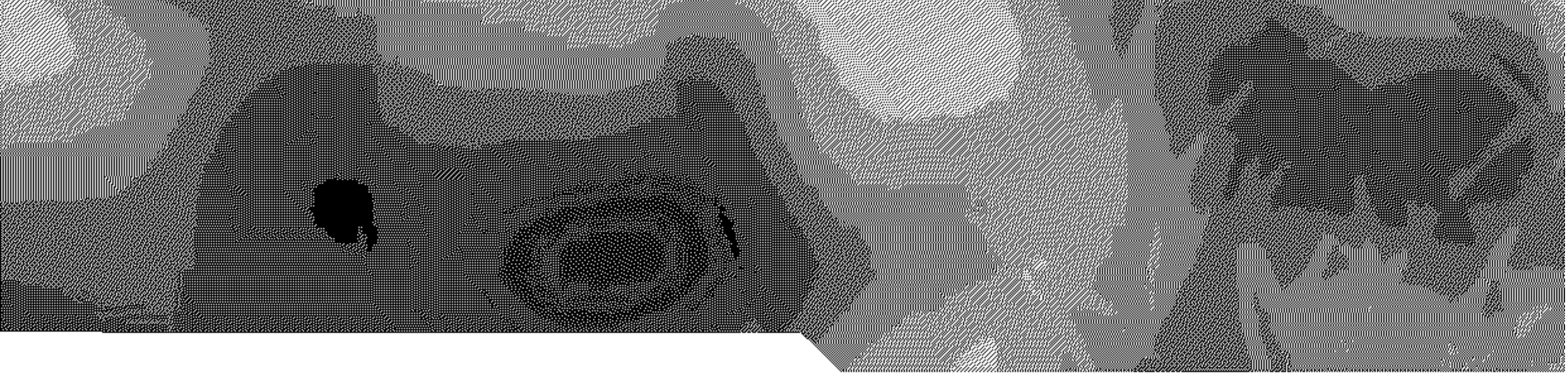
Ahafo Plantsite - Ghana.

Working closely with Newmont, the number one gold producer in the world, Lycopodium Engineering has drawn on both its extensive experience in West Africa and its engineering expertise to develop the project.

This is an example of Lycopodium Engineering's ability to take a project from inception through to final production managing all aspects of the project and working outside Australia.

The Ahafo Gold Project's success to date has resulted in Newmont awarding Lycopodium Engineering the EPCM contract for their next West African gold operation located at Akyem in Ghana. The go-ahead was announced by Newmont in July 2005 as follows:

'The Board of Directors of Newmont Mining Corporation today announced plans to proceed with the development of the Akyem project, located in the Eastern Region of Ghana. Newmont has an 85% interest in the Akyem project, which at year-end 2004 had 5.4 million equity ounces of reserves. The estimated costs of development are approximately US$500 million, with gold production expected to commence in the second half of 2008. The project is expected to generate steady-state annual consolidated gold sales of approximately 400,000 ounces.'



Project **Black Swan Nickel**
Client **LionOre Mining International Ltd**
Location **Western Australia**

LionOre Mining International is one of the top ten nickel producers in the world and has nickel and gold interests in Australia and Botswana. In 2004 LionOre acquired the nickel interests of MPI Mines including the Black Swan Nickel Project.

The Black Swan Nickel Project, located approximately 50 km north east of Kalgoorlie in Western Australia, was first discovered in the late 1960s, but was first brought into production in 1997. Currently being mined is around 100,000 tonnes per annum of high grade Silver Swan underground ore and 500,000 tonnes per annum of Black Swan Disseminated open pit ore which is processed via a sulphide nickel flotation circuit to produce around 9,000 tonnes of nickel in concentrate per annum.

In 2004 MPI commissioned Lycopodium Engineering to undertake a feasibility study on upgrading the existing plant to treat 2 million tonnes per annum of Black Swan Disseminated ore to produce around 15,000 tonnes per annum of nickel in concentrate. As a result of the feasibility study MPI awarded Lycopodium Engineering an EPCM contract for the plant upgrade.

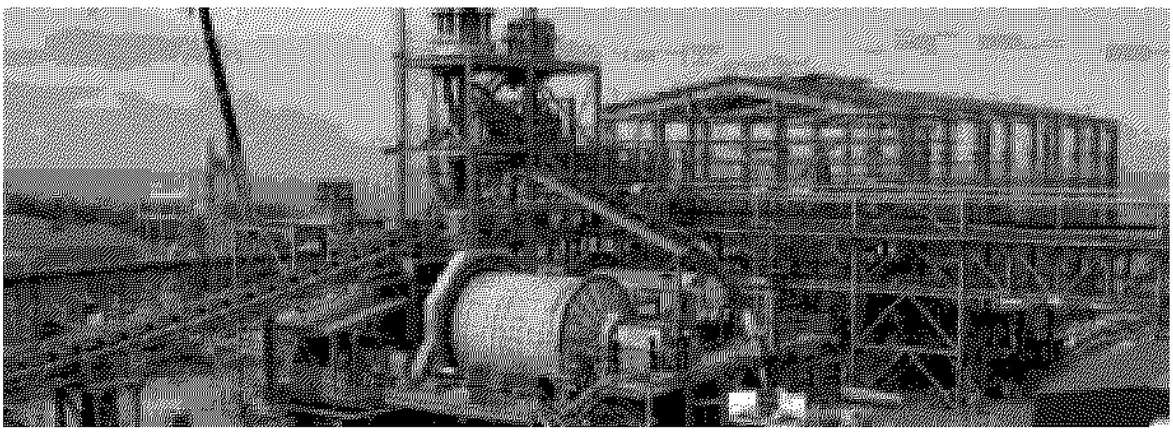
Placed on hold following the takeover of MPI, LionOre confirmed Lycopodium Engineering's EPCM contract in April 2005 and subject to final board approval has set a commissioning target date of mid 2006.

Included in the plant upgrade is a new milling circuit consisting of a semi-autogenous grinding mill and a ball mill, new roughing, scavenging and final cleaner flotation stages and a new tailings thickener. There will be an upgrade of the reagents and services systems and construction of a 20 km water supply pipeline.

This project demonstrates Lycopodium Engineering's expertise in nickel and represents our first assignment for LionOre, a major international company.

Project **Rapu Rapu Polymetallic**
Client **Leighton Contractors/Lafayette Mining Limited**
Location **Philippines**

While the Philippines was not a major focus for Lycopodium Engineering, the Company's recognised expertise in projects outside of Australia resulted in Leighton Contractors contracting Lycopodium Engineering to undertake the design and oversight of construction to ensure design intent of the Rapu Rapu polymetallic project.



Rapu Rapu Concentrator - Philippines.

Project Reviews *(continued)*

The Rapu Rapu polymetallic (copper-gold-zinc-silver) project owned by Lafayette Mining is the first new mine started in the Philippines in the last 30 years and follows the rewriting of the Philippines mining law to allow foreign companies to control mining projects.

The project has an initial 6 year mine life producing approximately 10,000 tonnes of copper in concentrates, 14,000 tonnes of zinc in concentrates, 50,000 ounces of gold and 600,000 ounces of silver annually. Leighton Contractors undertook to build the plant including wharf and associated infrastructure on a lump sum approach.

Rapu Rapu is one of the 7,000 islands comprising the Philippines. Located 54km by boat north east of the port of Legazpi which in turn is 450 km by road south east of Manila the capital of the Philippines, Rapu Rapu is a typical tropically forested and densely vegetated island covering an area of 5,589 hectares and home to 37,000 people whose income is derived mainly from fishing and agriculture.

The plant is sited in a very confined, steeply terrained area of Rapu Rapu. Access to Rapu Rapu is limited to landing craft with a load capacity of 4,000 tonnes and this had to be taken into account in the design as well as the incidence of cyclonic winds, high rainfall and the island's location in a seismic zone.

The treatment plant comprises a common front end for crushing and milling of the ores. Initially, oxide ores will be processed through a conventional leaching circuit to recover contained gold and silver values. Once the oxide ore is exhausted, sulphide ores will be processed through a flotation, thickening and filtration circuit to produce separate copper and zinc concentrates for shipment to smelters.

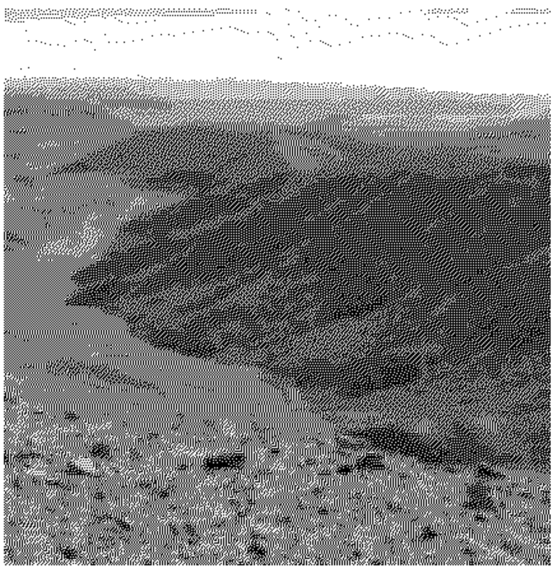
The gold processing stream was in commissioning at the end of the period.

This project is an example of Lycopodium Engineering's ability to complete a design brief for a combined gold and polymetallic project in a difficult environment on behalf of a client contracted to undertake construction.

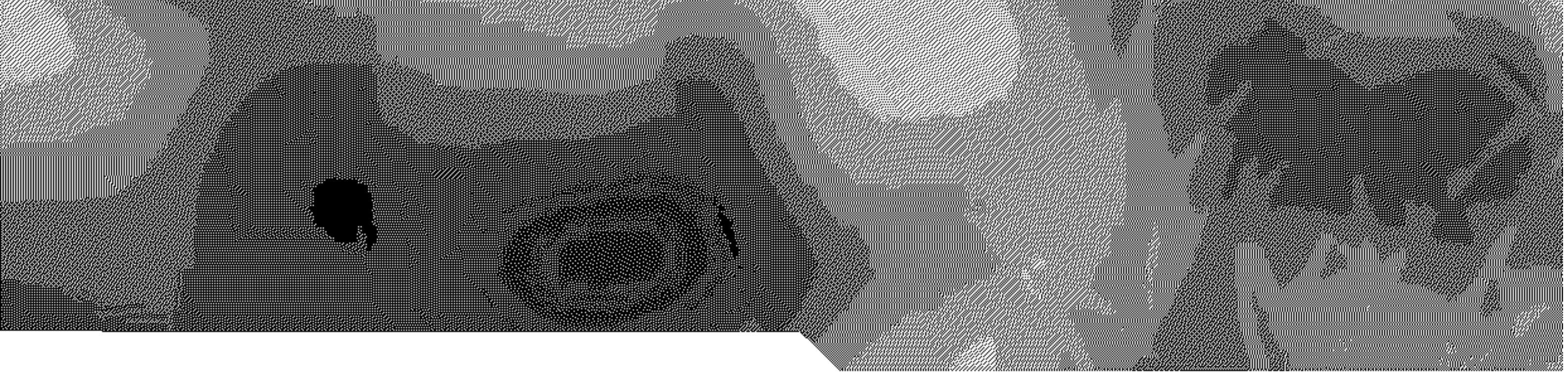
Project **Abu Dabbab Tantalum**
Client **Gippsland Ltd**
Location **Egypt**

The Abu Dabbab tantalum-tin-feldspar deposit is owned 50% by Gippsland Ltd and 50% by the Egyptian Government. The project is located within the Central Eastern Desert in Egypt with the proposed ore processing plant 6 km from the western shore of the Red Sea and the deposit a further 10 km inland.

Tin-tungsten mineralisation at Abu Dabbab has been known since the 1940s but it was not explored until the early 1970s when a joint Soviet-Egyptian team completed an extensive exploration programme. In the early 1990s the project was further explored by a joint Italian-Egyptian team. The deposit has an unusual ore mix with the tin/tantalum mix hosted predominantly in feldspar which has potential commercial value in ceramics.



Abu Dabbab - Egypt



Lycopodium Engineering has been working for Gippsland on the Abu Dabbab project for a number of years assisting with initial scoping and pre-feasibility studies followed by testwork to expand upon earlier work by the Russian and Italian groups.

Encouraged by the results of the testwork, Gippsland commissioned Lycopodium Engineering to prepare a Feasibility Study which was completed in late 2004. As part of this exercise Lycopodium Engineering designed a processing route consisting of crushing, grinding, gravity recovery using spirals, Kelsey jigs and multi-gravity separators before 2-stage smelting to produce tin metal and tantalum slag. The process uses desalinated water from the Red Sea.
The processing route was proven with laboratory testwork programmes.

The Feasibility Study determined the project has an estimated 20-year mine life and will produce in excess of 650,000 pounds of tantalum pentoxide per year which will firmly establish the operation as the world's second largest tantalum producer. The project will also produce 1,530 tonnes of tin metal per year and has the potential to produce approximately 1.5 million tonnes per year of ceramic grade feldspar. The project is currently in the financing stage.

This is potentially the first mining project in Egypt since the liberalisation of investment rules.

This is an example of Lycopodium Engineering's ability to undertake process development and optimisation.
It is also an example of Lycopodium Engineering's experience in feasibility studies for projects in remote sites.

Project **Telfer Gold/Copper**
Client **Newcrest Mining Limited**
Location **Western Australia**

The Telfer Gold/Copper Project is located in the north-west of Western Australia approximately 450 km inland from Port Hedland and is one of the most remote project sites in WA. The reported ore reserve is 18.4 million ounces gold and 690 kilotonnes copper with an annual projected output of 800,000 ounces of gold and 30,000 tonnes of copper.

Operations started in the 1980s treating open cut gold ore. By 2002 the project had become uneconomic as oxide ore was depleted due to increasing cyanide soluble copper which consumed large quantities of cyanide. While the orebody contains one of Australia's largest reserves of gold, it required a new treatment route and a larger scale of operation to be mined economically.

The project was started at a time when mineral project construction activity was increasing rapidly and Lycopodium Engineering realised that to meet Newcrest's design quality and delivery expectations it would be necessary to use the resources of more than one engineering company. So Lycopodium Engineering in conjunction with GRD Minproc and Hatch, negotiated an EPCM contract with Newcrest for the design of a new plant to treat up to 19 million tonnes per annum of open pit and underground ores.
The brief was to design a plant capable of producing copper concentrates for export while recovering precious metals, principally gold, on site.

The final plant design was for two parallel trains allowing treatment optimisation for different ore types, each train containing facilities for crushing, ore storage, grinding, gravity concentration, flotation, concentrate filtration and concentrate storage.

Lycopodium Engineering's contribution to the joint exercise was the provision of senior design and project management personnel.

Project Reviews *(continued)*

Project construction is now complete and the plant in production. This was despite the project site being subjected to extreme rainfall at a critical stage of construction.

This project is an example of Lycopodium Engineering's ability to work in collaboration to meet a client's plant development requirements.

Project **Kwinana Nickel Refinery Replacement Hydrogen Sulphide Plant**
Client **WMC Resources Ltd**
Location **Western Australia**

The Kwinana Nickel Refinery (KNR), located at Kwinana about 40 km south of Perth in Western Australia, is the world's third largest producer of refined nickel and began operations in May 1970. The nickel produced at the refinery originates from nickel sulphide ores mined at Kambalda, Leinster and Mt Keith. In 2004 the KNR produced 62,479 tonnes of nickel metal.

The KNR refining process uses a hydrometallurgical ammonia leach process where nickel is leached from nickel matte by ammonia under pressure. The resulting nickel-bearing solution is treated with hydrogen sulphide to remove copper as copper sulphide, and then with hydrogen gas under pressure to precipitate metallic nickel. Nickel and cobalt left in solution are finally precipitated by hydrogen sulphide as a mixed sulphide product. The remaining solution is rich in ammonium sulphate, which is crystallised for use as a fertiliser. Precipitated nickel is dried and sold as a powder or after compaction and heating as sintered briquettes.

Hydrogen sulphide gas is integral to the refining process and Lycopodium Engineering is responsible for the EPCM of a new gas production facility to replace the existing. Hydrogen sulphide gas is produced by passing hydrogen through hot molten sulphur. The reaction is simple but the high temperatures and viscosity issues with the molten sulphur require specialist knowledge. In addition to providing increased production capacity the new plant also addresses the key client objectives for improved operational safety, reliability and maintainability.

Pdf is assisting with the project, undertaking the process, mechanical and electrical and instrumentation engineering functions, equipment procurement, quality assurance and on-site commissioning. The technology used is provided by an American company.

The new plant, due to be commissioned in the second half of 2006, is highly specialised being one of only three in Australia.

WMC Resources Ltd, a long term client of Lycopodium Engineering, was recently taken over by BHP Billiton Limited. This now provides an opportunity for Lycopodium Limited to demonstrate its ability to BHP.

This is an example of the synergies between Lycopodium Engineering and Pdf and their ability to work in specialised process areas of an existing refinery to deliver a new gas production facility.

Project **Alkaloid Extraction Plant**
Client **GlaxoSmithKline**
Location **Victoria**

GlaxoSmithKline (GSK) is a world leading research-based pharmaceutical company headquartered in the UK. In 2004 GSK had sales in excess of $45 billion and over 100,000 employees worldwide.

GSK supplies 25% of the world's medicinal opiate needs from poppies grown by farmers in Tasmania contracting approximately 800 farmers to grow nearly 10,000 hectares of poppy crop. Alkaloids, used as the basis for many pain-killing drugs, are extracted from the poppies at GSK's factory in Port Fairy, Victoria and used in a range of pharmacy and prescription medicines worldwide.

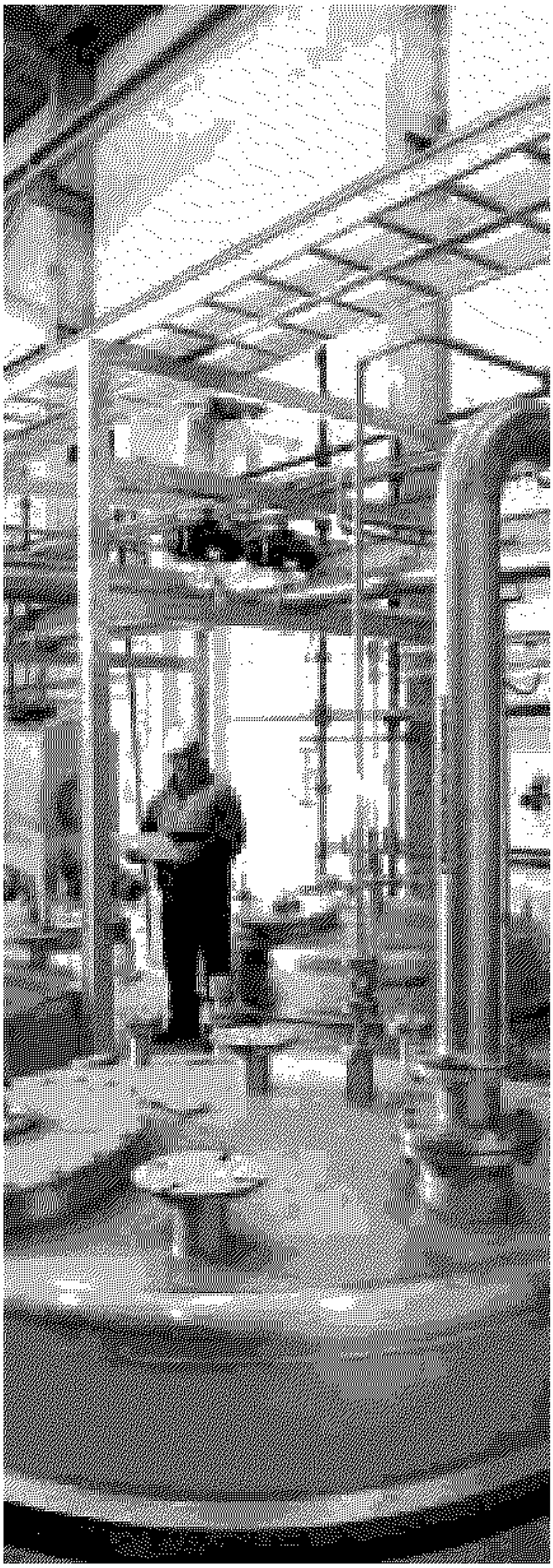
To increase its share of a growing market GSK commissioned Pdf to undertake the engineering, procurement and construction management of an alkaloid extraction plant at GSK's Port Fairy operations.

The new plant is located in a purpose built structure adjacent to an existing manufacturing facility and will extract purified alkaloids by a solvent washing process. The building is a precast panel construction with reinforced concrete floors and galvanized steel frame. The plant is being constructed in two zones, a dry area for milling poppy straw and a wet area for processing liquid streams. The nature of the process and the final product require particular attention be paid to the safety, security and quality of materials used.

