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11 September 2008

Dear Shareholder

SHAREHOLDER REPORT 2008

We have pleasure in enclosing your Shareholder Report for 2008.

Once again we have chosen to report to you with the publication of two documents:

- This Shareholder Report which provides, in an easy to read format, an overview of the year's activities, a background to the company services, a look at some of the projects undertaken this year as well as a brief financial synopsis.
- The Annual Financial Report which presents the full financial statements will be available mid October. At the same time, you will receive the Notice of Annual General Meeting.

I am pleased to announce that the resources sector remained buoyant during the financial year ending 30 June 2008 and this beneficial environment, coupled with Lycopodium's strategies, allowed further development of the company which has led to another successful year.

Lycopodium continued to grow and increased revenue to \$120.5 million for the year from \$105 million in 2006/07, representing 15.2% growth. Net profit after tax increased by 40.2% from \$8.9 million for the 2006/07 financial year to \$12.4 million due in part to increasing efficiencies and the replacement of design and construct 'cost plus' work with EPCM revenue.

If there is anything about the Company and its activities you would like to discuss, you can visit us through our website at www.lycopodium.com.au or call us on +61 8 6210 5222.

Yours sincerely



MICK CARATTI
CHAIRMAN





Lycopodium Limited

Shareholder Report | 2008

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Financial Snapshot

(As at 30 June 2008)

Shares on issue **37,840,000**

Net tangible assets per share **74.9 cents**

Revenue **\$120.5 million**

Net profit after tax **\$12.4 million**

Earnings per share after tax **33.0 cents**

Dividend per share (fully franked) **25.0 cents**

Chairman's Report



My name is Mick Caratti. I'm one of the founders and presently Chairman of Lycopodium Limited.

This publication is designed to introduce you to the Company telling you who we are, what we do, and how we see our future.

The 2007/2008 financial year is described in some detail by the Managing Director, Mark Ward, who also describes a selection of the projects we are currently involved with. Financial information, again for the 2007/2008 financial year, is also provided with general shareholder information.

This report does not replace the statutory financial statements but is designed to provide an informative insight into Lycopodium Limited in an easier to read layout.

The past year has seen some significant changes in the senior management of Lycopodium, beginning with the retirement of Laurie Marshall who was the Managing Director since the Company floated in 2004 and CEO prior to that. Laurie was one of the founders of the Company and from the beginning provided Lycopodium with the commercial and legal expertise to grow while managing risk. Laurie has passed on these principles and will remain involved with the Company as a Non Executive Director.

I would like to thank Laurie for his contribution to Lycopodium and for his friendship over the 22 years we have been working together.

Laurie's successor is Mark Ward who brings operational and executive experience from his previous positions in the consulting engineering field

with Bateman and KBR. In his role as Chairman of the KBR-Lycopodium Management Committee for the Hope Downs Iron Ore project for KBR, Mark worked with the Lycopodium directors in establishing the joint team currently working on the Rio Tinto iron ore projects.

The third change is that over the past year I have reduced my involvement to Non Executive Chairman and senior consultant where I had previously maintained an executive position. The Board now has two non executive directors who can provide a more global view of strategies and are available to assist the executive team when special issues arise.

These changes have increased the collective experience of the Board without losing the history and experience that helped grow the Company to its present size. They have also taken a few years off the average age of the executive team which is also positive.

I would like to thank all the members of our Board for their continued dedication and support over the past year.

My role as Chairman is to take a global view of the engineering industry and the changes that are occurring in it.

The past year has also seen significant M&A activity in the engineering sector followed by widespread instability in capital markets with the effects of the sub prime mortgage problems in the US now reaching Australia.

In my experience, it is surprising that in these circumstances metal prices have remained so strong. It probably reflects the increasing importance of China and India as domestic consumers where in previous cycles they only produced exports for the US and European markets.

The major mining companies, with their access to governments and metal buyers, appear to have confidence in the strength of metal prices as they have committed projects which have long development cycles.

We have also observed that the escalation in steel and copper prices and the shortage of skilled labour worldwide have increased the cost of project development making projects unattractive and restricting supply. This is compounded by the reduced ability of junior companies to raise capital in the current market which is likely to slow the rate at which new mines can be developed and to maintain high prices.

While these effects are all positive for our industry, the impact of stagnation in the world's largest economy and its impact on metal prices cannot be ignored.

The Board's view throughout this period of growth has been that a low risk strategy and a focus on long term and major clients will provide consistent growth and profits.

In this fifth year of strong metal prices and with increasing uncertainty in economic indicators, we believe that our philosophy is correct and remain focused on organic growth while looking for opportunities to diversify in regions and market sectors.

I hope you find the following information of interest and if you have any questions about us, please call me.

A handwritten signature in black ink that reads "Mick Caratti". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

M J Caratti
Chairman



Managing Director's Report

I am pleased to announce that the resources sector remained buoyant during the 2007/08 year and this beneficial environment, coupled with Lycopodium's strategies, allowed further development of the Company which has led to another successful year.

Full Year Results

Lycopodium continued to grow over the year and increased revenue to \$120.5 million for the financial year ending 30 June 2008 from \$105 million in the previous financial year, representing 15.2% growth. Net profit after tax increased by 40.2% from \$8.9 million for the 2006/07 financial year to \$12.4 million due in part to increasing efficiencies and the replacement of design and construct 'cost plus' work with EPCM revenue.

Our personnel numbers have increased from approximately 530 to 650 during the financial year ending 30 June 2008, a 22% increase.

Basic earnings per share increased from 23.6 cents to 33.0 cents and in accordance with the Company's dividend policy the directors have resolved to pay a final dividend of 20.0 cents fully franked. The total dividend paid for the year therefore is 25.0 cents fully franked, a 42.9% increase from 2007.