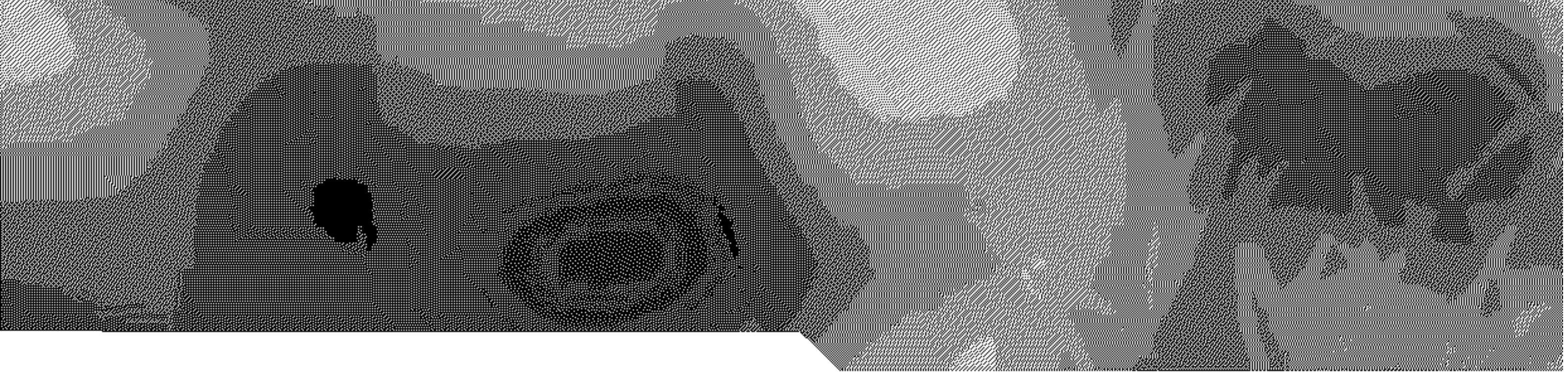
Upgrades to existing utilities such as steam generation, electrical and water supplies, and access roads are included as part of the project.

Testing of completed sections is currently underway with commissioning commencing in August to be completed by October 2005.

This is an example of Pdf's ability to work in a specialised area with an international company where the quality of the work done is of critical importance.



GSK Plant - Victoria



Project Reviews
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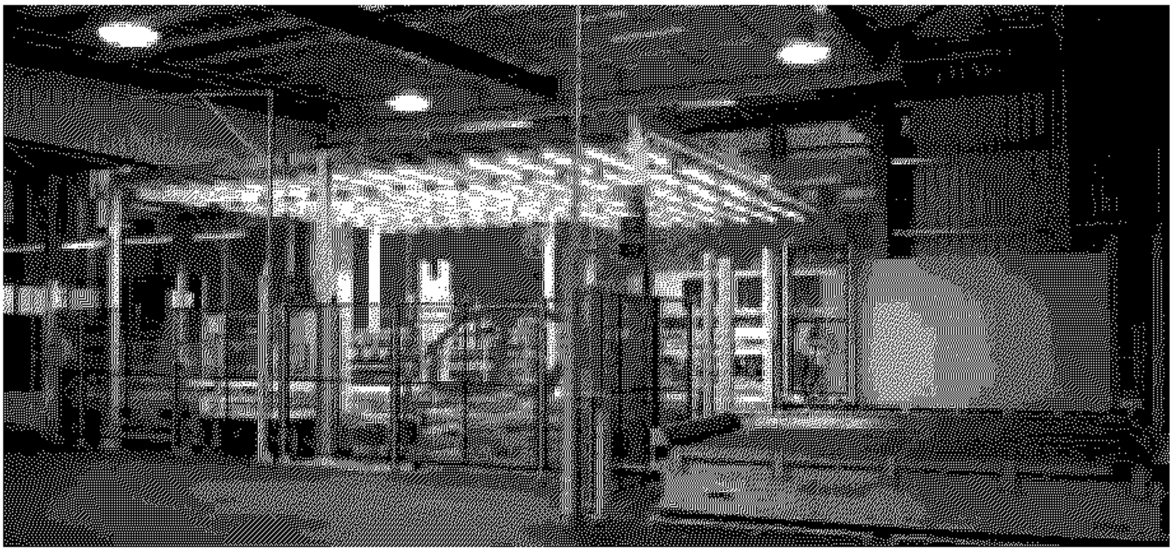


Toyota Plant - Victoria.

Project **Press Line**
Client **Toyota**
Location **Victoria**

Toyota Motor Corporation, one of the world's leading automakers, began manufacturing at the original Port Melbourne assembly line in 1963 and has since built over two million vehicles in Australia.

The fully integrated manufacturing plant at Altona, in Melbourne's west, incorporates state-of-the-art weld, paint and assembly shops to produce two models, the Camry and Avalon, and in 2003 produced 113,614 vehicles.

Part of the manufacturing process utilises a series of presses (a Press Line) which progressively draw a single piece of steel to produce a major body panel for a car. The panel is moved from press to press in the line by robotic manipulators (robots).

During the period Pdf won the contract for construction and safety management of the installation of two new 800 tonne capacity stamping presses plus the safety upgrade of an adjacent two presses. Also included within Pdf's responsibility was the installation of five new robots and associated automation and sound attenuation covers for the complete Press Line.

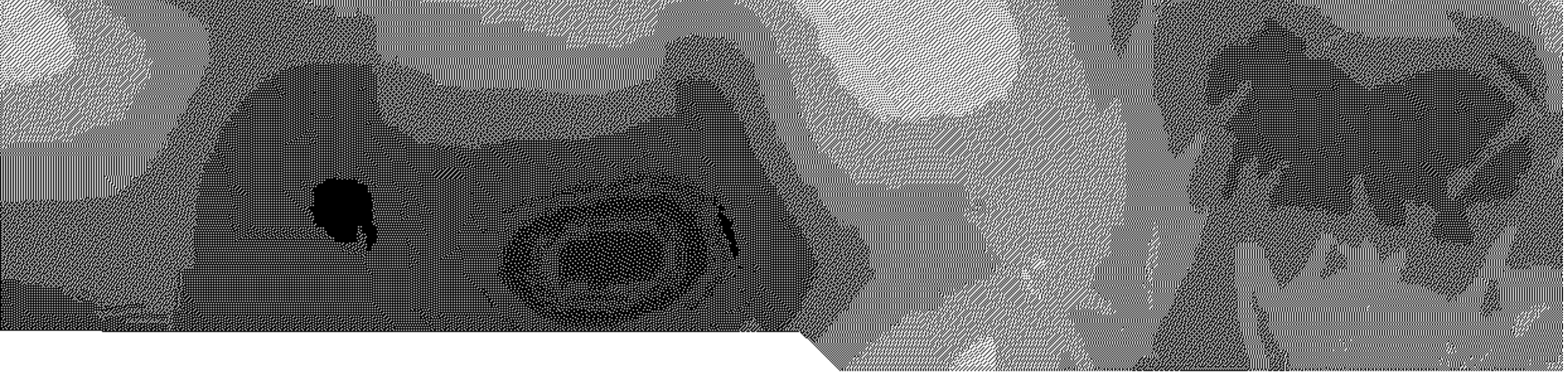
Toyota undertook this exercise to bring the facility in line with the its global practice to allow the same manufacturing techniques to be used in all its plants, to reduce noise and improve safety in the workplace.

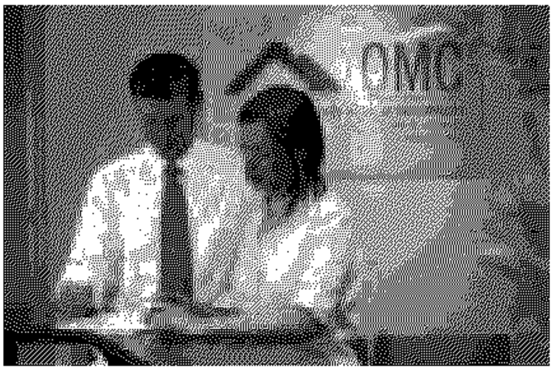
One feature of the project was the successful safety management of a number of large lifts during installation of the new presses, the largest involving two press crowns of 100 tonne each lifted 5.5 metres over the tie rods, while maintaining uninterrupted production on the two adjacent presses.

The project was executed in phases from November until March with no production time being lost. In fact, the most important phase, being that carried out over the Christmas shutdown, was completed two days ahead of schedule enabling Toyota to re-commence vehicle stamping production 'right on time'.

This is an example of Pdf's ability to manage a complex project on an operating site where a high standard of site safety, extreme focus on scheduling and management of industrial relations were paramount.

Following the success of this project Pdf was awarded another contract by Toyota for the construction and safety management of a major refurbishment and upgrade of another existing press line at Toyota's Altona site.





Orway Mineral Consultants - Perth.

Orway Mineral Consultants

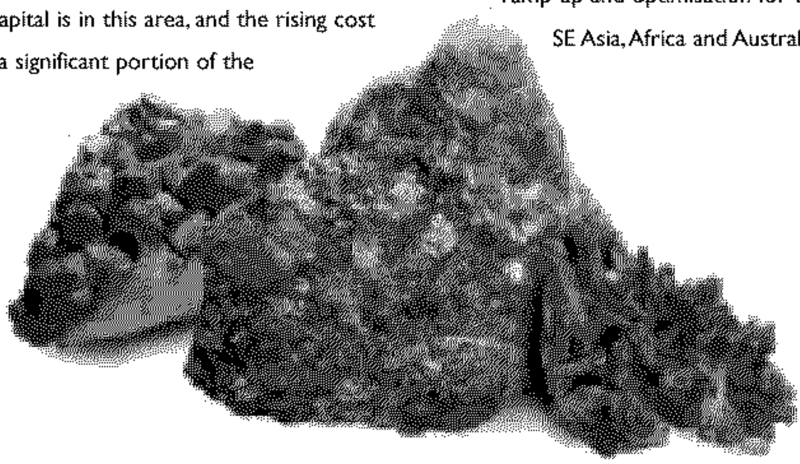
Orway Mineral Consultants is in the business of providing specialised advice in the field of mineral processing, mainly in relation to crushing and grinding circuit design. It functions as a small, wholly owned subsidiary of Lycopodium Limited but provides services directly to a range of clients as well as its owner.

The field is an important one. Often only a few grams in the case of gold or kilos in the case of base metals are contained in a tonne of ore, which makes large scale processing mandatory. Costs associated with building a plant to crush and grind rocks in order to access the valuable mineral component are significant. Up to half the capital is in this area, and the rising cost of power takes a significant portion of the operating costs.

Not surprisingly, OMC's focus is on efficient use of energy and innovative techniques for comminution. Recent examples include:

- Input to the design of the world's largest low-aspect single stage grinding mill circuit, located at Tarkwa, Ghana.
- Technical audits of process designs in Australia and Europe.
- Development of efficient large-scale clay-scrubbing techniques for the Australian mineral sands industry, using batch testing and computer modelling of energy demands.
- Design of a dry grinding plant for silica in USA.
- Use of lump rock from an outside source as media for an autogenous grinding circuit processing an acidic ore in South America.
- Lectures and presentations in Africa, Australia, Russia and Finland.

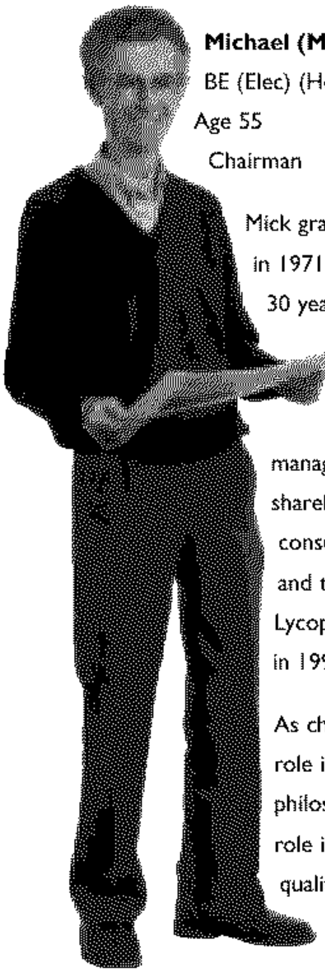
Additionally, OMC has undertaken site service assignments including plant commissioning, ramp-up and optimisation for clients in China, SE Asia, Africa and Australia.



The Board of Directors

The Board of Lycopodium Limited is responsible for Lycopodium's strategic development and its corporate governance. The Board reviews corporate strategy and financial targets in terms of Lycopodium's performance and potential, and shareholder expectations.

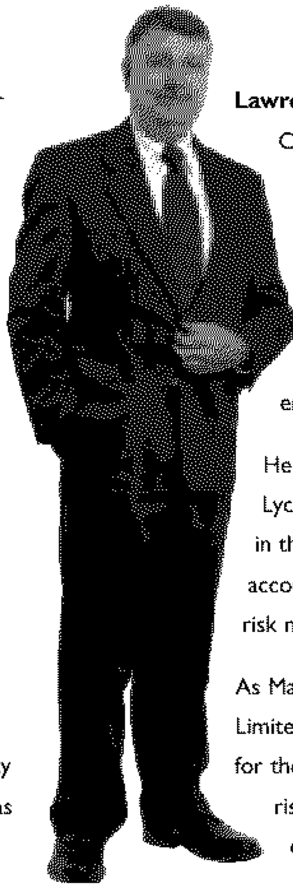
The five Executive Directors of Lycopodium Limited have held office since the start of the Company's operations in 1992.



Michael (Mick) John Caratti
BE (Elec) (Hons)
Age 55
Chairman

Mick graduated from Wollongong University in 1971 with an engineering degree and has 30 years of experience in the mineral processing industry, both nationally and internationally. Mick has extensive experience in company management having been a director and shareholder of a successful engineering consulting company from 1982 to 1987, and then as a director and shareholder of Lycopodium from its formation in 1992.

As chairman of Lycopodium Mick's primary role is to maintain the Company's founding philosophies and strategies. He also has a role in the Company's risk management and quality control programmes.

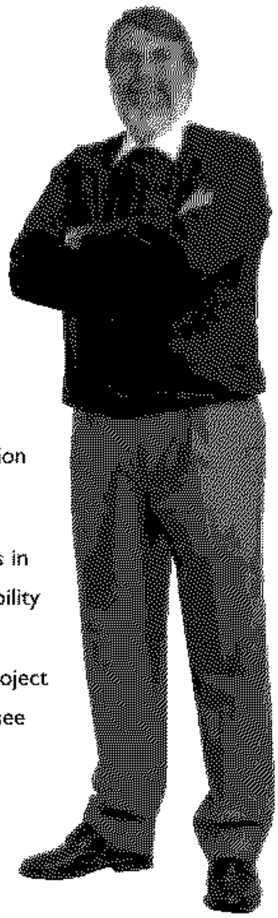


Lawrence (Laurie) William Marshall
CPA, B.Bus (Acc)
Age 52
Managing Director

Laurie is a Certified Practising Accountant with over 24 years experience in the minerals, engineering and contracting industries.

He has been closely involved with Lycopodium Engineering, Pdf and OMC in the development of their information, accounting and management systems and risk management practices.

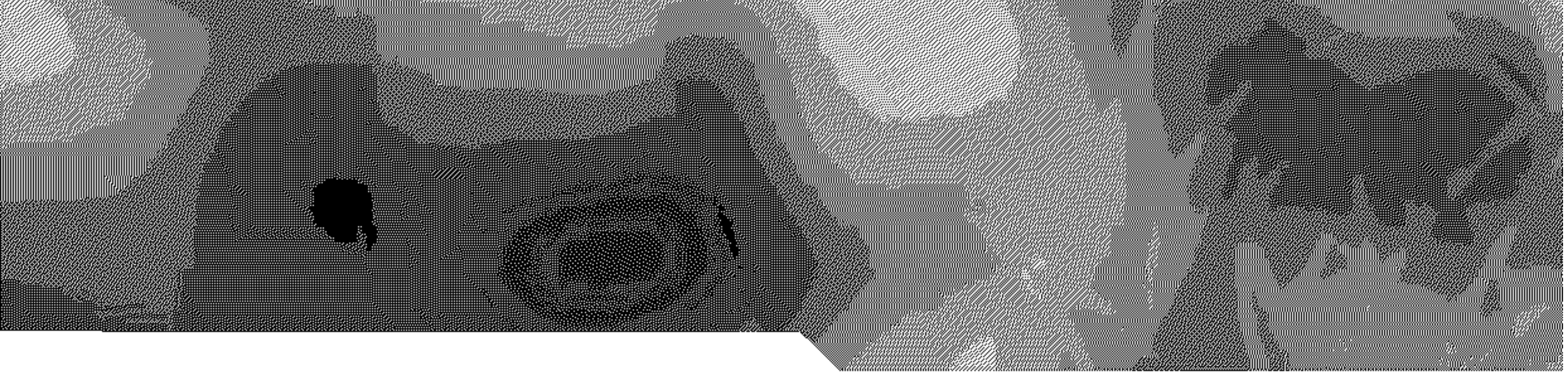
As Managing Director of Lycopodium Limited Laurie's primary responsibility is for the Company's financial performance, risk management strategy and corporate governance.



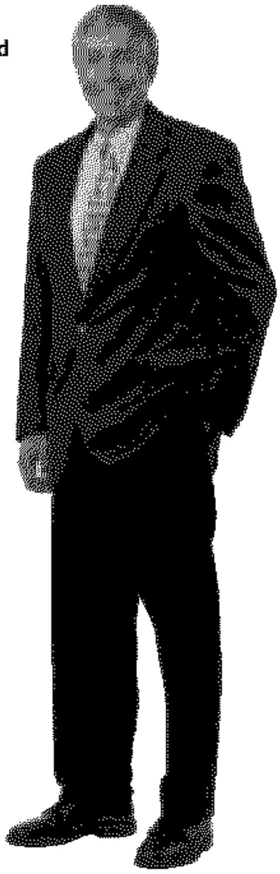
Robert (Bob) Joseph Osmetti
BE (Civil), MIEAust, CPEng
Age 49
Executive Director

Bob has 27 years experience in the project management and construction industries. He was the Managing Director of Pdf in the critical two years following acquisition by Lycopodium and continues his association in the role of a non-executive director.

His primary role is Manager of Projects in Lycopodium Engineering with responsibility for resourcing and ensuring the overall quality of delivery of the Company's project implementation services. These duties see Bob frequently on site at Lycopodium Engineering's projects.



Rodney (Rod) Lloyd Leonard
BSc (Hons), MSc, MAusIMM
Age 43
Executive Director



Rod graduated from Colorado School of Mines with a BSc and MSc in metallurgical engineering. He worked in the US minerals industry before moving to Australia to join Lycopodium as a founding director.

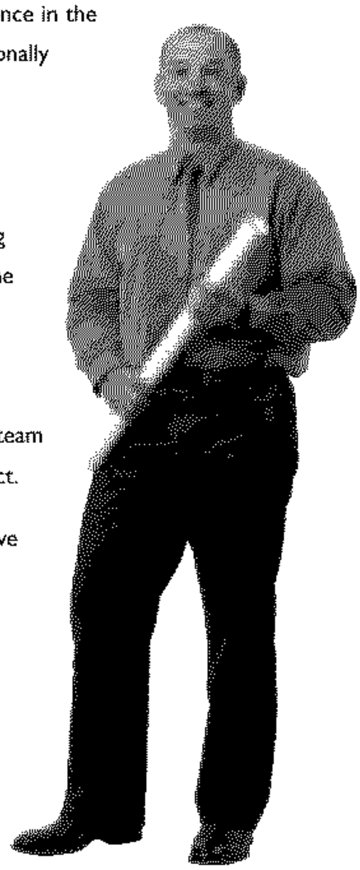
He has 20 years experience in operations and project development on major projects in North and South America, Africa, Asia and Australia.

Rod is the Managing Director of Lycopodium Engineering and draws on his knowledge of the company's operations from his previous roles as Manager of Process and Operations Manager.

He is also a non-executive director of OMC.

Bruno Ruggiero
BE (Mech), Grad Dip Min Sc MIEAust, MAusIMM
Age 41
Executive Director

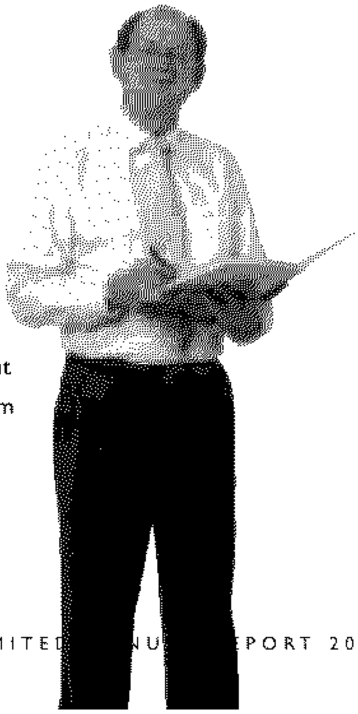
Bruno, has 20 years experience in the minerals industry both nationally and internationally.



Bruno was the Manager of Engineering in Lycopodium Engineering before assuming senior consulting roles in the areas of feasibility study, design and project management. Most recently Bruno managed the design team on Newmont's Ahafo Project.