Board Changes

Lycopodium's long serving Managing Director and one of the original founders of the Company, Laurie Marshall, retired from this full time role with effect from 1 July 2008. Laurie remains on the Board as a Non Executive Director and as a part-time consultant to the business. I would like to thank Laurie for his exceptional leadership and contribution to the success of Lycopodium since the Company's inception, and for his continuing dedication in serving the Company.

I succeeded Laurie as Managing Director of Lycopodium Limited with effect from 1 July 2008, having previously developed a strong working relationship with Lycopodium and the Directors from early 2006. I joined the Company in November 2007 and the Board in April 2008, and I am looking forward to building on the solid foundation within Lycopodium and contributing to the ongoing success of the Company.

Expansion

In August 2007 Lycopodium successfully launched our 75% owned Brisbane-based company, Lycopodium Engineering QLD Pty Ltd, which targets the minerals sector. At financial year end this office had grown to approximately 35 personnel.

Lycopodium's Philippines office in Manila expanded during the year to the full capacity of the existing premises, accommodating approximately 50 personnel. In accordance with our strategy to provide a high value centre for Lycopodium's operations in an alternative geographical location, and to allow access to further skills in the currently constrained market, Lycopodium has committed to expanding this office. During the year Lycopodium committed to a new property that can accommodate 150 personnel and the first phase of this became operational during July 2008.

Lycopodium continues to strive for greater diversification and has committed to further development of capacity for provision of services within the infrastructure area servicing the resource sector.

Operations

Lycopodium's operations are now carried out through four subsidiaries, Lycopodium Engineering Pty Ltd {LEPL}, Lycopodium Engineering QLD Pty Ltd {LEQL} (75% owned), Orway Mineral Consultants (WA) Pty Ltd {OMC}, Process Design and Fabrication Pty Ltd {Pdf}, and through our 40% owned associated company Sherwood Utilities Pty Ltd {SUPL}.

The minerals process industry is serviced by LEPL and LEQL whilst specialist minerals process modelling is provided by OMC. The chemical, pharmaceutical, food, automotive and general industrial sectors are serviced by Pdf. SUPL provides specialist maintenance and reliability engineering services to clients in the petrochemical, oil and gas, mining and minerals processing industries.

Operational Highlights

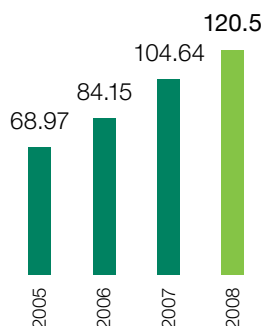
Lycopodium experienced a high level of activity during the year particularly in the minerals sector. I would like to share some of the highlights below.

Lycopodium continued to be active within the Western Australian iron ore sector. Stage 1 of the Hope Downs iron ore project for Rio Tinto was successfully commissioned and the EPCM for Stage 2 continued with construction now having commenced. LEPL continues to assist Rio Tinto with their expansion plans with services being provided to further iron ore studies including Western Turner Syncline, Marandoo Mine Phase 2, Hope Downs Stage 4, Nammuldi Below Water Table and others.

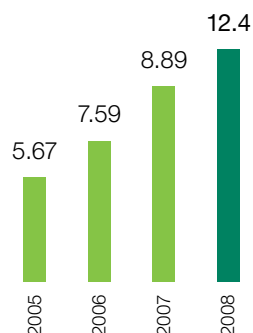
Study work continued for Hancock Prospecting's Roy Hill iron ore deposit in Western Australia.

Further studies and projects were carried out in the nickel sector for BHP Billiton at a number of their operations within Western Australia.

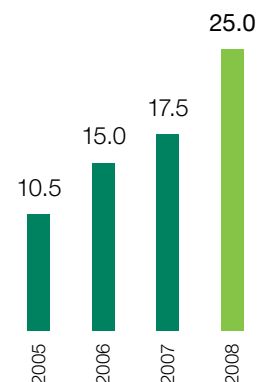
The Buzwagi gold project in Tanzania for Barrick has progressed and construction is now well underway. Lycopodium carried out further studies and projects at a number of other Barrick operations within Australia and Papua New Guinea.



Revenue (\$ Millions)



Net Profit After Tax (\$ Millions)



Amount of Dividend (Cents)

The design of the Kolwezi copper/cobalt project for the dual listed Canadian/UK firm, First Quantum Minerals Ltd, has progressed and early site works in the Democratic Republic of Congo have started.

The Ahafo Cyanide recovery project and the Mine Reserve Power project in Ghana for Newmont were completed.

In Queensland, the Wolfram Camp tungsten molybdenum project for Queensland Ores was commissioned.

The design for CGA's Masbate gold project in the Philippines progressed and construction has commenced.

Design commenced on further work for Canadian Red Back Mining's Chirano gold project in Ghana.

The Barnawartha biodiesel project in Victoria for Biodiesel Producers Ltd was successfully commissioned. Unfortunately, due to the increasing cost of feedstock and energy requirements, Pdf's contract for design and procurement services for Agri Energy's Swan Hill bio-ethanol project in Victoria was curtailed.

Detailed design was completed and construction has commenced on the Fisherman's Landing Caustic Terminal for Orica Yarwun in Gladstone.

Studies for the Codeine Phosphate project and the Alkaloid Extraction Capacity upgrade were awarded by GlaxoSmithKline in Victoria.

The detailed design for the New Mix Room project for Baxter Health Care in New South Wales was completed.

A number of projects in the food and beverage industry continue to be carried out for Yakult in Victoria.

Construction was completed on the Mixed Acid Tank Farm for Thales Australia in New South Wales.