Bruno is also a non-executive director of OMC and Pdf.

Keith John Bakker
B.Bus (Acc), FCPA
Age 51
Company Secretary



Keith is a Fellow of the Certified Practicing Accountants of Australia with over 29 years of experience in company secretarial and finance roles within the airline, human resource management and mining services sectors. Keith joined Lycopodium Engineering in 1996 as Commercial Manager. He is now Company Secretary and Chief Financial Officer of Lycopodium.

Alkaloid Extraction Plant for GlaxoSmithKline - Victoria

Financial Statements 2005

Contents

This financial report covers both Lycopodium Limited as an individual entity and the consolidated entity consisting of Lycopodium Limited and its controlled entities.

Lycopodium Limited is a company limited by shares, incorporated and domiciled in Australia.
Its registered office and principal place of business is:

Level 5, 1 Adelaide Terrace
East Perth WA 6004

Lycopodium Limited Directors' Report

Your directors present their report on the consolidated entity consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Directors

The following persons were directors of Lycopodium Limited during the whole of the financial year and up to the date of this report:

Michael John Caratti

Lawrence William Marshall

Rodney Lloyd Leonard

Robert Joseph Osmetti

Bruno Ruggiero

Principal activities

The principal activities of the consolidated entity during the financial year consisted of engineering consulting in the mining, metallurgical and chemical industries.

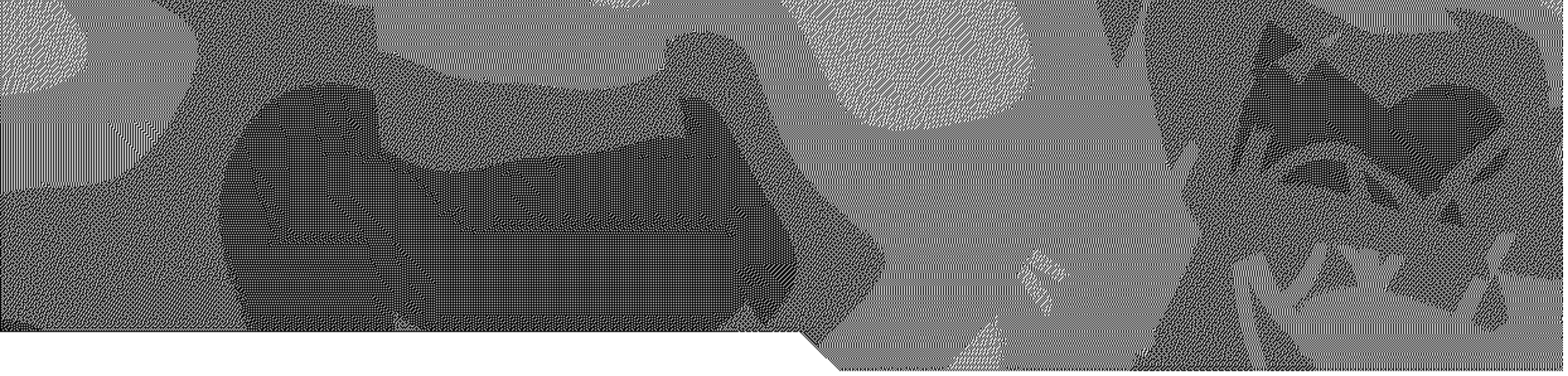
There were no other significant changes in the nature of the consolidated entity's principal activities during the financial year.

Dividends-Lycopodium Limited

Dividends paid to members during the financial year were as follows:

	2005	2004
	$	$
Final fully franked dividend for the year ended 30 June 2004 of $40 (2004-$10) per fully paid share paid on 25 Jan 2005 (2004 8 August 2003)	4,000,000	1,000,000
Interim fully franked dividend for the year ended 30 June 2004 of $10 (2004-nil) per fully paid share paid 13 July 2004 (2004 Nil)	1,000,000	-
	5,000,000	1,000,000

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $3,903,900 (10.5 cents per fully paid share) based on shareholdings as at the date of this report, to be paid on 15 November 2005 out of retained profits at 30 June 2005.



Review of operations

A summary of consolidated revenues and results by significant industry segments is set out below:

	Segment revenues		Segment results	
	2005 $	2004 $	2005 $	2004 $
EPCM	49,550,052	27,275,386	9,768,174	3,829,127
Design & Construct (Lump Sum)	2,631,062	1,605,202	434,600	294,806
Study Services	9,614,474	10,427,748	1,635,857	1,236,706
Project Services	8,061,373	15,154,749	1,606,246	3,367,873
Intersegment eliminations	(1,715,322)	(1,687,696)	-	-
Unallocated revenue	855,739	301,826	-	-
	68,997,378	53,077,215	13,444,877	8,728,512
Less: Unallocated revenue less Unallocated expenses			(5,712,724)	(1,168,207)
Profit from ordinary activities before income tax expense			7,732,153	7,560,305
Income tax expense			(2,055,237)	(1,775,116)
Net profit attributable to members of Lycopodium Limited			5,676,916	5,785,189
Less: Net profit attributable to outside equity interest			225,800	204,434
Net profit attributable to members of Lycopodium Limited			5,451,116	5,580,755

(a) Engineering, Procurement and Construction Management (EPCM)

This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either an hourly rates or fixed fee basis.

(b) Design and Construct (Lump Sum)

This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.

(c) Study Services

This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either an hourly rates or fixed fee basis.

(d) Project Services

This industry segment comprises the delivery of selected project delivery services required to assist others with the delivery of a project. These project services range from providing superintendent services through to preparation of complete design packages and therefore comprise selected EPCM services. Project services are provided on either an hourly rates or fixed fee basis.

Significant changes in the state of affairs

There were no significant changes in the consolidated entity's state of affairs during the financial year.

Matters subsequent to the end of the financial year

With the exception of the final ordinary dividend of 10.5 cents per fully paid share being paid on the 15 November 2005 (refer to dividends disclosure on first page of directors' report) no matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

(a) the consolidated entity's operation in the future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to provide engineering consultancy services as detailed above.

Further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its consulting activities.

Information on directors (executives)

None of the directors have held directorships in other listed companies in the last three years.

Michael (Mick) John Caratti
BE (Elec) (Hons). Chairman-Executive Director. Age 55.

Experience and expertise

Former Managing Director of Lycopodium Engineering, Mick has some 30 years experience in the mineral processing industry and has had a major role in the development of Lycopodium's risk management and quality control programmes.

Special responsibilities

Chairman of the Board.
Chairman of the Corporate Governance Committee.

Interests in shares and options

11,046,221 ordinary shares of Lycopodium Limited

Lawrence (Laurie) William Marshall
B.Bus (Acc) CPA. Managing Director. Age 52.

Experience and expertise

Laurie in his role as the former CEO of Lycopodium Engineering, and with some 34 years of experience, played a major role in the development of Lycopodium's information, accounting and management and risk management systems.

Special responsibilities

Chairman of the Audit Committee.
Member of the Corporate Governance Committee.

Interests in shares and options

4,142,332 ordinary shares of Lycopodium Limited

Rodney (Rod) Lloyd Leonard
BE (Hons), MSc, MAusIMM. Executive Director. Age 44.

Experience and expertise

Rod has in excess of 20 years experience in the mineral processing industry and is the Managing Director of Lycopodium Engineering and a non executive director of Orway Mineral Consultants.

Special responsibilities

Member of the Audit Committee.
Member of the Corporate Governance Committee.

Interests in shares and options

4,142,332 ordinary shares of Lycopodium Limited

Robert (Bob) Osmetti
BE (Civ), MIEAust, CPEng. Executive Director. Age 49.

Experience and expertise

Bob has in excess of 26 years experience in the project management and construction of minerals, oil refining and manufacturing projects and is the Manager of Projects of Lycopodium Engineering and is a non executive director of Process Design and Fabrication.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

4,142,332 ordinary shares of Lycopodium Limited

Bruno Ruggiero
BE (Mech), Grad Dip Min Sc, MIEAust, MAusIMM. Executive Director. Age 41.

Experience and expertise

Bruno has 20 years experience in the minerals industry. His role is varied in that he fills senior positions in the areas of Study, Project and Design Management on a project by project basis. He is an executive director of Lycopodium Engineering and a non executive director of Process Design and Fabrication and Orway Mineral Consultants.

Special responsibilities

Member of the Audit Committee.
Member of the Corporate Governance Committee.

Interests in shares and options

4,142,332 ordinary shares of Lycopodium Limited

Company secretary

The company secretary is Mr Keith John Bakker B.Bus (Acc), FCPA. Chief Financial Officer.
Keith has some 30 years experience in senior finance and company secretarial roles within the airline, human resource consulting and mining services sectors. He is the Chief Financial Officer of Lycopodium Limited.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Full meeting of directors		Meetings of committees			
			Audit		Other +	
	A	B	A	B	A	B
Mick Caratti	12	12	*	*	1	1
Laurie Marshall	12	12	1	1	1	1
Rod Leonard	11	12	1	1	1	1
Bob Osmetti	8	12	*	*	0	1
Bruno Ruggiero	12	12	1	1	1	1

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee
+ = Represents the Corporate Governance, Nomination and Remuneration Committees for which the full board acts

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share based compensation

A Principles used to determine the nature and amount of remuneration

The objective of Lycopodium's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.The framework provides a mix of fixed and equity remuneration.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current year. Over the past year, the consolidated entity's profit from ordinary activities after tax has remained relatively constant, and shareholder wealth has grown at an average rate of 80% per annum. During the same period, average executive remuneration has grown by approximately 11% per annum.

Non executive directors

There are no non executive directors presently serving on the Board.

Directors' fees

No directors' fees were payable for the year ended 30 June 2005.

Executive remuneration

The executive pay and reward framework has two components:
• fixed annual remuneration, including superannuation: and
• equity

The combination of these comprises the executive's total remuneration.

Fixed annual remuneration

Fixed annual remuneration is structured as a total employment cost package which is delivered as a combination of salary and prescribed non financial benefits partly at the executive's discretion. Fixed annual remuneration is reviewed annually to ensure the executive's pay is competitive with the market.An executive's pay is also reviewed on promotion.

Equity

Options to acquire shares in Lycopodium Limited were offered to certain staff members in the prospectus dated 8 November 2004.These options are exercisable at $1.00 per share on or before 31 December 2007.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of Lycopodium Limited and each of the seven executives of that company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 are set out in the following tables.

Directors of Lycopodium Limited

Name	Primary: Cash salary and fees	Primary: Non-monetary benefits	Post employment: Super-annuation	Total
	$	$	$	$
Michael John Caratti *Chairman*	184,051	10,294	73,747	268,092
Lawrence William Marshall *Managing Director*	236,283	20,001	12,229	268,513
Rodney Lloyd Leonard *Executive Director*	240,364	26,701	12,644	279,709
Robert Jospeh Osmetti *Executive Director*	258,038	28,456	12,229	298,723
Bruno Ruggiero *Executive Director*	227,381	33,026	12,229	272,636

No element of the above remuneration is conditional upon meeting key performance indicators.

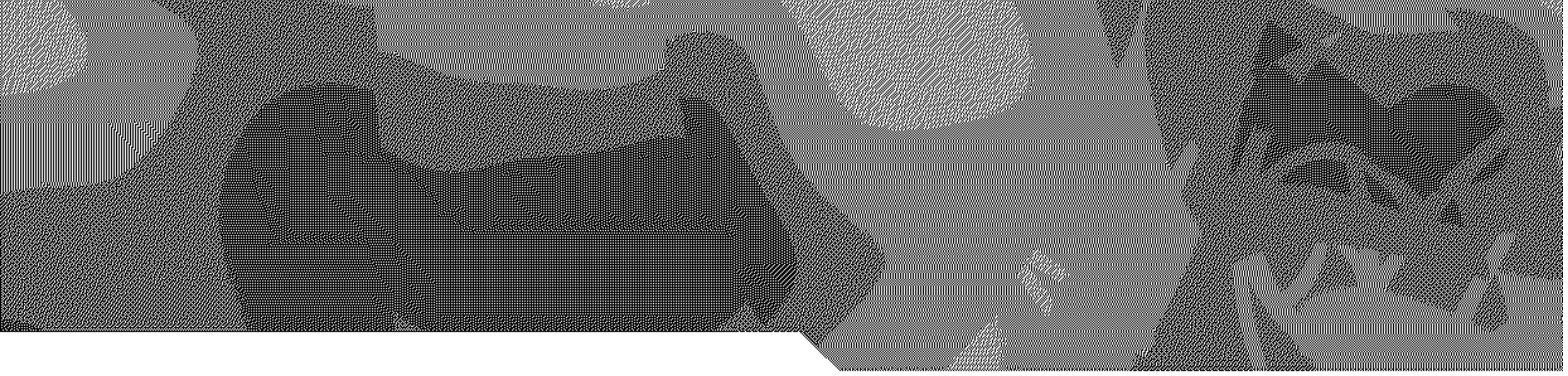
Highest paid executives of Lycopodium Limited

Name	Primary: Cash salary and fees	Primary: Non-monetary benefits	Post employment: Super-annuation	Equity: Options	Total
	$	$	$	$	$
Keith John Bakker *Company Secretary*	117,341	39,242	11,117	6,300	174,000

No element of the above remuneration is conditional upon meeting key performance indicators.

The amounts disclosed for remuneration relating to options are the assessed fair values of options at the date they were granted to executives during the year ended 30 June 2005. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Further information on the options, including the numbers of options granted to executives, is set out in the following sections of this report.



Other executives of the consolidated entity

Name	Primary		Post employment	Equity	
	Cash salary and fees	Non-monetary benefits	Super-annuation	Options	Total
	$	$	$	$	$
Peter De Leo *Project Director*	245,253	39,720	11,585	110,250	406,808
Doug Rogers *Manager of Process*	196,956	989	11,585	6,300	215,830
David Taylor *Manager of Engineering*	186,556	35,336	11,674	6,300	239,866
Clive Catlow *Managing Director PDF*	127,401	20,784	11,466	6,300	165,951
Glenn Robertson *Operations Manager PDF*	146,328	-	11,585	6,300	164,213
Bernard Siddall *Managing Director OMC*	69,724	19,448	24,381	6,300	119,853

No element of the above remuneration is conditional upon meeting key performance indicators.

Options

For each grant of options included in the above tables, the percentage of the grant that vested in the financial year is set out below. No part of the grants of options are payable in future years.

	Options	
	Vested	Forfeited
Name	%	%
Peter De Leo	100	-
Doug Rogers	100	-
David Taylor	100	-
Clive Catlow	100	-
Glenn Robertson	100	-
Bernard Siddall	100	-
Keith Bakker	100	-

C Service agreements

Remuneration and other terms of employment for the directors and the specified executives are formalised in employment contracts. Each contract deals with fixed annual remuneration. Other major provisions of the agreements relating to remuneration are set out below.

All employment contracts with directors and executives require one month's notice of termination. None of the directors or executives are provided with termination benefits.

Mick Caratti — *Chairman*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Laurie Marshall — *Managing Director*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Rod Leonard — *Executive Director*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Bob Osmetti — *Executive Director*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Bruno Ruggiero — *Executive Director*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Peter De Leo — *Project Director - Lycopodium Engineering*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Doug Rogers — *Manager of Process - Lycopodium Engineering*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $178,500, was reviewed per company policy on the 1 December 2004 to $230,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

David Taylor — *Manager of Engineering - Lycopodium Engineering*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $204,000, was reviewed per company policy on the 1 December 2004 to $230,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Clive Catlow — *Managing Director - Process Design and Fabrication*
- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $145,200, was reviewed per company policy on the 1 December 2004 to $167,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Glenn Robertson *Operations Manager - Process Design and Fabrication*

- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $145,200, was reviewed per company policy on the 1 December 2004 to $167,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Bernard Siddall *Managing Director - Orway Mineral Consultants*

- The contract is for a period of 5 years commencing 1 July 2000. From 1 July 2005 he will be retained on a casual basis
- Annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $113,553.

Keith Bakker *Chief Financial Officer*

- The contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $155,000, was reviewed per company policy on the 1 December 2004 to $170,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

D Share based compensation - options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
14 Dec 2004	31 Dec 2007	$1.00	$0.315	Vested at grant date

Options were granted to certain staff members as disclosed in the Prospectus dated 8 November 2004. The options entitle the holder to subscribe for one share upon exercise of each option at a price of $1.00 on or before 31 December 2007. The offer was not made to directors of Lycopodium Limited.

The amounts disclosed for executive emoluments relating to options are assessed fair values at grant date independently determined using a Black Scholes option pricing model. This model takes into account the exercise price, the term of the option, the vesting and performance criteria, and the impact of dilution, the non tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options granted under the plan carry no dividend or voting rights.

The model inputs used for options granted during the year ended 30 June 2005 included:

(a) exercise price: $1.00
(b) grant date: 14 December 2004
(c) expiry date: 31 December 2007
(d) share price at grant date: $1.00
(e) expected price volatility of Lycopodium's shares: 52%
(f) expected dividend yield: 8.2%
(g) risk free interest rate: 5.56%

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of column B - D
Peter De Leo	27.10%	110,250	-	-	110,250
Doug Rogers	2.92%	6,300	-	-	6,300
David Taylor	2.63%	6,300	-	-	6,300
Clive Catlow	3.80%	6,300	-	-	6,300
Glenn Robertson	3.84%	6,300	-	-	6,300
Bernard Siddall	5.26%	6,300	-	-	6,300
Keith Bakker	3.62%	6,300	-	-	6,300

A = The percentage of the value of remuneration consisting of options, based on the grant value set out in column B.
B = The value at grant date of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Share options granted to directors of Lycopodium Limited and the most highly remunerated officers

Options over unissued ordinary shares of Lycopodium Limited granted during the financial year to any of the directors or the specified executives of Lycopodium Limited and consolidated entity as part of their remuneration were as follows:

	Options granted
Directors of Lycopodium Limited	
Nil	
Executives of Lycopodium Limited	
Keith Bakker, Chief Financial Officer	20,000
Executives of the Consolidated Entity	
Peter De Leo, Project Director - Lycopodium Engineering	350,000
Doug Rogers, Manager of Process - Lycopodium Engineering	20,000
David Taylor, Manager of Engineering - Lycopodium Engineering	20,000
Clive Catlow, Managing Director - Process Design and Fabrication	20,000
Glenn Robertson, Operations Manager - Process Design and Fabrication	20,000
Bernard Siddall, Managing Director - Orway Mineral Consultants	20,000

The options were granted under the Lycopodium Limited Staff Offer on 14 December 2004.

Shares under option

Unissued ordinary shares of Lycopodium Limited under option at the date of this report are as follows:

Date options granted	*Expiry date*	*Issue price of shares*	*Number of shares issued*
14 December 2004	31 December 2007	$1.00	660,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Shares issued on the exercise of options

The following ordinary shares of Lycopodium Limited were issued during the year ended 30 June 2005 and up to the date of this report on the exercise of options granted under the Lycopdoium Limited Staff Offer. No amounts are unpaid on any of the shares.

Date options granted	*Issue price of shares*	*Number of shares issued*
14 December 2004	$1.00	440,000

Insurance of officers

During the financial year, Lycopodium Limited took out insurance cover for the directors, secretaries and senior officers of the company and it's controlled entities.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

The directors have not included specific details of the premium paid as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 35.

	Consolidated	
	2005	2004
	$	$
During the year the following services were paid to the auditor of the parent entity, its related parties and non related audit firms		
Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm: Audit and review of financial reports and other audit work under the *Corporations Act 2001*	86,000	48,620
Fees paid to PricewaterhouseCoopers Ghanaian firm for the audit or review of financial reports of Lycopodium Ghana Limited	-	7,447
Fees paid to William Buck for the audit or review of financial reports of Process Design and Fabrication	40,410	22,500
Total remuneration for audit services	126,410	78,567
Taxation services		
Fees paid to PricewaterhouseCoopers Tax compliance services, including review of company income tax returns	83,614	51,178
Fees paid to William Buck	13,300	2,800
Total remuneration for taxation services	96,914	53,978
Advisory services		
Fees paid to PricewaterhouseCoopers	28,895	42,921
Fees paid to William Buck	6,340	14,795
Total remuneration for advisory services	35,235	57,716

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

L.W. Marshall
Director
Perth
30 September 2005

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lycopodium Limited and the entities it controlled during the period.

S.T. Maher

S T Maher

Partner
PricewaterhouseCoopers

Perth

30 September 2005

Corporate Governance Statement

The Board of Directors of Lycopodium Limited is responsible for the overall corporate governance of the Company. Details of the Corporate Governance Charter adopted by the Company are available in the company profile section of the Company's website (www.lycopodium.com.au).

Lycopodium Limited has assessed the Company's corporate governance practices against the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations' and has found them to be consistent with the ASX guidelines except where noted below.

Principle 1

Lay solid foundations for management and oversight

Council Recommendation 1.1:

Formalise and disclose the functions reserved to the board and those delegated to management.

The Company complies with this recommendation.