Further growth was experienced in OMC and specialist process consulting assignments were carried out in copper, gold, iron ore, lead, nickel, platinum, uranium and vanadium for projects and facilities in Africa, Asia, Australia, Europe, Russia, and South America. In particular, further development was undertaken in the areas of high pressure grinding rolls (HPGR) circuit design and iron ore beneficiation.

SUPL continued to expand and maintenance and reliability engineering services were undertaken for Chevron, Rio Tinto, Woodside and other clients.

Outlook

The full effects of the uncertainty within global markets, precipitated by the sub prime crisis within the USA that unfolded during the year, are still to be seen. At this time however, minerals commodity prices remain high in relation to historical trends and the outlook remains positive within the minerals sector which continues to provide an environment of high demand for Lycopodium's services.

The level of activity in the biodiesel, manufacturing and general industrial environments in Australia is not as buoyant as the resources sector however, and this market segment continues to remain challenging at this time.

Lycopodium through Pdf remains well positioned to service this particular sector and it remains important to the Company strategy of creating diversification in market sectors and geographically.

Whilst the worldwide shortage of engineering professionals continues to constrain our rate of growth, Lycopodium's strategies in the Philippines and Queensland, coupled with strong organic growth in our other operating offices, will allow further growth in personnel numbers.

Lycopodium continues to be well positioned to benefit from the continuing buoyant markets and our strategies to allow further growth will facilitate further development of the Company.

Acknowledgement

Lycopodium's Directors acknowledge that as a service organisation our ability to provide superlative services to our clients, to continue to strengthen and grow the Company and to provide good returns to our shareholders is dependent on the skill, dedication and loyalty of our staff. On behalf of the Directors, I would like to extend our sincere appreciation to all personnel for their particular skill and effort in contributing towards the continuing success of Lycopodium.

M B Ward
Managing Director

The Board Of Directors

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the strategic direction and overall corporate governance of the Company.



Mick Caratti

Non Executive Chairman

BE (Elec) (Hons)
Age 58

Mick has over 30 years' experience in the mineral processing industry with involvement in conceptual evaluation, engineering, commissioning and study management for new and existing projects in Australia and overseas.

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.

Mick's primary role as Chairman is to take a global view of the engineering industry and Lycopodium's place in it whilst sustaining the Company's founding philosophies and strategies. However, Mick continues to be involved at a project level, as a Senior Consultant as required.



Mark Ward

Managing Director

Pr.Eng, BSc Eng (Civil),
EDP,MSAICE - Age 48

Mark is a Civil Engineer with 25 years' experience in the general engineering, industrial, and mining and minerals beneficiation sectors within Africa, Australia and internationally. He has held various project roles developing bridges, steel and stainless steel plants and rolling mills, mines and beneficiation plants, and general industrial projects.

Mark has been corporate project director and has been part of, or led, many engineering consultants' project steering committees within the minerals beneficiation sector including Chairman of the KBR-Lycopodium Management Committee for the Hope Downs Iron Ore Project.

Mark developed his career with LTA, Gencor (now BHP Billiton), Kinhill (now KBR) and Hatch and has held senior management and director positions within Bateman and KBR prior to joining Lycopodium in November 2007. Mark joined the Board in April 2008 and was appointed as the Managing Director on 1 July 2008.



Bob Osmetti

Executive Director

BE (Civil), MIEAust, CPEng
Age 52

Bob is a Civil Engineer with 30 years' experience in the project management and construction management of projects and has worked for major construction contractors in the mining sector.

He brings direct experience in all aspects of project implementation, estimating, scheduling and construction management as well as the management of a number of feasibility studies for major resource projects and the establishment and management of major maintenance contracts.

A founding partner of Lycopodium, Bob has held diverse positions within the group, and continues to apply his expertise across the group companies as required. This year Bob joined the iron ore team as Director Projects to champion the ramp up of work in this minerals sector.



Rod Leonard

Executive Director

BSc (Hons), MSc, MAusiMM
Age 47

Rod has over 24 years' experience in a variety of roles in the operation and project development of major projects in North and South America, Africa, Asia and Australia. He has been involved in many aspects of the mineral processing industry from process development, feasibility studies and design assignments as well as the commissioning of projects.

A graduate of the Colorado School of Mines, with a BSc and MSc in metallurgical engineering, Rod started his career in the US minerals industry before moving to Australia in the 80s.

He was one of the founding partners of Lycopodium and is now Managing Director of Lycopodium Engineering and a non executive director of OMC.



Bruno Ruggiero

Executive Director

BE (Mech), Grad Dip Min Sc,
MIEAust, MAusIMM - Age 44

Bruno is a Mechanical Engineer with over 20 years' experience in the minerals industry completing both national and international projects.

Bruno is a founding partner of Lycopodium and, with expertise in both mechanical and process design, has undertaken diverse roles within the Company.

Currently Technical Director with Lycopodium Engineering, Bruno sets the technical direction and standards for new project initiatives that the Company undertakes. Over the past few years he has applied Lycopodium's mineral processing expertise to the iron ore projects being undertaken, particularly the Rio Tinto Hope Downs project.

He is an executive director of Lycopodium Engineering and a non executive director of associated company, SUPL.



Peter De Leo

Executive Director

BE (Civil) CPEng, FIEAust
Age 42

Peter joined Lycopodium in 1994 and became an executive director of Lycopodium Limited in February 2007.

With 20 years' experience in project delivery within the construction and engineering industries, Peter possesses strong management skills and has been responsible for the successful implementation of many large and pioneering projects. In 2006, he completed the role of Project Director, responsible for the delivery of the Ahafo Project in Ghana, Lycopodium Engineering's largest project to date.

Peter holds the position of General Manager Operations in Lycopodium Engineering, with responsibility for daily operations. He is also an executive director of Lycopodium Engineering.



Laurie Marshall

Non Executive Director

CPA, B.Bus (Acc)
Age 55

On 1 July 2008, Laurie retired as the Managing Director of Lycopodium Limited to take up a position of non executive director and consultant. He is also a non executive director of Lycopodium Engineering Queensland and Pdf.

As a Certified Practicing Accountant with over 34 years' experience, Laurie has been instrumental in the development of Lycopodium from its early days as a privately owned engineering consultancy to that of a public company.

Prior to Lycopodium, Laurie worked in operational roles with Cliffs Robe River, BHP Minerals Yampi Sound, Southern Resources Neveoria and MRSA Limited. He was company secretary of TIO2 Corporation NL and assisted with the establishment of the Tiwest Joint Venture for the development of the Cooljarloo Mineral Sands project.



Keith Bakker

Company Secretary

B.Bus (Acc), FCPA
Age 54

Keith has been with Lycopodium for 13 years and in that time has carried out the roles of Commercial Manager and General Manager Finance with Lycopodium Engineering.

A Fellow of the Certified Practicing Accountants of Australia, he brings to his role of Company Secretary and Chief Financial Officer, 30 years' experience in company secretarial and finance roles within the airline, human resource management and mining services sectors.



About Lycopodium

Lycopodium Limited is a leading Australian based engineering and project management consultancy with offices nationally in Perth, Melbourne, Sydney, Brisbane and Gladstone and internationally in Ghana and the Philippines.

Our Company

Through four subsidiaries: Lycopodium Engineering, Lycopodium Engineering Queensland, Pdf and OMC, and an associate, SUPL, Lycopodium consistently delivers high quality, diverse and cost effective services across a broad range of commodities in the mining and mineral processing industries, and a wide range of sectors in the process industries.

Listed on the Australian Stock Exchange in 2004, Lycopodium's board, executives and employees are a diverse and experienced team with a strong knowledge of the engineering industry.

Our Business

Lycopodium's business model is based on providing a superior quality service to clients by delivering studies, engineering, projects, and maintenance advice that are fit for purpose and that exceed established acceptance criteria. In this way Lycopodium adds value to a client's business leading to long term beneficial relationships.

Our contracting model is mainly EPCM based (Engineering, Procurement, Construction Management).

We work closely with our clients to evaluate, develop and implement engineering solutions for a client's project and our involvement starts from the early conceptual planning moving through the feasibility phases to the completion of design, construction, commissioning and handover. Reliability engineering and maintenance services are provided once a site is operational.

Our work, reflecting diversity in client background, commodity, technology, scale of operation and geographic location, falls into three broad groups:

• Mining, Mineral Processing

Our Mining and Mineral Processing clients range from junior exploration companies through to major multinational producers. Their projects involve a wide range of commodities: gold, silver, copper, cobalt, nickel, iron ore, tungsten, molybdenum, zinc, lead, manganese, uranium, tin, tantalum, mineral sands, rare earth minerals and platinum group metals.

Projects, often undertaken in diverse environments including tropical, arid, arctic and high altitude conditions, range in scope from large greenfield (new) projects involving process plant and equipment, civil and building works, control systems, services and infrastructure to small skid-mounted pilot plants.

• Process Industries

Our Process Industries clients, many of them household names, produce a wide variety of products in the manufacturing, pharmaceutical, chemical, food and beverage, healthcare, oil and gas and petrochemical sectors.

With this diversity of sectors, Lycopodium's expertise is wide, ranging from greenfield production facilities through to cutting-edge biotechnology and scientific research projects.

• Maintenance and Reliability Engineering

Our Maintenance and Reliability Engineering clients come from oil and gas, petrochemical, power and water utilities, mining and minerals processing industries.

In this sector, there is significant experience in re-engineering existing systems for brownfield (existing operating plants) operations as well as developing and implementing new maintenance management systems for greenfield operations.

Project examples of the various commodities and industry sectors in which Lycopodium has worked during the 2007/2008 year follow on Page 10.

Our Services

Over the years, Lycopodium has developed a reputation for providing technically innovative and cost effective engineering solutions and delivering projects which exceed the client's project criteria and performance targets.

Our services fall generally into four areas of expertise:

Process

Lycopodium's process group has a wide range of experience to undertake the development of new processes and determine the viability of new and existing processes, including:

- Planning, design, supervision and interpretation of laboratory, bench-scale and pilot-scale test programmes.
- Flowsheet development, mass and energy balances, process modelling, and process design specification.



Wolfram Camp Project, Queensland

- Management and coordination of necessary skills in the production of studies. These studies are done at different levels of confidence depending on the stage of investigation and are usually defined as scoping study, prefeasibility study and detailed feasibility study.
- Evaluation and selection of new and alternative processes at the conceptual and prefeasibility study stages to determine the viability of new and existing processes.
- Specific process expertise in refractory gold and copper-gold ores and concentrates including resins, bio-oxidation, acid pressure oxidation, nitric acid oxidation and roasting.
- Comminution Circuit Design using specialist database and in-house software to design crushing and grinding circuits and predict their performance.
- Hydrometallurgy for base metals.
- Commissioning, training and operations services.
- Design, construction management and operation of pilot plant installations.
- Plant audits, debottlenecking evaluations and staged development planning.
- Environmental compliance processes, e.g. cyanide recovery and destruction, arsenic fixation and disposal, metal precipitation and water management.

Engineering

Lycopodium's engineering group can offer a wide range of expertise for the development of a project, including:

- Conceptual and detailed design of treatment plants.
- Conceptual and detailed design of plant associated infrastructure including earthworks, roads, drainage, power supply and transmission systems, buildings and villages, water and wastewater systems.
- Design expertise covering all relevant disciplines including:
 - Architectural
 - Civil
 - Structural
 - Mechanical
 - Piping
 - Electrical
 - Instrumentation
 - Process Controls.
- Design, programme, test and commission plant automation control systems.
- Plant refurbishment and relocation.
- Conceptual and detailed design of portable and skid-mounted plants.
- Plant debottlenecking, upgrading and improvements.
- Troubleshooting and modification of mechanical and electrical installations.
- Design expertise in tropical, arid, arctic and high altitude locations.
- General engineering consulting services including due diligence reports, project valuations and debottlenecking studies.