Principle 2

Structure the board to add value

Council Recommendation 2.1:

A majority of the board should be independent directors.

The Company does not comply with this recommendation as no director is independent.

The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's current operations. The Board considers that each of the non independent directors possess skills and experience required for managing and developing the Company and believes any additional information or advice can be more appropriately and economically obtained from independent external expert consultants.

Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company.

The Board intends to reconsider its composition as the Company's operations evolve and appoint independent directors as appropriate.

Council Recommendation 2.2:

The chairperson should be an independent director.

The Company does not comply with this recommendation as the Chairperson is not an independent director.

The Board considers that at this stage in the growth of the Company, an independent Chairperson would not add sufficient expertise to the Board to justify the associated cost and any additional information or advice required can be more appropriately and economically obtained from independent external expert consultants.

The Board intends to reconsider the independence of the Chairperson as the Company's operations evolve and may appoint an independent Chairperson as appropriate.

Council Recommendation 2.3:

The roles of the chairperson and chief executive officer should not be exercised by the same individual.

The Company complies with this recommendation.

Council Recommendation 2.4:

The board should establish a nomination committee.

The Company does not comply with this recommendation as a separate Nomination Committee has not been formed.

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.

The Board intends to reconsider the formation of a separate Nomination Committee as the Company's operations evolve.

Principle 3:

Promote ethical and responsible decision making.

Council Recommendation 3.1:

Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

(a) the practices necessary to maintain confidence in the company's integrity;

(b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company complies with this recommendation.

Council Recommendation 3.2:

Disclose the policy concerning trading in company securities by directors, officers and employees.

The Company complies with this recommendation.

Principle 4:

Safeguard integrity in financial reporting.

Council Recommendation 4.1:

Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this recommendation.

Council Recommendation 4.2:

The board should establish an audit committee.

An Audit Committee was established in June 2005.

The Company complies with this recommendation.

Corporate Governance Statement
(continued)

Council Recommendation 4.3

Structure the audit committee so that it consists of:

(a) only non executive directors;

(b) a majority of independent directors;

(c) an independent chairperson, who is not chairperson of the board;

(d) at least three members.

The Company does not comply with this recommendation as the structure of the Audit Committee, while consisting of three directors, does not consist of only non executive or a majority of independent directors. The Chairperson is not the Chairperson of the Board.

Council Recommendation 4.4

The audit committee should have a formal operating charter.

The Company complies with this recommendation.

Principle 5:

Make a timely and balanced disclosure

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation.

Principle 6:

Respect the rights of shareholders

Council Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation.

Council Recommendation 6.2:

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation.

Principle 7:

Recognise and manage risk

Council Recommendation 7.1:

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation.

The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The areas of risk covered by the internal control framework are tenders/proposals, client contract negotiation and management, financial control and reporting, commercial/corporate control and reporting, operational control and reporting, personnel management, procurement and purchasing and supplier contract negotiation and management.

Council Recommendation 7.2

The chief executive officer and the chief financial officer should state in writing that:

(a) the statement given in accordance with best practice Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board;

(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company complies with this recommendation.

Principle 8:

Encourage enhanced performance

Council Recommendation 8.1:

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Company complies with this recommendation.

Principle 9:

Remunerate fairly and responsibly

Council Recommendation 9.1:

Provide disclosure in relation to the company's remuneration policies to enable investors to understand:

(a) the costs and benefits of those policies; and

(b) the link between remuneration paid to directors and key executives and corporate performance.

The Company complies with this recommendation.

Council Recommendation 9.2

The board should establish a remuneration committee.

The Company does not comply with this recommendation as a separate Remuneration Committee has not been formed.

The role of the Remuneration Committee is carried out by the full Board. The Board considers that given its size, no other benefits are gained by establishing a separate Remuneration Committee.

The Board intends to reconsider the formation of a separate Remuneration Committee as the Company's operations evolve.

Council Recommendation 9.3

Clearly distinguish the structure of non executive directors' remuneration from that of executives.

The Company complies with this recommendation however it is noted that there are no non executive directors on the Board.

Council Recommendation 9.4

Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation.

Principle 10:

Recognise the legitimate interests of stakeholders

Council Recommendation 10.1:

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation.

Lycopodium Limited Statements of financial performance
for the year ended 30 June 2005

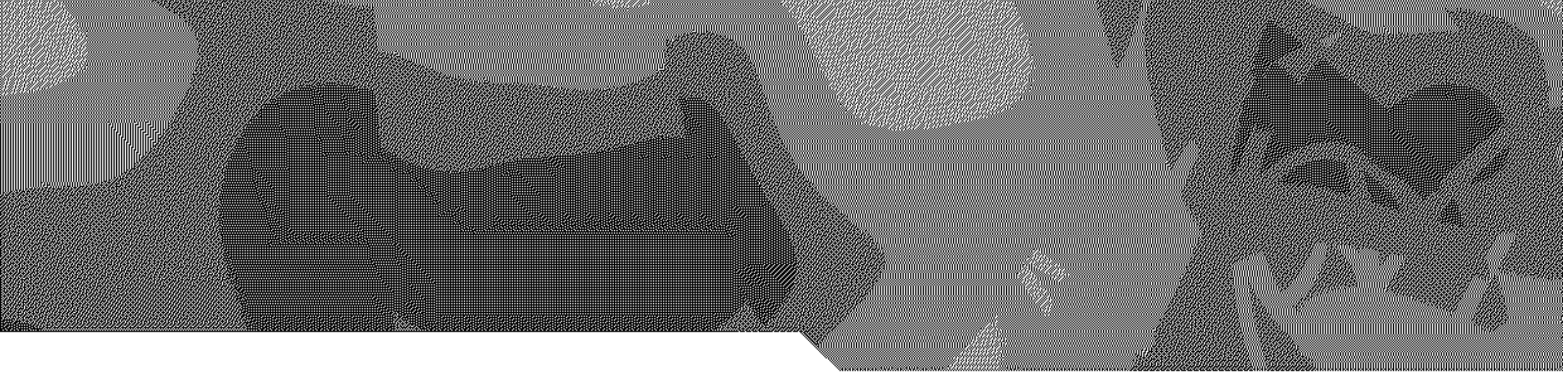
		Consolidated		Parent entity	
	Notes	2005	2004	2005	2004
		$	$	$	$
Revenue from ordinary activities	3	68,997,378	53,077,215	5,654,254	2,988,142
Equipment and materials		(1,143,693)	(1,066,704)	-	-
Employee benefits expense		(27,143,379)	(17,102,508)	(542,682)	-
Depreciation and amortisation	4	(1,113,278)	(701,514)	(49,390)	(42,887)
Contractors		(22,962,898)	(19,798,926)	(28,096)	(101,689)
Other project expenses		(3,715,689)	(2,149,659)	-	-
Carrying amount on sale of non current assets		(66,306)	(33,035)	-	-
Administration and management costs		(4,929,723)	(4,519,229)	(284,430)	(140,350)
Borrowing costs expense	4	(190,259)	(145,335)	(92,255)	(91,063)
Profit from ordinary activities before related income tax expense	4	7,732,153	7,560,305	4,657,401	2,612,153
Income tax expense	5	(2,055,237)	(1,775,116)	10,803	(78,699)
Profit from ordinary activities after related income tax expense		5,676,916	5,785,189	4,668,204	2,533,454
Net profit attributable to outside equity interest		(225,800)	(204,434)	-	-
Net profit attributable to members of Lycopodium Limited	24	5,451,116	5,580,755	4,668,204	2,533,454
Total changes in equity attributable to members of Lycopodium Limited other than those resulting from transactions with owners as owners		5,451,116	5,580,755	4,668,204	2,533,454
		Cents	Cents		
Basic earnings per share	39	16.7	20.2		
Diluted earnings per share	39	16.6	20.2		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Lycopodium Limited Statements of financial position
As at 30 June 2005

		Consolidated		Parent entity	
	Notes	2005 $	2004 $	2005 $	2004 $
Current assets					
Cash assets	6,27	11,435,442	4,854,790	8,361,025	1,936,045
Receivables	7,27	12,202,461	12,661,232	625,924	10,442
Inventories	8	965,498	200,592	-	-
Other	9	814,696	394,922	8,828	-
Current tax assets	10	154,516	-	8,130	-
Total current assets		25,572,613	18,111,536	9,003,907	1,946,487
Non current assets					
Receivables	11,27	-	51,466	86,617	1,689,258
Other financial assets	12,27	120,001	76,001	11,650,089	8,525,638
Property, plant and equipment	13	4,146,747	3,548,691	2,254,561	2,233,283
Deferred tax assets	14	972,146	828,220	24,006	2,163
Intangible assets	15	4,077,902	2,239,774	-	-
Total non current assets		9,316,796	6,744,152	14,015,273	12,450,342
Total assets		34,889,409	24,855,688	23,019,180	14,396,829
Current liabilities					
Payables	16,27	8,991,455	6,943,981	265,165	50,299
Interest bearing liabilities	17,27	700,056	473,822	5,963	-
Current tax liabilities	18	-	972,749	-	58,219
Provisions	19	766,284	373,148	112,843	-
Total current liabilities		10,457,795	8,763,700	383,971	108,518
Non current liabilities					
Interest bearing liabilities	20,27	1,891,236	1,779,057	1,432,100	1,407,466
Deferred tax liabilities	21	317,851	391,224	13,158	2,118
Provisions	22	245,095	241,466	18,903	-
Total non current liabilities		2,454,182	2,411,747	1,464,161	1,409,584
Total liabilities		12,911,977	11,175,447	1,848,132	1,518,102
Net assets		21,977,432	13,680,241	21,171,048	12,878,727
Equity					
Parent entity interest					
Contributed equity	23	16,444,549	7,820,432	16,444,549	7,820,432
Retained profits	24	5,532,883	5,081,767	4,726,499	5,058,295
Total parent entity interest		21,977,432	12,902,199	21,171,048	12,878,727
Outside equity interest in controlled entities	25	-	778,042	-	-
Total equity		21,977,432	13,680,241	21,171,048	12,878,727

The above statements of financial position should be read in conjunction with the accompanying notes.



Lycopodium Limited Statements of cash flows
for the year ended 30 June 2005

		Consolidated		Parent entity	
	Notes	2005 $	2004 $	2005 $	2004 $
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		71,480,284	48,796,697	152,142	440,400
Payments to suppliers and employees (inclusive of goods and services tax)		(61,087,377)	(44,614,511)	(536,610)	(203,720)
		10,392,907	4,182,186	(384,468)	236,680
Dividends received		-	-	4,733,842	769,200
Interest received		423,238	195,795	170,872	283,836
Borrowing costs		(190,259)	(145,835)	(92,255)	(91,923)
Income taxes paid		(3,399,801)	(1,441,072)	(66,349)	(110,383)
Net cash inflow (outflow) from operating activities	37	7,226,085	2,791,074	4,361,642	1,087,410
Cash flows from investing activities					
Payments for property, plant and equipment		(834,898)	(630,784)	(36,807)	(20,873)
Loans to controlled entities - payments made		-	-	-	(100,000)
Loans to controlled entities - proceeds from repayments		-	-	1,602,641	1,743,083
Loans to related parties - proceeds from repayments		48,891	1,197	1,102	58
Proceeds from sale of property, plant and equipment		24,464	23,944	-	-
Net cash inflow (outflow) from investing activities		(761,543)	(605,643)	1,566,936	1,622,268
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		6,030,000	310,796	6,030,000	-
Share issue and buy back transaction costs		(530,334)	-	(530,334)	-
Proceeds from borrowings		867,758	338,980	-	-
Repayment of borrowings		(1,060,428)	(342,872)	(3,264)	-
Dividends paid by parent entity	26	(5,000,000)	(1,000,000)	(5,000,000)	(1,000,000)
Dividends paid to outside equity interests in controlled entities		(190,723)	(84,612)	-	-
Net cash inflow (outflow) from financing activities		116,273	(777,708)	496,402	(1,000,000)
Net increase (decrease) in cash held		6,580,815	1,407,723	6,424,980	1,709,678
Cash at the beginning of the financial year		4,854,790	3,456,024	1,936,045	226,367
Effects of exchange rate changes on cash		(163)	(8,957)	-	-
Cash at the end of the financial year	6	11,435,442	4,854,790	8,361,025	1,936,045
Financing arrangements	20				
Non cash financing and investing activities	38				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Contents

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to AIFRS is being managed, and the known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS, are set out in note 1(v).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Lycopodium Limited ('company' or 'parent entity') as at 30 June 2005 and the results of all controlled entities for the year then ended. Lycopodium Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The company and its wholly owned Australian controlled entities have decided not to implement the tax consolidation legislation.

Note 1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. The gain and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(ii) Foreign controlled entity

The activities undertaken in Ghana are integrated with the activities of the Australian controlled entity. The assets, liabilities and equity of the Ghanaian operations are consolidated into the Australian controlled entity using the temporal method of translation whereby non monetary assets and liabilities and equity items, including revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange current at the reporting date. Any resultant exchange differences are recorded as revenue or expenses by the Australian controlled entity.

(d) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(e) Revenue recognition

Revenue on contract is recognised based on the stage of completion, which is measured by reference to labour hours incurred to date for each contract.

Occasionally contracts are entered into when revenue is received in advance. This is deferred on the statement of financial position and recognised as revenue as the work is completed.

Where project work has been completed but not yet billed it is recognised as accrued income in the statement of financial position.

Where losses are foreseeable, such losses are provided for in full.

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

Rental revenue is recognised as it becomes due and payable.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

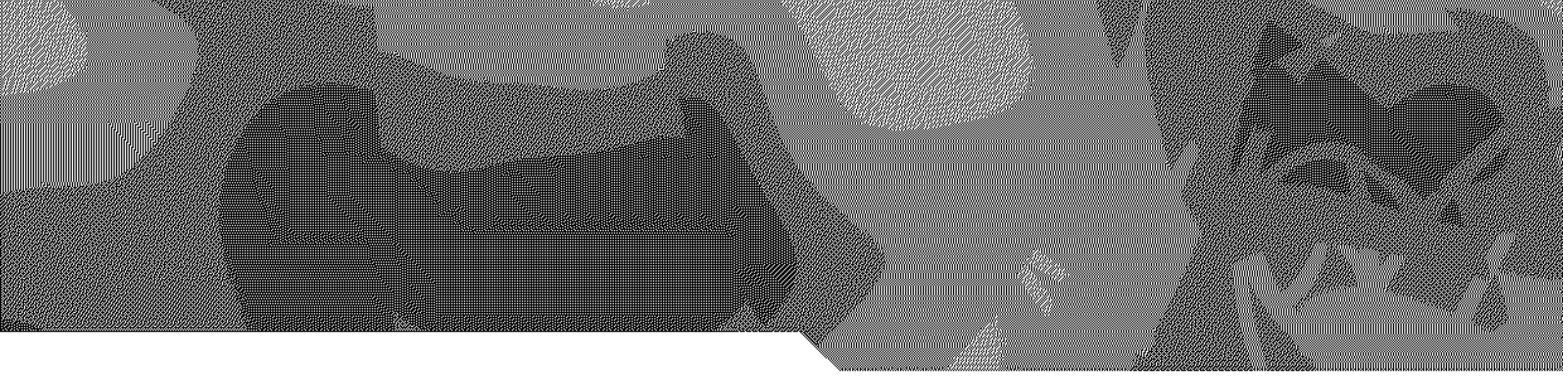
(g) Inventories

Contract work in progress

Contract work in progress is stated at the aggregate of unbilled direct labour up to balance date. If there are contracts where progress billings exceed the aggregate of billable direct labour the net amounts are presented under current liabilities.

(h) Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.



Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are not discounted to their present values.

(i) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statements of financial performance when receivable. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(j) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line and diminishing value basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Category	**Useful life**	**Depreciation basis**
Buildings	40 years	straight line
Plant and equipment	3 - 10 years	straight line / diminishing value
Motor Vehicles	5 - 7 years	diminishing value
Furniture, fixtures and fittings	5 - 10 years	straight line / diminishing value

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(k) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 3 to 4 years.

(l) Leased non current assets

A distinction is made between finance leases and hire purchase agreements which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases and hire purchase agreements are capitalised. A lease asset and liability are established at the present value of minimum lease payments, including any guaranteed residual values. Lease payments and hire purchase repayments are allocated between the principal component of the lease liability and the interest expense.

Leased assets and hire purchased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets and hire purchased assets held at the reporting date are being amortised over periods ranging from 1 to 5 years.

Note 1. Summary of significant accounting policies (continued)

Other operating lease payments are charged to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(m) Intangible assets and expenditure carried forward

(i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net identifiable assets at date of acquisition. Goodwill is amortised on a straight line basis over the period of ten years. The balances are reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

(ii) Patents and trademarks

Patents and Trademarks are valued in the accounts at cost of acquisition.

(n) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest bearing liabilities

Loans are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of sundry creditors.

(p) Dividends

Provision is made for the amount of any dividend declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(q) Maintenance and repairs

The costs of maintenance and repairs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(j).

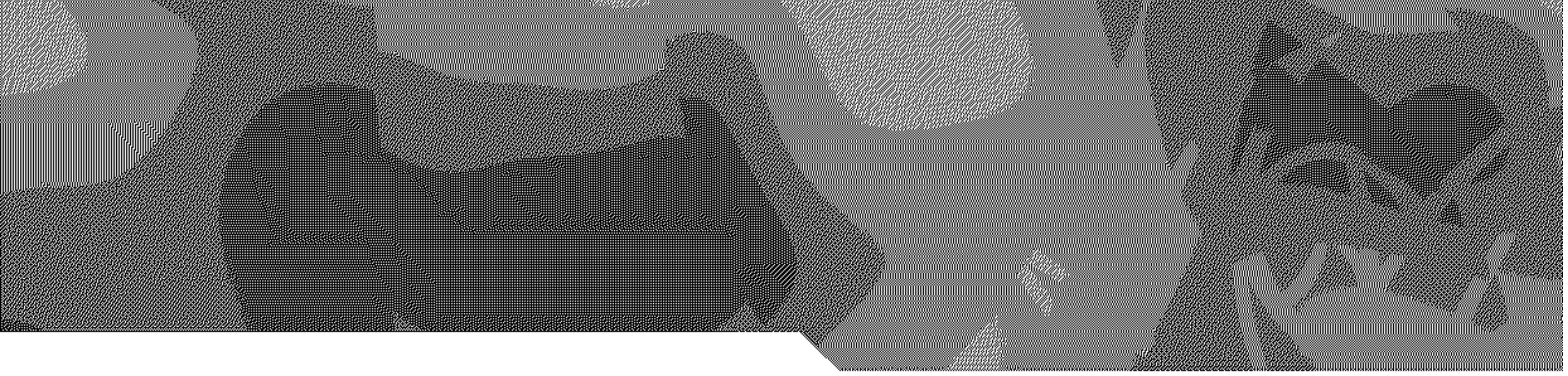
(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.



(iii) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Equity based compensation benefits

Equity based compensation benefits were provided to key employees via the Lycopodium Limited Employee Staff Option Plan. Information relating to this scheme is set out in note 32.

No accounting entries are made in relation to the Lycopodium Limited Staff Offer until options are exercised, at which time the amounts receivable from employees are recognised in the statements of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 28 include the assessed fair values of options at the date they were granted.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(t) Cash

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. (For further information see note 40).

(w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Note 2. Segment information

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Engineering, Procurement and Construction Management (EPCM)

This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either an hourly rates or fixed fee basis.

Design and Construct (Lump Sum)

This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.

Study Services

This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either an hourly rates or fixed fee basis.

Project Services

This industry segment comprises the delivery of selected project delivery services required to assist others with the delivery of a project. These project services range from providing superintendent services through to preparation of complete design packages and therefore comprise selected EPCM services. Project services are provided on either an hourly rates or fixed fee basis.

Geographical segments

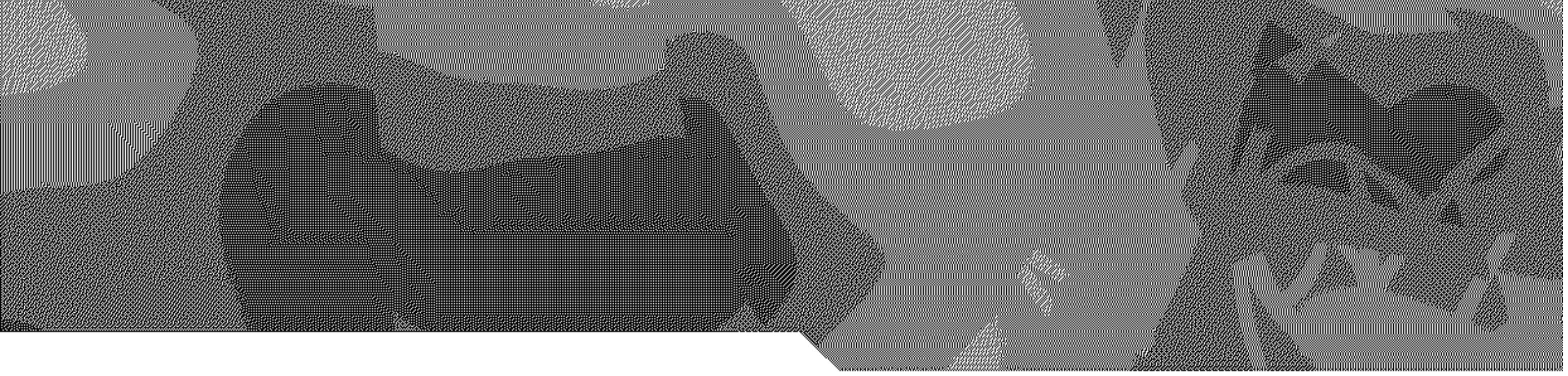
The consolidated entity operates in two main geographical areas.