Project Delivery

Lycopodium undertakes the engineering, design, procurement and construction management of clients'

projects, including:

- Full project management on a predominantly EPCM basis to deliver complete projects.
- Project controls including cost control and scheduling.
- Tender preparation and evaluation.
- Procurement, expediting and inspection services.
- Plant evaluations and assessments for insurance or sales purposes.
- Capital and operating cost estimates.
- Financial evaluation of projects.
- Client representation.
- Development and implementation of project accounting services.
- Development and implementation of project maintenance and reliability engineering services.
- Logistical and transport management.

Maintenance and Reliability Engineering Services

Lycopodium can assist plant site operators to reduce operating costs and increase productivity, whilst complying with statutory regulations and duty of care obligations, by re-engineering maintenance management practices and implementing the required change processes, including:

- Performance Improvement Analysis.
- Benchmarking.
- Equipment Register Development.
- Criticality Analysis.
- Maintenance Strategy Development and Implementation.
- Maintenance Optimisation Audits.





About Lycopodium *continued*

Our People

Engineering consulting is a service industry and Lycopodium is dependent on its people for the quality of service it provides.

Lycopodium is proud of the professionalism and loyalty of the team it has assembled and their achievements in the innovative and cost effective design and construction of projects in diverse industries and regions.

Lycopodium uses a team approach to its work where each project has a team drawn from the disciplines required and is led by a project manager. Each discipline is headed by a discipline manager who is responsible for monitoring and controlling the quality of work within the discipline and ensuring each project manager has sufficient resources to run the project team. Regular formal management meetings are held to review progress, cost and quality and ensure all projects are fully resourced, on time and on budget.

Our Projects

Lycopodium, while Australian based, operates both nationally and internationally and has undertaken projects in diverse locations such as Brazil, Canada, Chile, China, Cote D'Ivoire, Democratic Republic of the Congo, Egypt, Finland, Ghana, Laos, Kazakhstan, Malaysia, Mali, Papua New Guinea, Philippines, Russia and Tanzania.

Our Clients

Lycopodium services a wide range of organisations headquartered throughout the world including AngloGold Ashanti, Barrick Gold, Baxter Health Care, BHP Billiton, Bluescope Steel, First Quantum Minerals Limited, GlaxoSmithKline, Gold Fields, Newmont Gold, Newcrest Mining, Orica, Queensland Ores, Red Back Mining, Rio Tinto, Toyota Motor Corporation and Yakult.

Our Goals

Lycopodium's aim is to be the best in its field and believes its success is a function of the success of its clients' projects. This belief has proven true with the Company growing from 12 people in 1992 when Lycopodium started to over 650 in 2008.

Lycopodium has an enviable and proven track record of meeting budgets and schedules and achieving project performance criteria on both large and small projects and in greenfield and brownfield environments.

Our Future

A successful company doesn't stand still – it grows, accepting new challenges and resetting goals, which for Lycopodium reflects in larger, more complex projects and work in new areas, be they technical or geographic.

In order to assist this growth Lycopodium's strategies are as follows:

Clients

Lycopodium focuses on achieving clients' aims as its primary objective and its success is demonstrated by the high level of client satisfaction and repeat business the Company enjoys.

People

Lycopodium continues to build and retain a team of respected professionals in each of the disciplines required in an engineering consultancy and project delivery business.

Our teams are based in offices nationally in Perth, Melbourne, Sydney, Gladstone and Brisbane, internationally in Ghana and the Philippines, and on project sites as required.

Profitability

Lycopodium's objective is to maintain consistent profit margins while not exposing the Company to unacceptable risk.

Growth

Lycopodium continues to focus on organic growth in alternative geographic locations and through strategic acquisition where clear added value to the business can be demonstrated.





Project Reviews

Lycopodium's work reflects diversity in not only client background, but commodity, technology, scale of operation and geographic location. To highlight that variety, here are a few project reviews.

Project	Buzwagi Project
Location	Tanzania
Commodity	Minerals – Gold
Client	Barrick Gold Corporation

Barrick Gold Corporation is a leading international gold mining company, reported as having the gold mining industry's strongest balance sheet. The pre-eminent position Barrick holds within the industry is predicated on its successful track record of mine development.

Currently in Tanzania Barrick has three operating mines - Bulyanhulu, North Mara and Tulawaka - with three projects in various stages of development, one of which is the Buzwagi Project.

Buzwagi, located in northwest Tanzania, East Africa, approximately 6 km east of Kahama town and 120 km south of Mwanza, will be the second largest mining operation in Tanzania and the largest single open pit in the country.

With a positive feasibility study completed in December 2006 and final approvals for construction being received in August 2007, Lycopodium is now well advanced with the EPCM contract for the design and construction of the project processing plant and infrastructure.

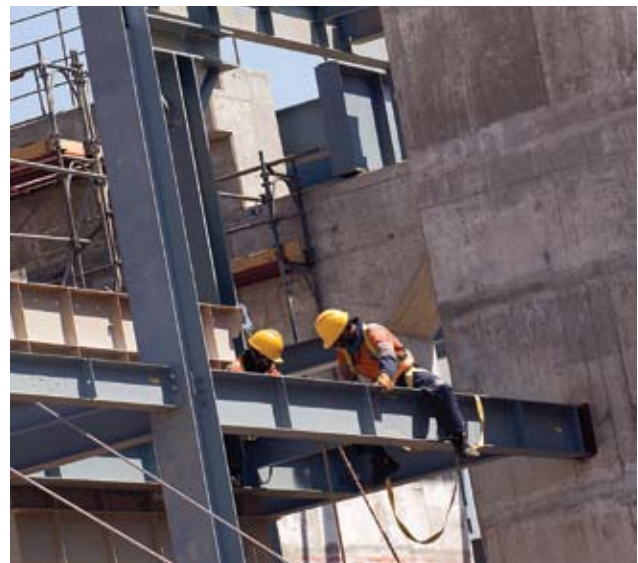
All reports have the project within budget and on schedule to commence production mid-2009. Equally important, the work is being carried out in a safe work environment for all employees. In May 2008, the project team celebrated a significant milestone with the achievement of six million hours worked with no Lost Time Incidents.

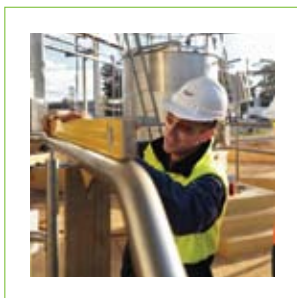
The process plant will initially treat gold bearing oxide ore through a standard CIL (carbon-in-leach) process with gravity concentration, then primary sulphide gold and copper bearing ore with the addition of a flotation/filtration circuit producing both gold doré and a copper/gold concentrate.

Infrastructure requirements include development of an accommodation village for 300 workers, treatment plant area including associated workshops, stores, laboratory and plant administration, mine service area including heavy vehicle workshop, core shed, emergency response centre and fuel storage, water harvest area and associated water storage pond, a tailings storage facility and 105 km of 220 kV power line.

With proven and probable reserves of 3.6 million ounces of gold and 118 million pounds of copper within the gold reserves, the Buzwagi Project has an estimated mine life of 15 years. Capital costs are expected to be approximately US\$400 million.

In less than a decade, Tanzania has become Africa's third largest gold producer and the Buzwagi Project, Lycopodium's third major EPCM project in that country, consolidates its earlier work in 1998 with the Golden Pride project for Resolute Mining and, in 2002, the Geita project for Ashanti Goldfields.





Project Reviews *continued*

Project	Hypochlorite Plant
Location	Western Australia
Commodity	Chemicals – Sodium Hypochlorite
Client	Orica Limited

Sodium hypochlorite, because of its strong chlorinating and oxidising action, is the chemical commonly used these days to disinfect water. Sodium hypochlorite has the common name of 'bleach' and many households will have dilute sodium hypochlorite as the active constituent in the bleach bottle in their laundry cupboards. In bulk, it is used by municipal water authorities to sterilise both potable water and waste water.

A major supplier of chemicals, services and technology to the water treatment, mining chemical and industrial chemical markets is Orica's Chemical Services, one of four business units within Orica Limited, an Australian-owned, publicly-listed global company. It is Chemical Service's Watercare division that has committed to a purpose-built manufacturing plant for sodium hypochlorite in Welshpool, an industrial area of Perth, Western Australia.

Pdf/Lycopodium Engineering, involved from the inception of the project with the initial feasibility study in mid 2006, were successful in securing the EPCM contract for the construction phase of the plant.

Significant statutory approvals are required for the project from a wide variety of government agencies and Pdf/Lycopodium Engineering have been assisting Orica to obtain these, with the final works approval being granted by the EPA in June 2008. Detailed engineering was completed in July 2008 with on-site construction commencing June 2008. Completion is due December 2008.

The project scope includes a tank farm, services, buildings, electrical, and piping while the main skid mounted process plant is being procured by Orica from the United States. The technology used in the process plant allows for variations in concentration of the sodium hypochlorite output.

Project	Mixed Acid Process Plant
Location	New South Wales, Australia
Commodity	Chemical - Mixed Acids
Client	Thales Australia

Thales Australia recently awarded Pdf the contract to design and construct a facility for the safe storage and processing of acids.

These acids are used in the production of nitrocellulose at the Government-owned Thales-operated Mulwala facility, which manufactures propellants and high explosives.

These products are then transported to Thales' Benalla facility for incorporation into ammunition and other explosive ordnance, which is supplied to the Australian Defence Force.

The production of nitrocellulose, which involves the use of liquids such as concentrated nitric and sulfuric acids, spent acids and recovered acids, requires significant facilities to store the range of acids solution and designed solution production.





Mixed Acid Process Plant, New South Wales

The contract involves providing a modern plant that is safe, compliant and able to increase process accuracy using available technologies.

The scope includes the design, civil and structural construction, mechanical and electrical installation and commissioning and integration to the current nitrocellulose production operation.

Site construction commenced in January 2008 and required significant cooperation with the Thales team to minimise disruption to plant production. Commissioning of the plant took place in July 2008.

Thales is a provider of systems, products and services in the defence, security and aerospace markets nationally and internationally.



Project	Mutanga/Mkuju River Projects
Location	Zambia/Tanzania
Commodity	Minerals - Uranium
Client	Denison Mines Corporation/Mantra Resources Limited

In April 2007 the price of uranium on the spot market rose to US\$113.00/lb, very close to the all time high (adjusted for inflation). The higher price has spurred expansion of current mines, construction of new mines and reopening of old mines as well as new prospecting.

During this year, OMC has undertaken considerable work on a number of uranium projects, two being the Mutanga project in Zambia and the Mkuju River project in Tanzania.

The Mutanga project, owned by Denison Mines Corp, a Canadian public company with a global portfolio of exploration projects, is located in the south of Zambia. Mantra Resources Limited, an emerging uranium explorer with projects in southern Africa, is developing the Mkuju River project, 470 km south-west of Dar es Salaam.