Australia

The home country of the parent entity and four of its subsidiaries.

Africa

Comprises operations carried on in Ghana.



Primary reporting - business segments

2005	EPCM $	Design and Construct (Lump Sum) $	Study Services $	Project Services $	Inter-segment eliminations/ unallocated $	Consolidated $
Sales to external customers	49,550,052	2,631,062	9,614,474	8,061,373	(1,715,322)	68,141,639
Total sales revenue	49,550,052	2,631,062	9,614,474	8,061,373	(1,715,322)	68,141,639
Other revenue	-	-	-	-	855,739	855,739
Total segment revenue	49,550,052	2,631,062	9,614,474	8,061,373	(859,583)	68,997,378
Segment result	9,768,174	434,600	1,635,857	1,606,246	-	13,444,877
Unallocated revenue less unallocated expenses						(5,712,724)
Profit from ordinary activities before income tax expense						7,732,153
Income tax expense						(2,055,237)
Profit from ordinary activities after income tax expense						5,676,916
Segment assets	13,707,086	780,354	2,578,372	2,008,458	(1,139,022)	17,935,248
Unallocated assets						16,954,161
Total assets						34,889,409
Segment liabilities	7,561,795	185,147	1,832,117	484,794	(1,164,498)	8,899,355
Unallocated liabilities						4,012,622
Total liabilities						12,911,977
Investments in associates and joint venture partnership	-	-	-	1	-	1
Acquisition of property, plant and equipment, intangibles and other non current segment assets	754,905	12,608	200,122	52,954	327,906	1,348,495
Depreciation and amortisation expense	621,184	9,403	149,253	39,494	293,944	1,113,278

Primary reporting - business segments

2004	EPCM $	Design and Construct (Lump Sum) $	Study Services $	Project Services $	Inter-segment eliminations/ unallocated $	Consolidated $
Sales to external customers	27,275,386	1,605,202	10,427,748	15,154,749	(1,687,696)	52,775,389
Total sales revenue	27,275,386	1,605,202	10,427,748	15,154,749	(1,687,696)	52,775,389
Other revenue	-	-	-	-	301,826	301,826
Total segment revenue	27,275,386	1,605,202	10,427,748	15,154,749	(1,385,870)	53,077,215
Segment result	3,829,127	294,806	1,236,706	3,367,873	-	8,728,512
Unallocated revenue less unallocated expenses						(1,168,207)
Profit from ordinary activities before income tax expense						7,560,305
Income tax expense						(1,775,116)
Profit from ordinary activities after income tax expense						5,785,189
Segment assets	11,598,750	504,039	1,571,418	2,538,586	(413,121)	15,799,672
Unallocated assets						9,056,016
Total assets						24,855,688
Segment liabilities	4,923,137	936,114	972,019	419,170	(354,766)	6,895,674
Unallocated liabilities						4,279,773
Total liabilities						11,175,447
Acquisition of property, plant and equipment, intangibles and other non current segment assets	591,350	53,000	118,400	51,058	131,928	945,736
Depreciation and amortisation expense	417,535	36,056	80,549	34,736	132,639	701,515

Secondary reporting - geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment intangibles and other non-current segment assets	
	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$
Australia	28,494,287	24,065,084	7,315,693	6,981,250	430,511	359,590
Africa	36,766,822	27,231,543	9,439,604	7,899,836	555,498	406,904
Other countries	4,595,852	3,166,458	1,179,951	918,586	69,437	47,314
	69,856,961	54,463,085	17,935,248	15,799,672	1,055,446	813,808
Unallocated assets			16,954,161	9,056,016		
Total assets			34,889,409	24,855,688		

Notes to and forming part of the segment information

Inter segment transfers

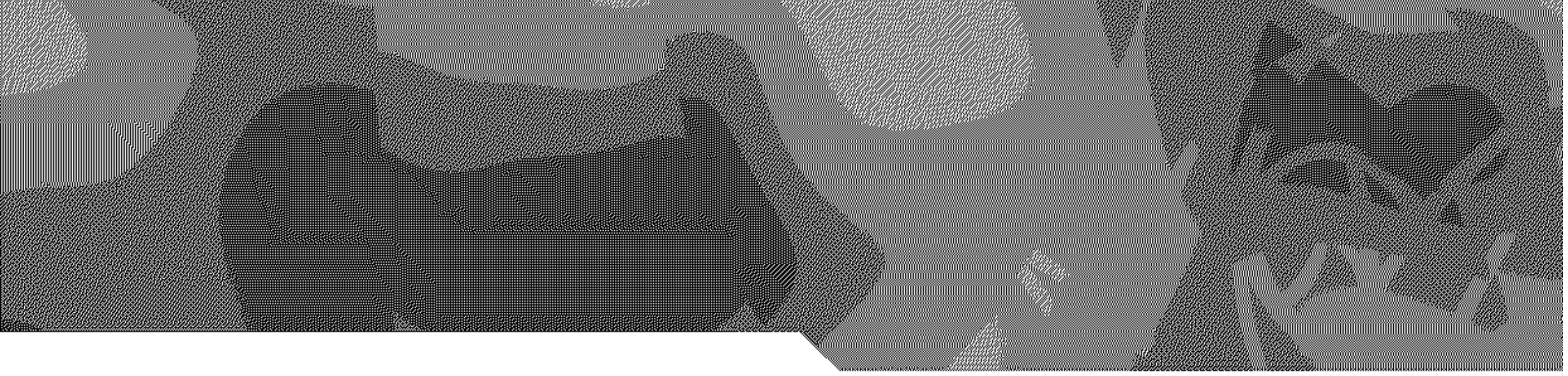
Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's length' basis and are eliminated on consolidation.

Note 3. Revenue

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Revenue from operating activities				
Contract revenue	68,141,639	52,775,389	80,801	-
	68,141,639	52,775,389	80,801	-
Revenue from outside the operating activities				
Interest from director related parties	1,459	1,966	-	-
Interest from wholly owned entities	-	-	27,572	138,286
Bank Interest	421,779	195,796	177,762	26,756
Dividends from wholly owned entities	-	-	4,733,842	769,200
Rental income	97,417	-	97,417	440,400
Foreign currency gains	24,138	235	-	-
Management Fees	-	-	536,465	-
Other revenue	286,482	79,885	395	1,613,500
Proceeds on sale of non current assets	24,464	23,944	-	-
	855,739	301,826	5,573,453	2,988,142
Revenue from ordinary activities	68,997,378	53,077,215	5,654,254	2,988,142

Note 4. Profit from ordinary activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
(a) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net gain on disposal				
Property, plant and equipment	6,089	7,638	-	-
Revaluation of investments to recoverable amount	44,000	19,572	-	513,500
Revaluation of receivables to recoverable amount	-	-	-	1,100,000
	50,089	27,210	-	1,613,500
Foreign exchange gains and losses				
Foreign currency translation losses	(61,946)	(39,870)	-	-
Other net foreign exchange gains	24,138	235	-	-
Expenses				
Depreciation				
Buildings	38,634	38,478	38,634	38,478
Plant and equipment	356,202	222,465	6,243	4,409
Motor Vehicles	44,548	56,723	369	-
Total depreciation	439,384	317,666	45,246	42,887
Amortisation				
Leased plant and equipment	198,769	78,021	4,144	-
Goodwill	431,218	305,661	-	-
Leasehold Improvements	43,907	166	-	-
Total amortisation	673,894	383,848	4,144	-
Other charges against assets				
Bad and doubtful debts - debtors retention	-	965,781	-	-
Bad and doubtful debts - trade debtors	47,675	111,651	-	-
Borrowing costs				
Borrowing costs	190,259	145,335	92,255	91,063
Total borrowing costs	190,259	145,335	92,255	91,063
Net loss on disposal of property, plant and equipment	47,931	16,729	-	-
Rental expense relating to operating leases				
Minimum lease payments	1,055,934	262,102	-	-



Note 5. Income tax

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Income tax expense				
(a) The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	7,732,153	7,560,305	4,657,401	2,612,153
Income tax calculated @ 30% (2003 30%)	2,319,646	2,268,092	1,397,220	783,646
Tax effect of permanent differences				
Non deductible depreciation and amortisation	138,920	103,241	9,555	11,543
Other non allowable items	45,291	26,728	2,616	(1,680)
Capital works expenditure	-	(128)	-	-
Listing expenses	(31,820)	-	(31,820)	-
Revaluation of investment and loan (not subject to tax)	(13,200)	-	-	(484,050)
Tax offset for franked dividends	-	-	(1,420,152)	(230,760)
	2,458,837	2,397,933	(42,581)	78,699
Income tax adjusted for permanent differences	2,458,837	2,397,933	(42,581)	78,699
Benefit of tax losses of prior years recouped but not previously recognised	(412,657)	(703,274)	-	-
Timing differences recouped but not previously recognised	(129,837)	80,457	-	-
Excess franking credits, converted to tax loss	31,778	-	31,778	-
Effect of differential tax regime on overseas income	107,116	-	-	-
Aggregate income tax expense	2,055,237	1,775,116	(10,803)	78,699
Aggregate income tax expense comprises:				
Current taxation provision	2,272,536	1,949,907	-	79,600
Deferred income tax provision	(74,165)	286,337	11,040	1,262
Future income tax benefit	(143,134)	(461,128)	(21,843)	(2,163)
	2,055,237	1,775,116	(10,803)	78,699

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Tax losses				
(b) No part of the future income tax benefit shown in note 14 is attributable to tax losses. The directors estimate that that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is	72,254	578,472	31,778	-

This benefit for tax losses will only be obtained if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

(ii) the entity continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Future income tax benefits attributable to tax losses recognised as a reduction of the provision for deferred income tax are disclosed in note 21.

Tax consolidation legislation

Lycopodium Limited and its wholly owned Australian controlled entities have decided not to implement the tax consolidation legislation.

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Cash at Bank	2,644,824	2,921,817	9,026	921,031
Deposits at call	8,790,618	1,932,973	8,351,999	1,015,014
	11,435,442	4,854,790	8,361,025	1,936,045
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	11,435,442	4,854,790	8,361,025	1,936,045
Balances as per statements of cash flows	11,435,442	4,854,790	8,361,025	1,936,045

Deposits at call

The deposits of the parent entity are bearing floating interest rates which increased from 5% to 5.25% during the year ended 30 June 2005. (2004 - 5%).

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Trade debtors	10,587,009	11,939,704	590,731	10,442
Less: Provision for doubtful debts	197,674	186,588	-	-
	10,389,335	11,753,116	590,731	10,442
Debtors retention	397,181	1,206,867	-	-
Less: Provision for doubtful debts	-	965,781	-	-
	397,181	241,086	-	-
Other debtors	1,186,789	516,907	35,193	-
Cash advanced	101,616	65,042	-	-
Receivable from non controlled entities	127,540	85,081	-	-
	229,156	150,123	-	-
	12,202,461	12,661,232	625,924	10,442

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Contract work in progress (amount due from customers for contract work)	965,498	200,592	-	-

Note 9. Current assets - Other

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Prepayments	763,565	304,913	8,828	-
Other current asset	51,131	90,009	-	-
	814,696	394,922	8,828	-

Note 10. Current assets - Current tax asset

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Income tax receivable	154,516	-	8,130	-
	154,516	-	8,130	-

Note 11. Non current assets - Receivables

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Receivable from director related parties	-	51,466	-	-
Receivable from wholly owned entities	-	-	86,617	1,689,258
	-	51,466	86,617	1,689,258

Further information relating to loans to related parties is set out in note 33.

Note 12. Non current assets - Other financial assets

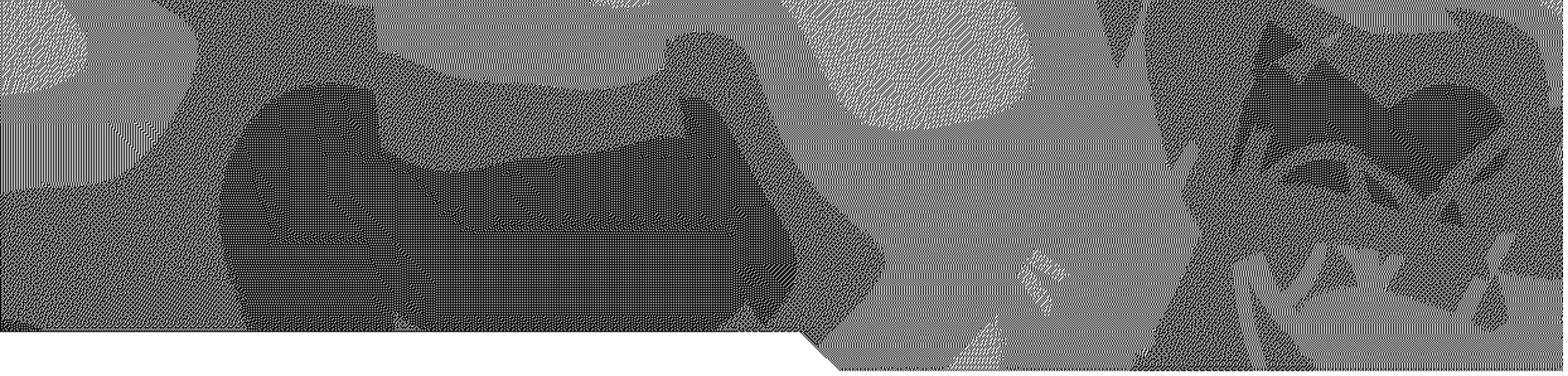
	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Investments traded on organised markets				
Shares in other listed corporations	139,937	139,937	-	-
Less: Provision for diminution	(19,937)	(63,937)	-	-
	120,000	76,000	-	-
Other (non traded) investments				
Shares in controlled entities - at cost (note 34)	-	-	11,650,089	8,525,638
Shares in other corporations - at cost	54,450	54,450	-	-
Less: Provision for diminution	(54,450)	(54,450)	-	-
Shares in associated corporations	1	1	-	-
Total non traded shares - at recoverable amount	1	1	11,650,089	8,525,638
	120,001	76,001	11,650,089	8,525,638

Traded shares in other corporations

The carrying amount of the investments is the market value of the shares at balance date.

Non traded shares in other corporations

Non traded shares in other corporations have been written down to their assessed recoverable amount being the expected proceeds from the sale of shares.



Note 13. Non current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Land & buildings				
Land & buildings				
At cost	2,306,436	2,291,386	2,306,436	2,291,386
Less: Accumulated depreciation	124,395	85,761	124,395	85,761
	2,182,041	2,205,625	2,182,041	2,205,625
Leasehold improvements				
At cost	171,214	82,769	-	-
Less: Accumulated amortisation	39,551	166	-	-
	131,663	82,603	-	-
Total land and buildings	2,313,704	2,288,228	2,182,041	2,205,625
Plant and equipment				
Leased assets				
At cost	610,166	465,554	36,602	-
Less: Accumulated depreciation	229,766	108,742	4,144	-
	380,400	356,812	32,458	-
Motor vehicles				
At cost	430,349	493,098	3,392	-
Less: Accumulated depreciation	246,507	245,901	369	-
	183,842	247,197	3,023	-
Furniture, fixtures & fittings				
At cost	2,950,025	2,136,115	49,445	33,820
Less: Accumulated depreciation	1,681,224	1,479,661	12,406	6,162
	1,268,801	656,454	37,039	27,658
Total plant and equipment	1,833,043	1,260,463	72,520	27,658
	4,146,747	3,548,691	2,254,561	2,233,283

Valuations of land and buildings

An independent valuation, which has not been recognised in the accounts was carried out by FPDSavills on 23 July 2004. The basis of valuation was fair market value based on estimated realisable value of the land and building in an open market.

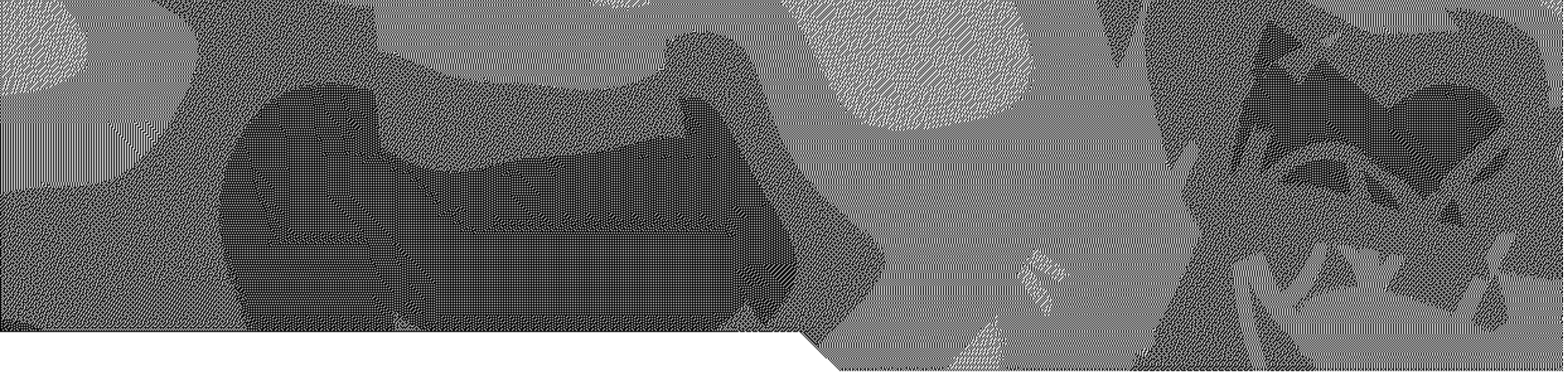
Note 13. Non current assets - Property, plant & equipment (continued)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Freehold land				
At independent valuation - July 2004	2,170,000	2,170,000	2,170,000	2,170,000

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Freehold land & buildings	Leasehold improvements	Leased plant & equipment	Motor Vehicles	Furniture fixtures & fittings	Total
	$	$	$	$	$	$
Consolidated						
Carrying amount at 1 July 2004	2,205,625	82,603	356,812	247,197	656,454	3,548,691
Additions	15,050	128,306	230,782	427	973,930	1,348,495
Disposals	-	(35,339)	-	(19,234)	(11,733)	(66,306)
Depreciation/amortisation expense (note 4(a))	(38,634)	(43,907)	(198,769)	(44,548)	(356,202)	(682,060)
Foreign currency exchange differences	-	-	47	-	(2,120)	(2,073)
Transfers in/(out)	-	-	(8,472)	-	8,472	-
Carrying amount at 30 June 2005	2,182,041	131,663	380,400	183,842	1,268,801	4,146,747
Consolidated						
Carrying amount at 1 July 2003	2,223,639	-	147,849	238,986	439,985	3,050,459
Additions	20,464	82,769	319,928	66,664	455,911	945,736
Disposals	-	-	(17,144)	(17,530)	(15,623)	(50,297)
Depreciation/amortisation expense (note 4(a))	(38,478)	(166)	(78,021)	(56,723)	(222,465)	(395,853)
Foreign currency exchange differences	-	-	-	-	(1,354)	(1,354)
Transfers in/(out)	-	-	(15,800)	15,800	-	-
Carrying amount at 30 June 2004	2,205,625	82,603	356,812	247,197	656,454	3,548,691



	Freehold land & buildings	Leasehold improvements	Leased plant & equipment	Motor Vehicles	Furniture fixtures & fittings	Total
	$	$	$	$	$	$
Parent entity						
Carrying amount at 1 July 2004	2,205,625	-	-	-	27,658	2,233,283
Additions	15,050	-	36,602	3,392	15,624	70,668
Depreciation/amortisation expense (note 4(a))	(38,634)	-	(4,144)	(369)	(6,243)	(49,390)
Carrying amount at 30 June 2005	2,182,041	-	32,458	3,023	37,039	2,254,561
Parent entity						
Carrying amount at 1 July 2003	2,223,639	-	-	-	32,067	2,255,706
Additions	20,464	-	-	-	-	20,464
Depreciation/amortisation expense (note 4(a))	(38,478)	-	-	-	(4,409)	(42,887)
Carrying amount at 30 June 2004	2,205,625	-	-	-	27,658	2,233,283

Note 14. Non current assets - Deferred tax assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Future income tax benefits - timing differences	972,146	828,220	24,006	2,163
	972,146	828,220	24,006	2,163

Note 15. Non current assets - Intangible assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Goodwill at cost	5,325,332	3,056,607	-	-
Less: accumulated amortisation	1,251,059	819,841	-	-
	4,074,273	2,236,766	-	-
Patents, trademarks & licences at cost	3,629	3,009	-	-
	4,077,902	2,239,775	-	-

Note 16. Current liabilities - Payables

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Trade creditors	2,707,872	2,807,402	3,116	13,249
Sundry creditors and accrued expenses	5,177,962	3,141,967	252,139	37,050
Revenues received in advance	720,373	569,367	-	-
Other payables Loans to directors	1,170	3,745	1,102	-
Goods and services tax (GST) payable	384,078	421,500	8,808	-
	8,991,455	6,943,981	265,165	50,299

Note 17. Current liabilities - Interest bearing liabilities

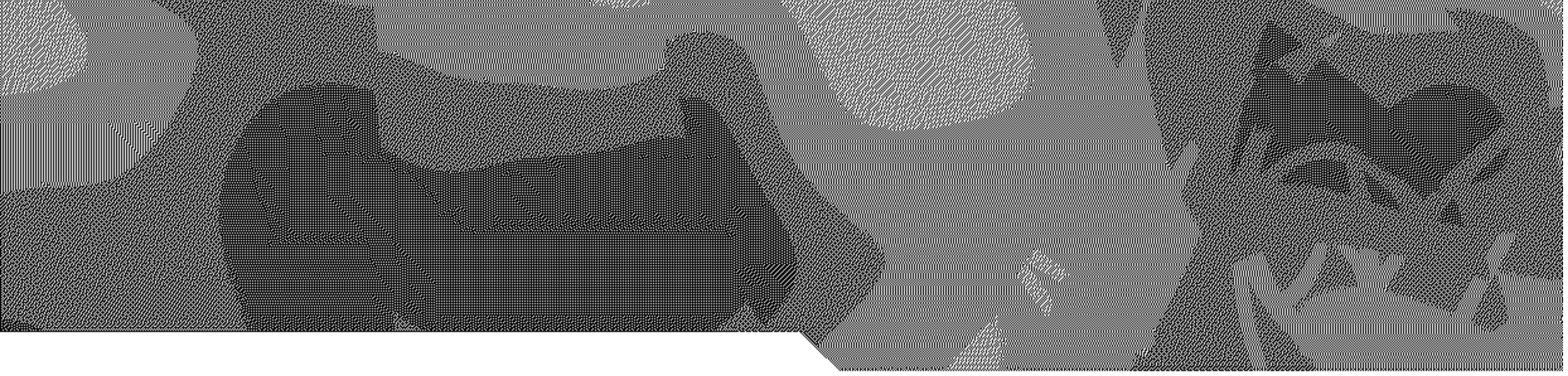
	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Secured				
Lease liability (note 31)	200,701	163,117	5,963	-
Hire purchase agreements (note 31)	133,125	71,012	-	-
	333,826	234,129	5,963	-
Unsecured				
Unsecured loan liability	366,230	239,693	-	-
	366,230	239,693	-	-
	700,056	473,822	5,963	-

Unsecured loan liability

The unsecured loan is for insurance premium funding purposes and is repayable over 10 months and bears interest at 9.25% per annum (2004 - 9.85%).