Both projects are Karoo sandstone style uranium deposits which have considerable beneficiation potential and as such substantial work has been put into the design of the comminution/beneficiation circuits to upgrade the uranium feed grade to the hydrometallurgical section of the plants. The work has consisted of site visits, sample collection specifications, testwork programme specification, testwork supervision, modelling, flowsheet design, mass balance and major equipment specification and providing the basis for detailed engineering of the projects.

OMC has worked closely with a hydrometallurgical consulting company and the clients on these projects. The relationship with the consultant, Hydromet (Pty) Ltd has lead to collaboration on a number of other projects. The synergies of expertise within the two companies have resulted in an extremely high quality process plant design for these uranium projects.





Project Reviews *continued*

Project	Wolfram Camp
Location	Queensland, Australia
Commodity	Minerals - Molybdenum/Tungsten
Client	Queensland Ores Limited

When Lycopodium Engineering was awarded the contract for the development of the Wolfram Camp Molybdenum/Tungsten Project, one of the primary objectives for owner, resource exploration company Queensland Ores Ltd, was the ability to get into production as quickly as possible. Queensland Ores' aim was to be the first Australian producer of these metals to take advantage of the current mining cycle which forecasts a bullish market founded on strong demand and limited new supply.

Historic Wolfram Camp, one of Australia's richest tungsten and molybdenum deposits, located 90 km west of Cairns, was first worked in the 1890s through to the 1980s and at times was Australia's largest wolframite producer with consistently high-grade concentrates.

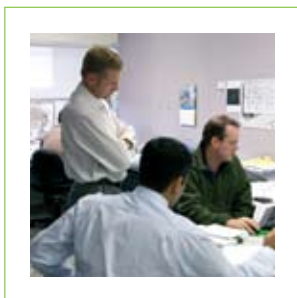
Current development of the mine started in 2006 when Lycopodium worked closely with Queensland Ores in the preparation, supervision and interpretation of the metallurgical testwork programme for this complex orebody. Lycopodium completed the design for a 150,000 tpa process plant, and associated infrastructure, advancing the detailed design whilst confirmatory and variability testwork was still in progress.

The flowsheet includes 2-stage crushing, milling, molybdenum flotation, bismuth separation, gravity recovery of wolframite and subsequent dewatering of concentrates prior to shipment. Lycopodium's scope also included the provision of an administration building, crib and ablutions facilities, workshop/store facilities as well as water, air and reagents reticulation.



The flowsheet includes a number of novel processes including molybdenum cleaner flotation with a nitrogen purge and use of two-stage Kelsey jigs for recovery of wolfram.

Important initiatives to address cost and time factors were the use of refurbished equipment (ball mill and feeder/hopper conveyor) and a modular design for the major components. With this approach, and despite torrential rain over several months in the construction phase, the plant was able to receive first ore in June 2008, just six months following the grant of the Mining Leases.



Project Reviews *continued*

Project	Aircraft Component Repair Station
Location	Victoria, Australia
Commodity	Manufacturing - Aircraft
Client	Boeing Hawker de Havilland

Boeing Hawker de Havilland (HdH Repairs) operates an aircraft Structural Component Repair facility at Tullamarine where various components for modern aircraft, in both the commercial and military aviation sectors, are repaired for the local and global market.

A significant proportion of repairs are for composite components based on carbon fibre laminate and honeycomb structure which require a form tool, equilateral pressure, and heat to be applied during their curing process to complete the repairs. These repairs can only be accomplished using an autoclave.

Pdf has been engaged by HdH Repairs to relocate an existing 50 m³ high pressure autoclave vessel from their Port Melbourne facility to a new repair facility in the Melbourne Airport precinct. The autoclave was originally designed, built and installed by Pdf in 1970.

As part of the relocation to the new site, the autoclave will be retrofitted with modern pressure, vacuum and temperature control and its operation controlled and automated by a Safety PLC system.

As part of this project, the internal fit out of the autoclave will be modified to accommodate current requirements (such as jet engine thrust reversers and other such structural components) and the autoclave's structural integrity checked for regulatory compliance for operation at high pressure.

Project	Kolwezi Tailings
Location	Democratic Republic of Congo
Commodity	Minerals - Copper/Cobalt
Client	Kingamyambo Musonoi Tailings SARL/ First Quantum Minerals

In November 2007, the board of Kingamyambo Musonoi Tailings SARL, 65% owned by First Quantum Minerals, announced its commitment to proceed with the development of the Kolwezi tailings project in the Democratic Republic of Congo (DRC). The board has approved the construction of a modern 'state of the art' tailings retreatment facility to produce copper cathode and cobalt hydroxide.

First Quantum with support from its contributing equity partners (the IDC and the IFC) will finance or procure third party debt project financing totalling up to US\$593 million.

Lycopodium, after completing an updated capital cost estimate, was awarded an Engineering Services contract for the project which will include project management, project controls and administration, detailed engineering and design and assisting the client with site construction, erection and installation work as well as pre-commissioning and systems handover.

To June 2008, engineering design, drafting and procurement activities were approximately 68% complete whilst on site activities progressed in earnest. Plant earthworks are well advanced, whilst infrastructure activities included expansion of the construction camp, the erection of a number of plant site buildings as well as the commencement of structural concrete work for the treatment plant and tankage.

Commercial production for the Kolwezi tailings project is slated for the first quarter of 2010; project construction is expected to be completed in 3Q2009, with commissioning scheduled for 4Q2009.



Hope Downs Iron Ore Project, Western Australia

The base case for the Kolwezi Tailings project is for a plant capable of treating 2.5 Mtpa of tailings throughput potentially producing 35,000 tonnes of copper cathode per year with the corresponding production of 7,000 tonnes of cobalt hydroxide. The tailings, estimated to contain 112.8 million tonnes of mineral resources averaging 1.49% copper and 0.32% cobalt, are located in two deposits – one on the Kingamyambo tailings dam and the second in the Musonoi River.