Note 18. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Provision for taxation	-	972,749	-	58,219
	-	972,749	-	58,219



Note 19. Current liabilities - Provisions

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Provision for long service leave (note 32)	766,284	373,148	112,843	-
	766,284	373,148	112,843	-

Note 20. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Secured				
Bank loans	1,407,466	1,407,466	1,407,466	1,407,466
Lease liability (note 31)	219,931	227,135	24,634	-
Hire purchase agreements (note 31)	263,839	144,456	-	-
Total secured non current interest bearing liabilities	1,891,236	1,779,057	1,432,100	1,407,466
Total non current interest bearing liabilities	1,891,236	1,779,057	1,432,100	1,407,466

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Secured liabilities				
Total secured liabilities (current and non current) are:				
Bank overdrafts and bank loans	1,407,466	1,407,466	1,407,466	1,407,466
Lease liabilities	420,632	390,252	30,597	-
Hire purchase agreements	396,964	215,468	-	-
Total secured liabilities	2,225,062	2,013,186	1,438,063	1,407,466

The bank loan is secured by a registered first mortgage over the freehold land and buildings of the company. The loan is interest only at a rate of 6.48% (2004 - 6.48%). The lease liabilities and hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Assets pledged as security

The carrying amounts of non current assets pledged as security are:

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
First mortgage				
Freehold land and buildings	2,182,041	2,205,625	2,182,041	2,205,625
Total assets pledged as security	2,182,041	2,205,625	2,182,041	2,205,625

Note 21. Non current liabilities - Deferred tax liabilities

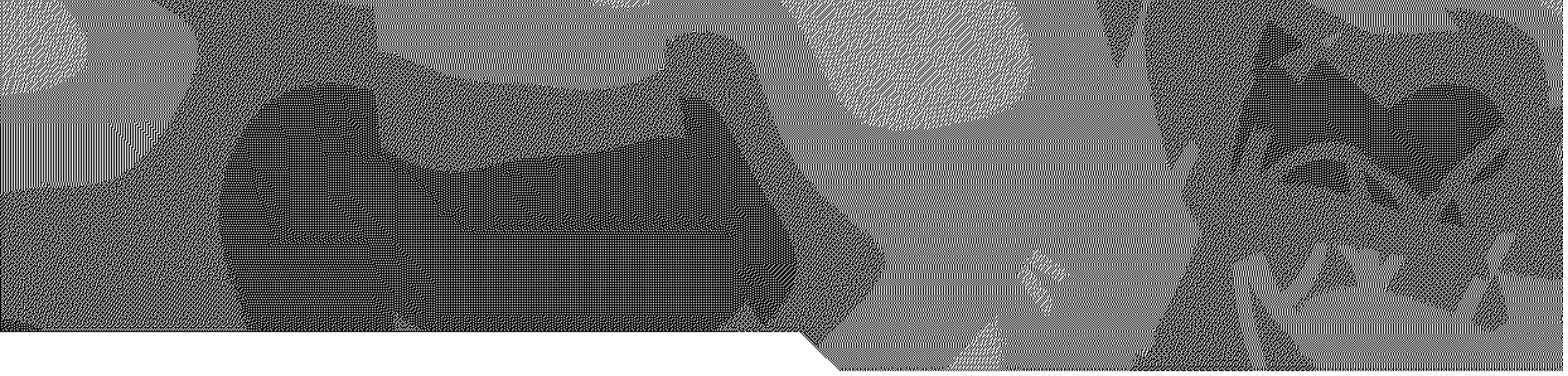
	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Provision for deferred income tax	317,851	391,224	13,158	2,118
	317,851	391,224	13,158	2,118

Note 22. Non current liabilities - Provisions

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Provision for long service leave (note 32)	245,095	241,466	18,903	-
	245,095	241,466	18,903	-

Note 23. Contributed equity

	Consolidated		Parent entity	
	2005	2004	2005	2004
	Shares	Shares	$	$
(a) Share capital				
Ordinary shares				
Issued and paid up capital	36,770,000	100,000	16,444,549	7,820,432
	36,770,000	100,000	16,444,549	7,820,432



Note 23. Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$
1 July 2003	Opening balance		100,000		7,820,432
30 June 2004	Balance		100,000		7,820,432
10 October 2004	Share Division (100000: 27615549)	(b)	(100,000)	$	-
10 October 2004	Share Division (100,000:27,615,549)	(b)	27,615,549	$	-
10 December 2004	Issue of shares - to purchase OEI's in Subsidiaries	(c)	3,124,451	$1.00	3,124,451
14 December 2004	Issue of shares - ASX listing	(d)	6,000,000	$1.00	6,000,000
8 April 2005	Exercise of 2004 options	(e)	30,000	$1.00	30,000
					16,974,883
	Less: Transaction costs arising on share - issues				530,334
30 June 2005	Balance		36,770,000		16,444,549

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Share Division

Share capital was divided on 10 October 2004 from 100,000 ordinary fully paid shares to 27,615,549 ordinary fully paid shares. No consideration was received for this division.

(c) Outside Equity Interest buy back

In order to acquire the interests of the minority shareholders in the shares of the subsidiaries, Lycopodium Limited issued 3,124,451 ordinary shares to minority shareholders as consideration for the acquisition of all the shares held by the minority shareholders in each of the subsidiaries.

(d) Official ASX Listing

Lycopodium Limited raised $6 million through the issue of six million ordinary shares at $1.00 as per Prospectus dated 8 November 2004. Shares were allotted on 14 December 2004 to successful applicants. Following the issue of the six million shares pursuant to the Offer, there were 36,740,000 fully paid ordinary shares in Lycopodium Limited. Shares issued under the Prospectus represented 16.33% of total issued capital following completion of the Offer. Shares offered under the Prospectus rank equally in all aspects with the Shares held previously.

(e) Options

Information relating to the Lycopodium Limited Staff Offer, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 32.

Note 24. Retained profits

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Retained profits at the beginning of the financial year	5,081,767	501,012	5,058,295	3,524,841
Net profit attributable to members of Lycopodium Limited	5,451,116	5,580,755	4,668,204	2,533,454
Dividends provided for or paid	(5,000,000)	(1,000,000)	(5,000,000)	(1,000,000)
Retained profits at the end of the financial year	5,532,883	5,081,767	4,726,499	5,058,295

Note 25. Outside equity interests in controlled entities

	Parent entity	
	2005	2004
	$	$
Interest in:		
Share capital	-	190,579
Retained profits	-	587,463
	-	778,042

Note 26. Dividends

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Ordinary shares				
Final fully franked dividend for the year ended 30 June 2004 of $40 (2003 - $10) per fully paid share paid on 25 Jan 2005 (2003 - 8 August 2003) franked at the tax rate of 30% (2004: 30%) (note 1(p))	4,000,000	1,000,000	4,000,000	1,000,000
Interim fully franked dividend for the year ended 30 June 2004 of $10 (2003 - nil) per fully paid share paid 13 July 2004 (2003 - nil) franked at the tax rate of 30% (2004: 30%)	1,000,000	-	1,000,000	-
Total dividends provided for or paid	5,000,000	1,000,000	5,000,000	1,000,000

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Dividends not recognised at year end				
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10.5 cents (2004 - $10) per fully paid ordinary share, franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 November 2005 (2004 - 13 July 2004) out of retained profits at 30 June 2005, but not recognised as a liability at year end. (Based on shareholdings at the date of this report) is:	3,903,900	1,000,000	3,903,900	1,000,000

Franked dividends

The franked portions of the dividends recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2003 - 30%)	5,031,885	6,331,076	412,015	1,772,083

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

Note 27. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Note 27. Financial instruments (continued)

2005	Notes	Weighted average interest rate %	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	More than 5 years $	Non interest bearing $	Total $
Financial assets								
Cash	6	8.22	2,622,318	-	-	-	22,506	2,644,824
Deposits - at call	6	3.61	8,790,618	-	-	-	-	8,790,618
Receivables	7,11		-	-	-	-	12,074,921	12,074,921
Receivables from related parties	7		-	-	-	-	127,540	127,540
Other financial assets - investments	12		-	-	-	-	120,001	120,001
Other Assets	9		-	-	-	-	51,131	51,131
			11,412,936	-	-	-	12,396,099	23,809,035
Financial liabilities								
Bank loans	17,20	6.45	-	-	1,407,466	-	-	1,407,466
Trade and sundry creditors	16		-	-	-	-	6,075,317	6,075,317
Payables from related parties	33		-	-	-	-	1,170	1,170
Other loans	17,20	8.32	-	366,230	-	-	-	366,230
Hire purchase liabilities	17,20	4.65	-	133,125	263,839	-	-	396,964
Lease liabilities	17,20	11.87	-	200,701	219,932	-	-	420,633
			-	700,056	1,891,237	-	6,076,487	8,667,780

Fixed interest maturing in:

2004	Notes	Weighted average interest rate %	Floating interest rate $	1 year or less $	Over 1 to 5 years $	More than 5 years $	Non interest bearing $	Total $
Financial assets								
Cash	6	4.21	2,921,817	-	-	-	-	2,921,817
Deposits at call	6	3.86	1,932,973	-	-	-	-	1,932,973
Receivables from related parties	7	3.82	51,466	-	-	-	85,081	136,547
Receivables	7,11		-	-	-	-	12,576,151	12,576,151
Other assets	9		-	-	-	-	90,009	90,009
Other financial assets - investments	12		-	-	-	-	76,000	76,000
			4,906,256	-	-	-	12,827,241	17,733,497
Financial liabilities								
Bank loans	17,20	6.47	-	-	1,407,466	-	-	1,407,466
Trade and sundry creditors	16		-	-	-	-	4,998,073	4,998,073
Payables from related parties	33		-	-	-	-	3,745	3,745
Other loans	17,20	4.27	-	239,693	-	-	-	239,693
Hire purchase liabilities	17,20	6.75	-	71,012	144,456	-	-	215,468
Lease liabilities	17,20	6.97	-	163,117	227,135	-	-	390,252
			-	473,822	1,779,057	-	5,001,818	7,254,697

(c) Net fair value of financial assets and liabilities

(i) On balance sheet

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

Financial assets where the carrying amounts exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date.

Note 28. Director and executive disclosures

(a) Directors

The following persons were directors of Lycopodium Limited during the financial year:

(i) *Executive directors*

Michael John Caratti BE (Elec) (Hons) Executive Chairman
Lawrence William Marshall CPA B.Bus (Acc) Managing Director
Rodney Llyod Leonard BE (Hons), MSc, MAusIMM Executive Director
Robert Jospeh Osmetti BE (Civ), MIEAust, CPEng Executive Director
Bruno Ruggiero BE (Mech), GradDip Min Sc, MIEAust, MAusIMM Executive Director

(b) Executives

The following persons were the seven executives with the greatest authority for the strategic direction and management of the consolidated entity (specified executives) during the financial year:

Name	Position	Employer
Peter De Leo	Project Director	Lycopodium Engineering Pty Ltd
Doug Rogers	Manager of Process	Lycopodium Engineering Pty Ltd
David Taylor	Manager of Engineering	Lycopodium Engineering Pty Ltd
Clive Catlow	Managing Director	Process Design & Fabrication Pty Ltd
Glenn Robertson	Operations Manager	Process Design & Fabrication Pty Ltd
Bernard Siddall	Managing Director	Orway Mineral Consultants Pty Ltd
Keith Bakker	Chief Financial Officer	Lycopodium Limited

All of the above persons were also specified executives during the year ended 30 June 2004.

(c) Remuneration of directors and executives

(i) *Principles used to determine the nature and amount of remuneration*

The objective of Lycopodium's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The framework provides a mix of fixed and variable remuneration.

(ii) *Non executive directors*

There are no non executive directors presently serving on the Board.

(iii) *Directors' fees*

No directors' fees were payable for the year ended 30 June 2005.

(iv) *Executive remuneration*

The executive remuneration and reward framework has two components:

- fixed amount remuneration, including superannuation; and
- equity

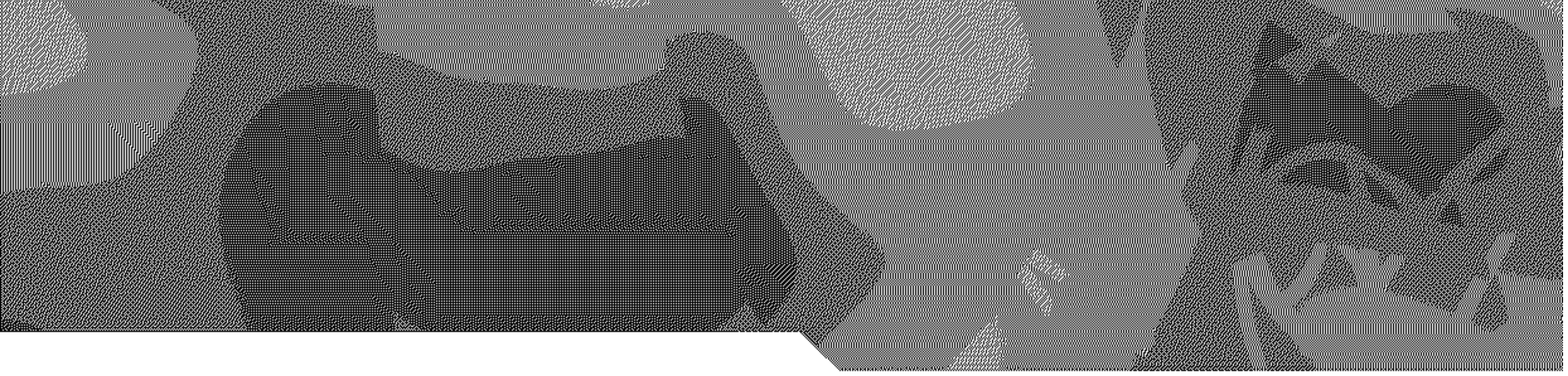
The combination of these comprises the executive's total remuneration.

(v) *Fixed annual remuneration*

Fixed annual remuneration is structured as a total employment cost package which is delivered as a combination of salary and prescribed non financial benefits partly at the executive's discretion. Fixed annual remuneration is reviewed annually to ensure the executive's remuneration is competitive with the market. An executive's remuneration is also reviewed on promotion.

(vi) *Equity*

Options to acquire shares in Lycopodium Limited were offered to certain staff members in the Prospectus dated 8 November 2004. These options are exercisable at $1.00 per share on or before 31 December 2007.



(d) Details of remuneration

Details of the remuneration of each director of Lycopodium Limited and each of the seven specified executives of the consolidated entity, including their personally related entities, are set out in the following tables.

(i) Directors of Lycopodium Limited

2005	Primary		Post employment	
Name	Cash salary and fees	Non-monetary benefits	Super-annuation	Total
	$	$	$	$
Michael John Caratti	184,051	10,294	73,747	268,092
Lawrence William Marshall	236,283	20,001	12,229	268,513
Rodney Lloyd Leonard	240,364	26,701	12,644	279,709
Robert Jospeh Osmetti	258,038	28,456	12,229	298,723
Bruno Ruggiero	227,381	33,026	12,229	272,636
Total	1,146,117	118,478	123,078	1,387,673

Total remuneration of specified executives for the year ended 30 June 2005 is set out below.

(ii) Specified executives of the consolidated entity

2005	Primary		Post employment	Equity	
Name	Cash salary and fees	Non-monetary benefits	Super-annuation	Options	Total
	$	$	$	$	$
Peter De Leo	245,253	39,720	11,585	110,250	406,808
Doug Rogers	196,956	989	11,585	6,300	215,830
David Taylor	186,556	35,336	11,674	6,300	239,866
Clive Catlow	127,401	20,784	11,466	6,300	165,951
Glenn Robertson	146,328	-	11,585	6,300	164,213
Bernard Siddall	69,724	19,448	24,381	6,300	119,853
Keith Bakker	117,341	39,242	11,117	6,300	174,000
Total	1,089,559	155,519	93,393	148,050	1,486,521

(iii) Service agreements

Remuneration and other terms of employment for the directors and the specified executives are formalised in employment contracts. Each contract deals with fixed annual remuneration. Other major provisions of the agreements relating to remuneration are set out below.

Note 28. Director and executive disclosures (continued)

All employment contracts with directors and executives require one month's notice of termination. None of the directors or executives are provided with termination benefits.

Mick Caratti — *Chairman*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Laurie Marshall — *Managing Director*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Rod Leonard — *Executive Director*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Bob Osmetti — *Executive Director*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Bruno Ruggiero — *Executive Director*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

Peter De Leo — *Project Director - Lycopodium Engineering*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $260,000, to be reviewed by the Remuneration Committee annually from 1 July.

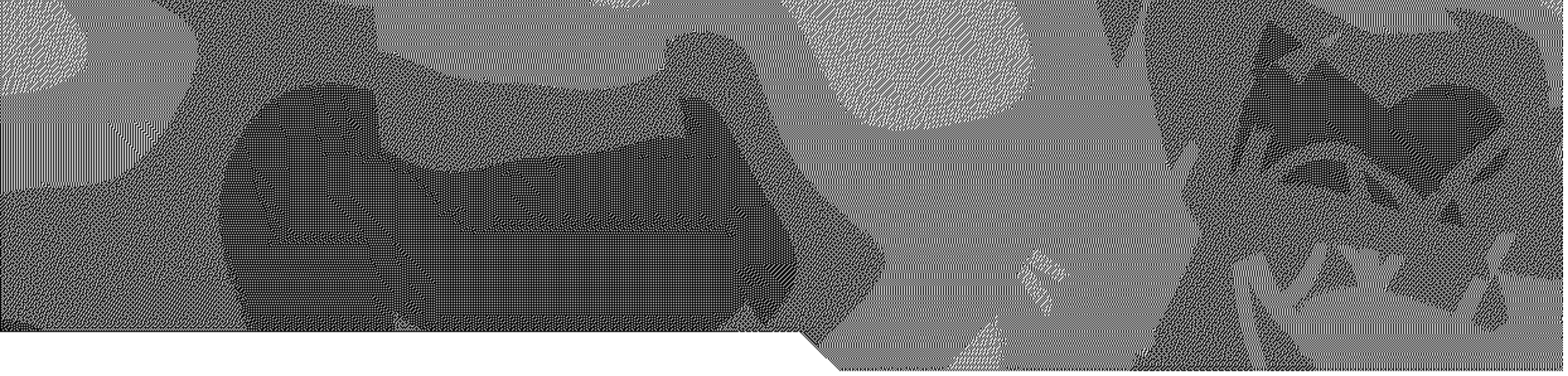
Doug Rogers — *Manager of Process - Lycopodium Engineering*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $178,500, was reviewed per company policy on the 1 December 2004 to $230,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

David Taylor — *Manager of Engineering - Lycopodium Engineering*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $204,000, was reviewed per company policy on the 1 December 2004 to $230,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Clive Catlow — *Managing Director - Process Design Fabrication*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $145,200, was reviewed per company policy on the 1 December 2004 to $167,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Glenn Robertson — *Operations Manager - Process Design Fabrication*
- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $145,200, was reviewed per company policy on the 1 December 2004 to $167,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Bernard Siddall — *Managing Director - Orway Mineral Consultants*
- The contract is for a period of 5 years commencing 1 July 2000. From 1 July 2005 he will be retained on a casual basis.
- Annual remuneration, inclusive of superannuation, for the year ended 30 June 2005 of $113,553.



Keith Bakker — *Chief Financial Officer*

- The Contract has no fixed term
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2004 of $155,000, was reviewed per company policy on the 1 December 2004 to $170,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

(iv) Share-based compensation - options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
14 Dec 2004	31 Dec 2007	$1.00	$0.315	14 Dec 2004

Options are granted under the plan for no consideration. Options are granted for a three year period and are exercisable until 31 December 2007.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of each option is $1.00.

(e) Equity instrument disclosures relating to directors and executives

(i) Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Lycopodium Limited and each of the seven specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Lycopodium Limited. Further information on the options is set out in note 32.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Lycopodium Limited		
Nil		
Specified executives of the consolidated entity		
Peter De Leo	350,000	350,000
Doug Rogers	20,000	20,000
David Taylor	20,000	20,000
Clive Catlow	20,000	20,000
Glenn Robertson	20,000	20,000
Bernard Siddall	20,000	20,000
Keith Bakker	20,000	20,000

No options were exercised by specified executives during the year ended 30 June 2005.

The amounts disclosed for executive emoluments relating to options are the assessed fair values at grant date and are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Note 28. Director and executive disclosures (continued)

The specific model inputs for options granted during the year ended 30 June 2005 included:

(a) exercise price: $1.00
(b) grant date: 14 December 2004
(c) expiry date: 31 December 2007
(d) share price at grant date: $1.00
(e) expected price volatility of the company's shares: 52%
(f) expected dividend yield: 8.2%
(g) risk free interest rate: 5.56%

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Lycopodium Limited and each of the seven specified executives of the consolidated entity, including their personally related entities, are set out below.

Name			Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Lycopodium Limited						
Nil	-	-	-	-	-	-
Specified executives of the consolidated entity						
Peter De Leo	-	350,000	-	-	350,000	350,000
Doug Rogers	-	20,000	-	-	20,000	20,000
David Taylor	-	20,000	-	-	20,000	20,000
Clive Catlow	-	20,000	-	-	20,000	20,000
Glenn Robertson	-	20,000	-	-	20,000	20,000
Bernard Siddall	-	20,000	-	-	20,000	20,000
Keith Bakker	-	20,000	-	-	20,000	20,000

No options are vested and unexercisable at the end of the year

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Lycopodium Limited and each of the seven specified executives of the consolidated entity, including their personally related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Lycopodium Limited				
Ordinary shares				
Michael John Carratti	40,000	-	11,006,221	11,046,221
Lawrence William Marshall	15,000	-	4,127,332	4,142,332
Rodney Lloyd Leonard	15,000	-	4,127,332	4,142,332
Robert Jospeh Osmetti	15,000	-	4,127,332	4,142,332
Bruno Ruggiero	15,000	-	4,157,332	4,172,332

(e) Equity instrument disclosures relating to directors and executives (continued)

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Specified executives of the consolidated entity				
Ordinary shares				
Peter De Leo	-	-	901,621	901,621
Doug Rogers	-	-	308,108	308,108
David Taylor	-	-	330,000	330,000
Clive Catlow	-	-	369,997	369,997
Glenn Robertson	-	-	369,997	369,997
Keith Bakker	-	-	225,405	225,405

(f) Loans to directors and executives

Details of loans made to a specified executive of the consolidated entity, are set out below.

(i) Aggregates for directors and specified executives

2005

Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
	$	$	$	$	$
Specified executives of the consolidated entity	51,466	1,459	-	-	-

2004

Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
	$	$	$	$	$
Specified executives of the consolidated entity	49,500	1,966	-	51,466	1

The highest amount of the loan during the year ended 2005 was $52,925 (2004 - $51,466).

The unsecured loan to P & T De Leo atf De Leo Family Trust, a related entity of Peter De Leo who is a director of a controlled entity Lycopodium Engineering Pty Ltd, was provided for a period of two years and was repaid in full on 28 November 2004. The loan bore interest at the prevailing Fringe Benefits Tax statutory interest rate of 7.05%. Interest was calculated monthly on the outstanding principal.

Note 29. Remuneration of auditors

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:				
Assurance services				
Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	86,000	48,620	86,000	13,620
Fees paid to PricewaterhouseCoopers Ghanaian firm for the audit or review of financial reports of Lycopodium Ghana Limited	-	7,447	-	-
Fees paid to William Buck for the audit or review of financial reports of Process Design and Fabrication	40,410	22,500	-	-
Total remuneration for audit services	126,410	78,567	86,000	13,620
Taxation services				
Fees paid to PricewaterhouseCoopers:				
Tax compliance services, including review of company income tax returns	83,614	51,178	14,700	3,000
Fees paid to William Buck	13,300	2,800	-	-
Total remuneration for taxation services	96,914	53,978	14,700	3,000
Advisory services				
Fees paid to PricewaterhouseCoopers	28,895	-	21,793	16,450
Fees paid to William Buck	6,340	14,795	30,000	-
Total remuneration for advisory services	35,235	14,795	51,793	16,450

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important.

Note 30. Contingent liabilities and contingent assets

Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2005 in respect of:

Claims

Two claims exist in respect of unfair preference and have been advised by the liquidators of two separate clients. The amounts in dispute are $361,135 and $18,576 respectively. The company has disclaimed liability on both counts and will defend any actions bought against it arising from these claims.

A claim for damages against the company in relation to project management services has been lodged. Liability is limited to the $150,000 excess payable under the company's insurance cover, of which the company has already contributed and incurred $77,502 up to balance date, and a further $7,418 by the date of this report

Guarantees

Guarantees are given in respect of a rental bond for $200,000 (2004 - $200,000) and a contract maintenance bond for $46,300 (2004 - $144,265), secured by cash held on deposit by St George Bank.

These guarantees may give rise to liabilities in the event that the company defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth or fails to provide professional services during the defects liability period of a particular contract.

Insurance Bonds

Insurance bonds are given in respect of contracts amounting to $330,486 (2004 - $52,897), secured by deed of indemnity and guarantee provided by Lycopodium Ltd, Lycopodium Engineering Pty Ltd, Process Design and Fabrication Pty Ltd, Lycopodium (Ghana) Pty Ltd and Lycopodium (Tanzania) Ltd.

These insurance bonds may give rise to liabilities in the event the company fails to provide professional services to rectify defects during the performance and maintenance phases of certain contracts subject to these guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 31. Commitments for expenditure

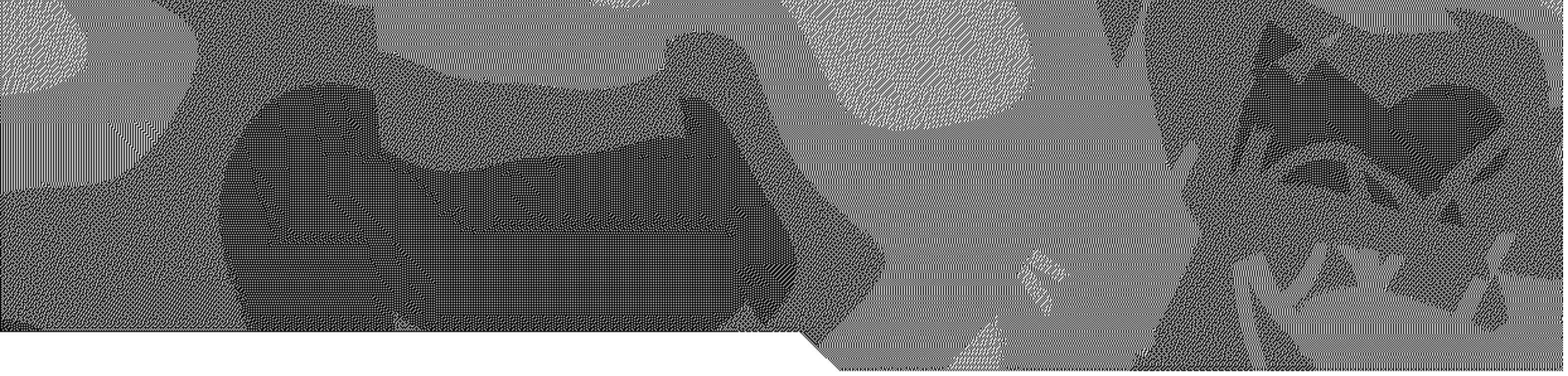
	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Operating leases				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,746,329	878,858	-	-
Later than one year but not later than 5 years	2,615,818	2,869,214	-	-
	4,362,147	3,748,072	-	-
Representing:				
Cancellable operating leases	361,939	101,278	-	-
Non cancellable operating leases	4,000,208	3,646,794	-	-
	4,362,147	3,748,072	-	-

Note 31. Commitments for expenditure (continued)

The property under operating lease by Lycopodium Engineering Pty Ltd is a non cancellable lease with a 43 month term ending 31 January 2008, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. No option exists to renew the lease at the end of the 43 month term. The lease allows for sub letting of all lease areas, subject tot he consent of the sub lessor.
The property under operating lease by Process Design and Fabrication Pty Ltd can be cancelled by either party after giving appropriate notice. An option exists to renew the lease annually, with rent payable monthly in advance.

The property under operating lease by Lycopodium (Ghana) Pty Ltd is a non cancellable lease with a 24 month term ending 30 September 2005, with rent payable 1 year in advance. An option exists to renew the lease for another 1 year at the end of the 24 month term.

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	359,621	284,990	8,214	-
Later than one year but not later than 5 years	554,727	407,659	26,741	-
Minimum lease payments	914,348	692,649	34,955	-
Less: Future finance charges	96,752	86,929	4,358	-
Recognised as a liability	817,596	605,720	30,597	-
Total lease liabilities	817,596	605,720	30,597	-
Representing lease liabilities:				
Current (note 17)	333,826	234,129	5,963	-
Non current (note 20)	483,770	371,591	24,634	-
	817,597	605,720	30,597	-



Note 32. Employee benefits

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Employee benefit and related on costs liabilities				
Included in other creditors - current (note 16)	2,779,630	1,879,869	124,720	-
Provision for employee entitlements - current (note 19)	766,284	373,148	112,843	-
Provision for employee entitlements - non current (note 22)	245,095	241,466	18,903	-
Aggregate employee benefit and related on costs liabilities	3,791,008	2,494,483	256,465	-

	Number		Number	
	2005	2004	2005	2004
Employee numbers				
Average number of employees during the financial year	301	202	2	-

Options

On the 14 December 2004 Lycopodium Limited issued 1,100,000 Options to Staff ('Staff Offer'). Options were granted under the plan for no consideration and are exercisable for $1.00 per share prior to 31 December 2007. The Staff Offer was made at the discretion of the directors, though none were granted to directors.

Options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options granted under the plan and still outstanding at the beginning and/or the end of the financial year.

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at the end of the year Number
Consolidated and parent entity - 2005							
14 December 2004	31 December 2007	$1.00	-	1,100,000	30,000	-	1,070,000

Options exercised during the financial year and number of shares issued to employees on the exercise of options

		Consolidated		Parent entity	
Exercise date	Fair value of shares at issue date	2005 Number	2004 Number	2005 Number	2004 Number
8 April 2005	$1.68	30,000	-	30,000	-

Note 32. Employee benefits (continued)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.				
Options vested at the reporting date	30,000	-	30,000	-
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	30,000	-	30,000	-
Fair value of shares issued to employees on the exercise of options as at their issue date	50,400	-	50,400	-

Note 33. Related parties

Directors

The names of persons who were directors of Lycopodium Limited at any time during the financial year are as follows:

Michael John Caratti
Lawrence William Marshall
Rodney Lloyd Leonard
Robert John Osmetti
Bruno Ruggiero

All of these persons were also directors during the year ended 30 June 2004.

Remuneration benefits

Information on remuneration of directors is disclosed in note 28.

Loans to directors and director related entities

Loans to directors of entities in the consolidated entity and their director related entities disclosed in notes 7 and 11 comprise:

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Unsecured loans	-	51,466	-	-
Loans advanced:				
Unsecured loan to P & T De Leo atf De Leo Family Trust	-	49,500	-	-
Loan repayments received:				
Unsecured loan from P & T De Leo atf De Leo Family Trust	52,925	-	-	-
Unsecured loan from Lycopodium Insurance Trust	-	-	-	58
Interest received:				
Interest revenue on loans to director related entities included in the determination of profit from ordinary activities before income tax	1,459	1,966	-	-

The unsecured loan to P & T De Leo atf De Leo Family Trust, a related entity of Peter De Leo who is a director of a controlled entity Lycopodium Engineering Pty Ltd, was provided for a period of two years and was repaid in full on 28 November 2004. The loan incurred interest at the prevailing Fringe Benefits Tax statutory interest rate of 7.05%. Interest was calculated monthly on the outstanding principal.

Wholly owned group

The wholly owned group consists of Lycopodium Limited and its wholly owned controlled entities, Lycopodium Engineering Pty Ltd, Process Design and Fabrication Pty Ltd, and Orway Mineral Consultants (WA) Pty Ltd. Ownership interests in these controlled entities are set out in note 34.

Transactions between Lycopodium Limited and other entities in the wholly owned group during the years ended 30 June 2005 and 2004 consisted of:

(a) loans advanced by Lycopodium Limited
(b) loans repaid to Lycopodium Limited
(c) the payment of interest on the above loans
(d) the payment of dividends to Lycopodium Limited
(e) sale and purchase transactions between Lycopodium Limited and its controlled entities under the normal course of business

The above transactions between related parties were on normal commercial terms and conditions no more favourable than those otherwise available to other parties, except that there is a 10 year fixed term for the repayment of principal on the non interest bearing loans advanced by Lycopodium Limited at balance date.

	Parent entity	
	2005	2004
	$	$
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:		
Contract revenue	79,923	-
Interest revenue	27,572	138,286
Dividend revenue	4,733,842	769,200
Rental revenue	-	440,400
Management fee revenue	536,465	-
Contractors expense	7,794	100,189
Rent and outgoings expense	-	518
Aggregate amounts receivable from/payable to entities in the wholly owned group at balance date:		
Current receivables - loans	86,617	1,689,258
Current receivables - trade debtors	574,456	10,442
Current payables - trade creditors	3,082	6,498

Aggregate amounts brought to account in relation to other transactions with wholly owned groups:

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Loans advanced to Controlled entities	-	-	-	100,000
Loan repayments from Controlled entities	-	-	1,602,641	1,747,988

Transactions relating to dividends, were on the same terms and conditions that applied to other shareholders. Other transactions were made on normal commercial terms and conditions and at market rates, except that there is a 10 year fixed term for the repayment of the non interest bearing loans between the parties.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) controlled entities - note 34
(b) associates - note 35

Note 34. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding 2005 %	Equity holding 2004 %	Cost of parent entity's investment 2005 $	Cost of parent entity's investment 2004 $
Lycopodium Engineering Pty Ltd	Australia	Ordinary	100.00	90.09	10,079,889	7,820,432
Orway Mineral Consultants (WA) Pty Ltd	Australia	Ordinary	100.00	75.00	313,625	188,625
Process Design and Fabrication Pty Ltd	Australia	Ordinary	100.00	88.89	1,256,575	516,581
					11,650,089	8,525,638

Subsidiaries of Lycopodium Engineering Pty Ltd comprise:	Country of incorporation	Class of shares	Equity holding 2005 %	Equity holding 2004 %	Cost of subsidiary entity's investment 2005 $	Cost of subsidiary entity's investment 2004 $
Lycopodium (Ghana) Pty Ltd	Australia	Ordinary	100.00	100.00	63,341	63,341
Lycopodium (Ghana) Limited	Ghana	Ordinary	100.00	100.00	–	–
Lycopodium Tanzania Limited	Tanzania	Ordinary	100.00	100.00	5	5
					63,346	63,346

Acquisition of outside equity interest in controlled entities

On 10 December 2004 the parent entity acquired 9.91% of the issued share capital of Lycopodium Engineering Pty Ltd, acquired 25% of the issued share capital of Orway Mineral Consultants Pty Ltd and acquired 11.11% of the issued share capital of Process Design and Fabrication Pty Ltd for $3,124,451. These amounts represented the outside equity interests in each of the subsidiary's who were already under control of the parent entity prior to this date. The operating results of these controlled entities had already been included in the statements of financial performance.

Note 35. Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associates is set out below.

Name of company	Principal activity	Ownership interest 2005 %	Ownership interest 2004 %	Consolidated carrying amount 2005 $	Consolidated carrying amount 2004 $	Parent entity carrying amount 2005 $	Parent entity carrying amount 2004 $
Other (non traded) MLH Management Pty Ltd	Project Administration	33.33	33.33	1	1	-	-
				1	1	-	-

Note 35. Investments in associates (continued)

	Consolidated 2005 $	Consolidated 2004 $
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	1	1
Carrying amount at the end of the financial year	1	1
Results attributable to associates		
Profits/(losses) from ordinary activities before income tax	29,722	(55,218)
Income tax expense (benefit)	15,510	(15,318)
Profits/(losses) from ordinary activities after income tax	14,212	(39,900)
Accumulated losses attributable to associates at the beginning of the financial year	(42,843)	(2,943)
Accumulated losses attributable to associates at the end of the financial year	(28,631)	(42,843)
Summary of the performance and financial position of associates		
The aggregate profits, assets and liabilities of associates are:		
Profits/(losses) from ordinary activities after income tax expense	42,636	(119,701)
Assets	543,431	424,228
Liabilities	629,323	552,756

There are no contingent liabilities relating to associates.

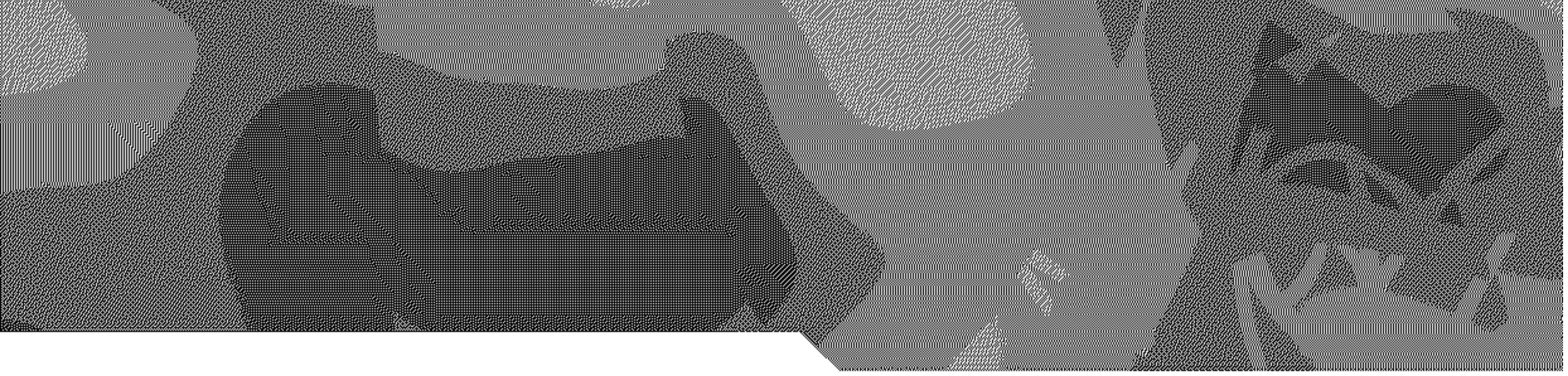
Note 36. Events occurring after reporting date

With the exception of the 10.5 cents per share dividend declared on 1 September 2005, which is payable on 15 November 2005, there is no matter or circumstance that has arisen since 30 June 2005, that has subsequently affected, or may significantly affect:

(a) the company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the company's state of affairs in the future financial periods.



Note 37. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Profit from ordinary activities after income tax	5,676,916	5,785,189	4,668,204	2,533,454
Depreciation and amortisation	1,113,278	701,514	49,390	42,887
Net (gain) loss on disposal of property, plant and equipment	41,842	9,091	-	-
Non cash operating expenses	42,607	84,801	-	5,905
Net exchange differences	163	8,957	-	-
	6,874,806	6,589,552	4,717,594	2,582,246
Decrease (increase) in trade debtors and bills of exchange	1,207,686	(4,691,797)	(580,289)	118,795
Decrease (increase) in inventories	(764,906)	35,223	-	-
Decrease (increase) in future income tax benefit	(143,926)	(439,087)	(21,843)	(2,163)
Decrease (increase) in other operating assets	(1,193,752)	(426,430)	(44,021)	1,717
Increase (decrease) in trade creditors	(99,528)	654,329	(10,133)	30,698
Increase (decrease) in other operating liabilities	2,149,579	120,784	223,897	(860)
Increase (decrease) in provision for income taxes payable	(1,127,265)	508,834	(66,349)	(30,785)
Increase (decrease) in provision for deferred income tax	(73,373)	287,269	11,040	1,262
Increase (decrease) in other provisions	396,764	152,397	131,746	(1,613,500)
Net cash inflow from operating activities	7,226,085	2,791,074	4,361,642	1,087,410

Note 38. Non cash financing and investing activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Acquisition of plant and equipment by means of finance leases	513,597	399,515	33,861	-
Share issue during the year ended 30 June 2005:				
Lycopodium Limited issued ordinary shares during the year in consideration for the acquisition of outside equity interests. (2004 - Lycopodium Engineering Pty Ltd issued one ordinary share during the year at $55,000, with 90% of the issue price funded by way of an interest bearing loan receivable issued to the shareholder).	3,124,451	49,500	3,124,451	-
Loan Facilities	1,400,000	1,400,000	1,400,000	1,400,000

The $1,400,000 loan facility expired on 4 July 2005. The amount has been transferred to a fixed bill for the amount of $1,400,000. The interest rates are fixed at the rate of 7.46% (2004 - 6.48%). The bill expires on the 4 July 2007. There are no borrowing nor financial ratio requirements for the parent and the consolidated entity attached to the facility.

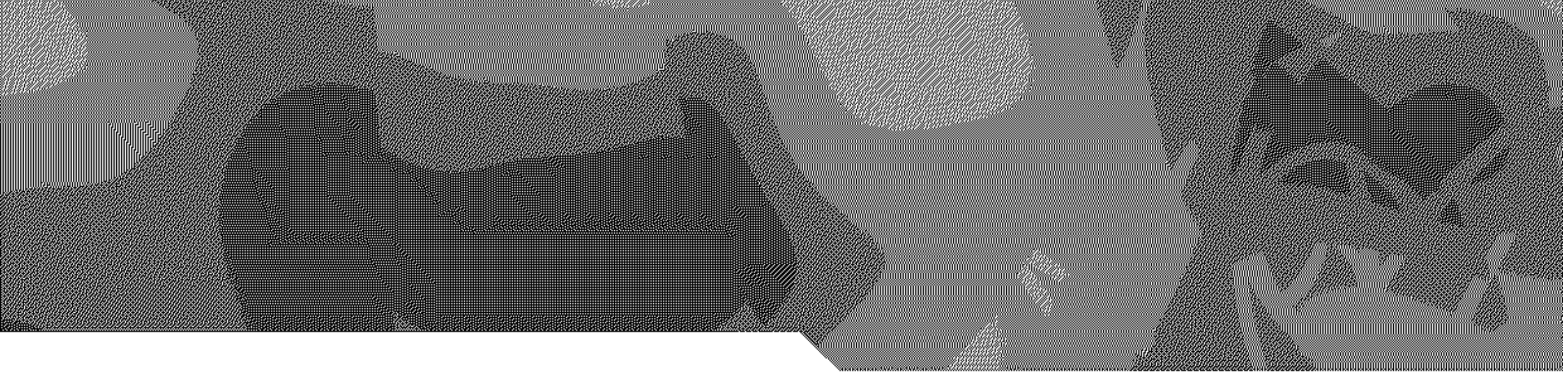
No amount of the above loan facility remains unused at balance date.

Note 39. Earnings per share

	Consolidated	
	2005	2004
	Cents	Cents
Basic earnings per share	16.7	20.2
Diluted earnings per share	16.6	20.2
Alternative basic earnings per share	17.4	20.9
Alternative diluted earnings per share	17.3	20.9

The alternative basic and diluted earnings per share amounts have been calculated to exclude the impact of the net profit attributable to the outside equity interest in the statement of financial performance.

	Consolidated	
	2005	2004
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	32,639,379	27,615,549
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	32,860,103	27,615,549



	Consolidated	
	2005	2004
	Cents	Cents
Reconciliations of earnings used in calculating earnings per share		
Basic and alternative basic earnings per share		
Net profit	5,676,916	5,785,189
Net profit attributable to outside equity interest	(225,800)	(204,434)
Earnings used in calculating basic earnings per share	5,451,116	5,580,755
Net profit attributable to outside equity interest	225,800	204,434
Earnings used in calculating alternative basic earnings per share	5,676,916	5,785,189
Diluted and alternative diluted earnings per share		
Net profit	5,676,916	5,785,189
Net profit attributable to outside equity interest	(225,800)	(204,434)
Earnings used in calculating diluted earnings per share	5,451,116	5,580,755
Net profit attributable to outside equity interest	225,800	204,434
Earnings used in calculating alternative diluted earnings per share	5,676,916	5,785,189

Information concerning the classification of securities

(a) Options

Options granted to employees under the Lycopodium Limited Staff Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 32.

Note 40. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained profits as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports quarterly to the audit committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule.

Note 40. Impacts of adopting Australian equivalents to IFRS (continued)

The project team has identified the key accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are discussed below, outlining the numeric differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on managements best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may require adjustment.

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax effected if they are included in the determination of pre tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Arising from recognition of tax losses and timing differences not previously tax effected, the initial adoption of AASB 112 is expected to increase opening consolidated retained earnings by approximately $550,000 with a corresponding increase in deferred tax assets as at the date of transition. The consolidated tax expense for the year ended 30 June 2005 will increase by approximately $519,000 with an equivalent decrease in the deferred tax asset due to the reversal of the deferred tax asset on the tax losses and timing differences not previously booked.

In addition, the tax effect of transaction costs on raising capital would have been recognised directly in equity, resulting in an increase in tax expense and an increase in contributed equity of approximately $159,000 in the consolidated entity's financial statements for the year ended 30 June 2005.

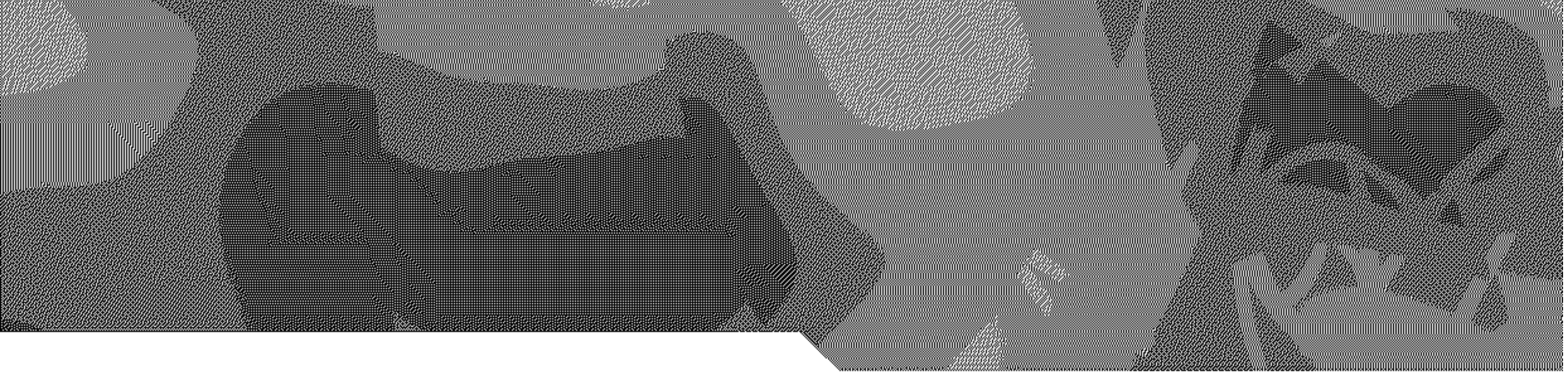
Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

(b) Investment properties

Under AASB 140 *Investment Property*, investment properties can be measured using either the fair value model or the cost model.

The cost model used must be the same as that used in AASB 116 *Property, Plant and Equipment* which measures the property after initial measurement at depreciated cost (less any accumulated impairment losses) under the cost model. Under the cost mode the fair value of the investment property must be disclosed in the accounts. Lycopodium Limited opts to use the cost model as opposed to using the fair value model when accounting for investment properties under AIFRS.

This accounting policy change will not impact on consolidated retained profits at 30 June 2005, but has the capacity to impact on future years where impairment of investment properties may occur.



(c) Intangible assets - goodwill

Under AASB 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period of 10 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, the carrying amount of consolidated goodwill at 30 June 2005 would have been $431,218 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been $431,218 lower. There would have been no impact on the parent entity's financial statements.

The analysis of the impact on goodwill as a result of applying AASB 127 Consolidated and Separate Financial Statements is yet to be finalised.

(d) Equity based compensation benefits

Under AASB 2 *Share based Payment*, Share based compensation forms part of the remuneration of employees of the economic entity (including executives) as disclosed in the notes to the financial statements. The economic entity does not recognise an expense for any share based compensation granted under Australian Generally Accepted Accounting Principles. Under AASB 2: Share Based Payment the economic entity will be required to recognise an expense for such share based compensation. Share based compensation is measured at the fair value of the equity instrument determined at grant date and recognised over the expected vesting period.

AASB 1 states that on initial adoption of AIFRS an entity is encouraged, but not required, to apply AASB 2 Share Based Payment to equity instruments that were granted on or before 7 November 2002. A first time adopter is also encouraged, but not required, to apply AASB 2 to equity instruments that were granted after 7 November 2002 that vested before the later of (a) the date of transition to Australian equivalents to IFRS and (b) 1 January 2005. This guidance has been used in determining the share based payments recognised in the financial statements.

Lycopodium Limited granted 1,100,000 options on 14 December 2004 and due to the fact that these options were granted and vested prior to 1 January 2005, have opted for non application of AASB 2 pursuant to paragraph 25B of AASB 1. Accordingly, for the financial year ended 30 June 2005, employee benefits expense and contributed equity are impacted by AIFRS.

(e) Non Current investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into one of four categories, which determine the accounting treatment of the asset. The categories and related accounting treatments are:

- held to maturity, measured at amortised cost
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss
- loans and receivables, measured at amortised cost
- available for sale, measured at fair value with unrealised gains or losses taken to equity.

The consolidated entity's and the parent entity's financial assets include loans and receivables. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of loans and receivables at amortised cost differs to current accounting policy which measures such assets at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value. Under AASB 139 loans and receivables are subject to regular impairment testing. The impact of the changes is not expected to be material.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The consolidated entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 year.

Note 40. Impacts of adopting Australian equivalents to IFRS (continued)

(f) Impairment of assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The consolidated entity is testing all assets for impairment at 1 July 2004 and 30 June 2005. The impact of the change as a result of AASB 136 is yet to be finalised.

(g) Revenue disclosures in relation to the sale of non current assets

Under AIFRS, the revenue recognised in relation to the sale of non current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference under AIFRS is nil.

Lycopodium Limited
Director's Declaration 30 June 2005

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 90 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

L. W. Marshall
Director

Perth
30 September 2005

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Lycopodium Limited

Audit opinion

In our opinion the financial report of Lycopodium Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Lycopodium Limited and the Lycopodium Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date,
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001* and

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Lycopodium Limited (the company) and the Lycopodium Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

PRICEWATERHOUSECOOPERS

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S.T. Maher

S T Maher
Partner

Perth
30 September 2005

Lycopodium Limited
Additional Shareholder Information

1. Substantial Shareholders

	Number of Shares
Reesh Pty Ltd	11,046,221
Luala Pty Ltd	4,172,332
Accede Pty Ltd	4,142,332
Caddy Fox Pty Ltd	4,142,332
Selso Pty Ltd	4,142,332

2. Voting Rights

All ordinary shares carry one vote per share without restriction

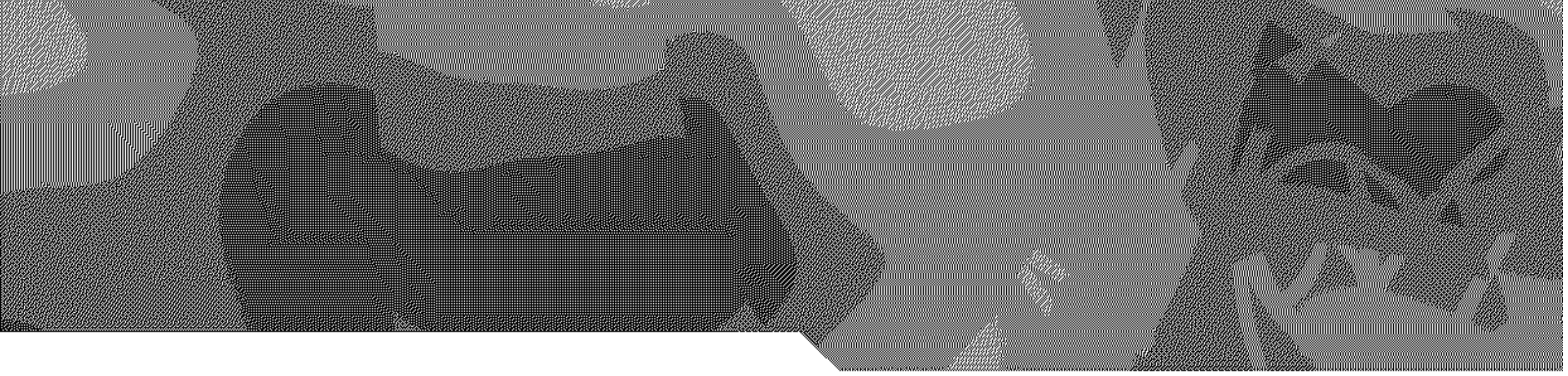
3. Distribution of Shareholders

The number of shareholders, by size of holding, as at 27 September 2005 was:

Ordinary Shares

	Number of Holders	Number of Shares
1 - 1,000	21	15,185
1,001 - 5,000	243	787,361
5,001 - 10,000	102	923,138
10,001 - 100,000	121	3,402,504
100,001 +	21	32,051,812
Total	508	37,180,000

As at 27 September 2005 there were two shareholders holding less than a marketable parcel of shares.



4. Twenty Largest Shareholders

The names of the twenty largest holders as at 27 September 2005 were:

		Listed Ordinary Shares	
		Number of Shares	Percentage of issued ordinary shares
1	Reesh Pty Ltd	11,046,221	29.71
2	Accede Pty Ltd	4,142,332	11.14
3	Caddy Fox Pty Ltd	4,142,332	11.14
4	Luala Pty Ltd	4,142,332	11.14
5	Selso Pty Ltd	4,142,332	11.14
6	Westpac Custodian Nominees Limited	665,680	1.79
7	Peter De Leo	622,466	1.67
8	Clive Edward & Lynda Mae Catlow	369,997	1.00
9	Glenn Robertson	369,997	1.00
10	Douglas Gordon Rogers	308,108	0.83
11	David James Taylor	290,000	0.78
12	Gregory Robert O'Neil	222,405	0.60
13	Peter De Leo & Tiana De Leo	215,405	0.58
14	Christine Carol Bakker	205,405	0.55
15	Botech Pty Ltd	205,405	0.55
16	Stephen John & Olga Nikolaevna Monk	205,405	0.55
17	Claw Pty Ltd	200,000	0.54
18	Invia Custodian Pty Ltd	154,030	0.41
19	Flea Pty Ltd	151,000	0.41
20	ANZ Nominees Limited	125,960	0.34
		31,926,812	85.87%

5. Options

As at 27 September 2005 there were 660,000 unlisted options on issue to 37 holders. No holder has 20% or more of the unlisted options.

6. Escrowed Shares

Each of the Directors and/or their nominees voluntarily agreed to escrow their shares for a period of 12 months from the listing date of 17 December 2004. These agreements affect 27,615,549 shares, being approximately 74.3% of the Company's issued share capital at the date of this report.

7. Cash and Assets Use

The Company confirms it used cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

Lycopodium Limited Corporate Directory

Directors

Michael John Caratti

Lawrence William Marshall

Rodney Lloyd Leonard

Robert Joseph Osmetti

Bruno Ruggiero

Company Secretary

Keith John Bakker

Registered and Principal Office

Level 5,
1 Adelaide Terrace
East Perth
Western Australia 6004

Ph: (618) 6210 5222
Fax: (618) 6210 5201
Website: www.lycopodium.com.au

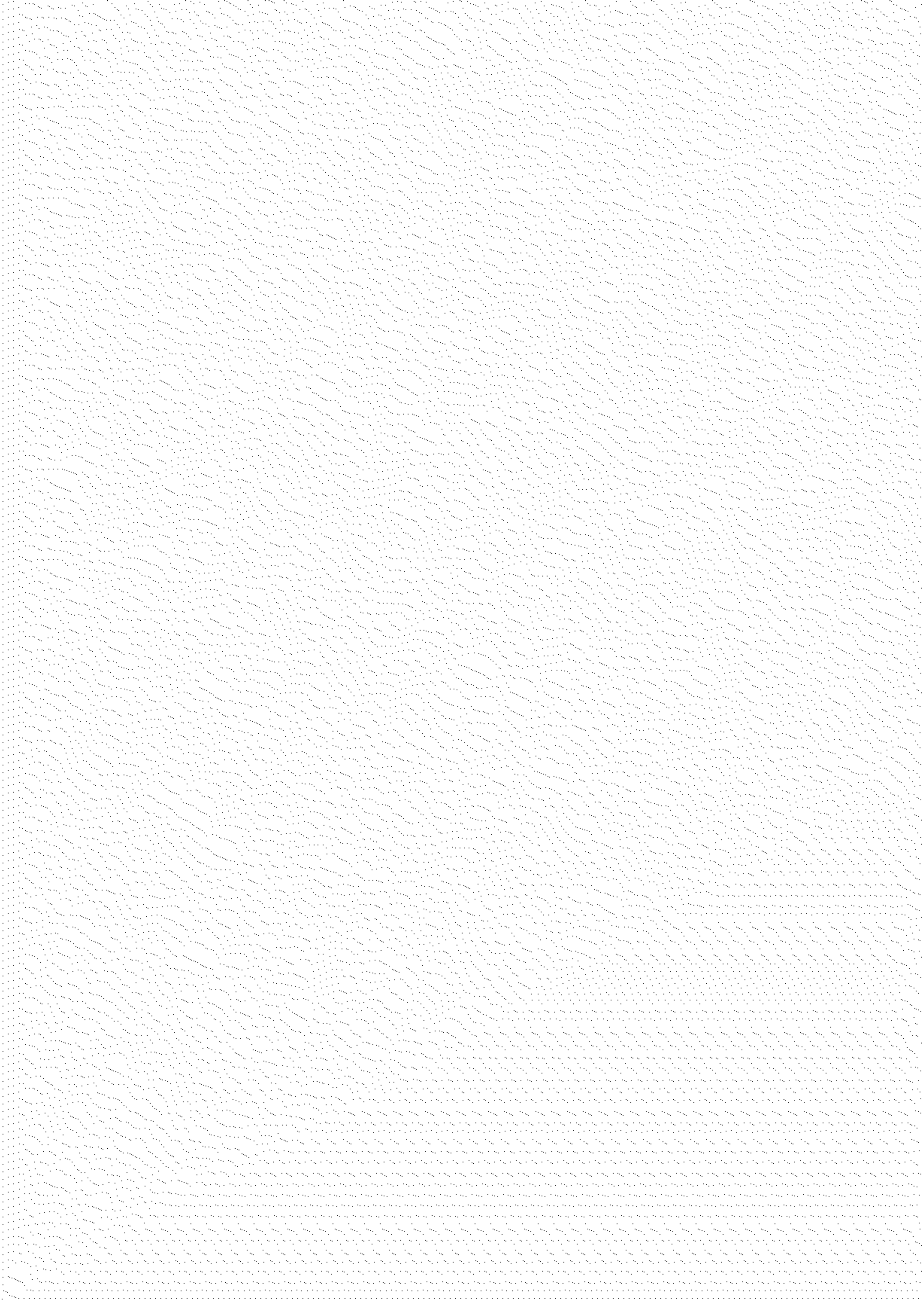
Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth
Western Australia 6000

Website: www.computershare.com.au
Email: web.queries@computershare.com.au

Auditor to the Company

PricewaterhouseCoopers
250 St Georges Terrace
Perth
Western Australia 6000

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