The project is located just north of Kolwezi, the fourth largest city in the DRC and a well established mining town on the copper belt, in an area that has considerable existing infrastructure and has been an important mining centre for copper and cobalt for about a century. It is in the Katanga province, part of the Central African Copperbelt, which extends from Angola through the DRC into Zambia.

The economy of the Democratic Republic of the Congo, a nation endowed with vast potential wealth, is slowly recovering from two decades of decline. The country has the potential to be one of the richest mining countries in Africa.

Project	Hope Downs
Location	Western Australia
Commodity	Minerals - Iron Ore
Client	Rio Tinto

For Stage 1 of the Hope Downs Mine, a joint venture between Rio Tinto and Hancock Prospecting, Lycopodium Engineering was responsible for the engineering and design of the process plant including primary crushing, secondary crushing, screening, sampling, stacking, reclaiming, train load-out, in-plant power distribution, process control and associated plant services.

Stage 2, which will increase production from 22 Mtpa to 30 Mtpa with the addition of a second crushing facility and overland conveying system, is currently underway with



detailed design and site construction in progress. For both stages Lycopodium, in conjunction with KBR, undertook the Preliminary Engineering Study and the Definitive Engineering Study as well as providing site supervisory services.

Lycopodium, continuing its association with KBR, is also one of the EPCM companies looking at available opportunities to streamline and improve project delivery.

Over the next 20 - 22 months Lycopodium will provide programme support, including engineering studies, and a standardisation team to deliver the foundations for new iron ore projects for Rio Tinto Iron Ore. Lycopodium is contracted to provide support including engineering studies and standardisation on other Rio Tinto iron ore projects including Western Turner Syncline, Marandoo, and Nammuldi.





Project Reviews *continued*

Project	Masbate Project
Location	Philippines
Commodity	Minerals - Gold
Client	CGA Mining/Leighton Contractors

The Masbate gold deposit is located near the northern tip of the island of Masbate, 360 km south-east of the Philippines capital of Manila.

Comprising about 7,100 islands with a total land area of approximately 300 000 sq km, of which one third may be mineralised, the Philippines is rich in natural resources. Large scale gold, copper and nickel deposits attract investment from a number of major international mining companies including Anglo American, BHP Billiton, Xstrata, Sumitomo and AngloGold Ashanti. Support for the development of natural resources within the country is assisted by the Philippines Government which offers many attractive incentives.

Masbate is the principal asset of CGA Mining Limited, a mining company focused on exploring, developing and operating resource opportunities throughout the world. Listed on the Australian Stock Exchange as well as the Toronto Stock Exchange, CGA also has interests in Zambia and Nigeria.

Operating from its Manila office, Lycopodium Engineering, in a strategic alliance with Leighton Contractors the EPC contractors for the development of the project, is responsible for all process engineering and detailed design associated with the project.

At the end of June 2008, detailed engineering design was 95% complete with construction on site well underway with the process plant civil works approximately 80% complete. Structural steel erection has also commenced and mechanical equipment has begun to arrive on site. The eight CIL tanks have been erected as well as 80% of all other process related tank work.



The process plant design is a conventional CIL plant treating 4 Mtpa of open pit ore at average grades in the range 1.5 to 1.8 g/t Au. The circuit comprises crushing, grinding, leaching and adsorption process stages with elution, electrowinning, and smelting gold recovery stages. The Masbate orebody is amenable to a large scale modern open pit operation.

The Masbate Project is a brownfield site with established infrastructure including an airstrip, dedicated jetty, roads, accommodation, offices, clubhouse, workshops, assay laboratory, bunker fuel tanks and general services reticulation. This existing infrastructure has allowed construction to start relatively quickly and current schedules have the commissioning of the mine plant in 1Q2009.

Financial Information



Financial Results

Consolidated

	2008 \$	2007 \$	2006 \$
Revenue	120,578,416	104,647,440	84,155,042
Employee and contractors expense	(84,913,521)	(77,189,600)	(58,949,101)
Depreciation and amortisation expense	(1,485,445)	(1,079,497)	(882,575)
Other project expenses	(5,102,515)	(7,048,887)	(5,165,292)
Administration and management costs	(10,880,248)	(6,726,159)	(7,558,254)
Other	(532,135)	(197,053)	(983,701)
Profit before income tax	17,664,552	12,406,244	10,616,119
Income tax expense	(5,187,734)	(3,508,581)	(3,022,043)
Profit for the year	12,476,818	8,897,663	7,594,076
Dividend (fully franked) (cents)			
Interim	5.0	5.0	5.0
Final	20.0	12.5	10.0
Total Dividend	25.0	17.5	15.0
Shares on issue	37,840,000	37,730,000	37,670,000
Share price as at 30 June (A\$)	4.75	3.66	2.75
Earnings per share (cents)	33.0	23.6	20.2
Price earnings ratio	14.4	15.5	13.6
Net tangible assets per share (cents)	74.9	59.4	53.2

This data is based on information that is in the process of being audited.

Balance Sheet

Consolidated

	2008 \$	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	9,987,106	13,405,517	13,478,543
Trade and other receivables	31,342,277	22,695,353	17,451,611
Other current assets	1,314,998	1,095,287	847,738
Non current assets held for sale	2,078,180	0	0
Total current assets	44,722,561	37,196,157	31,777,892
Non current assets			
Property, plant and equipment	3,788,669	3,389,613	3,850,759
Other assets	445,848	415,965	100,001
Deferred tax assets	2,514,477	1,828,959	1,535,252
Intangible assets	5,484,053	5,908,859	5,275,081
Total non current assets	12,233,047	11,543,396	10,761,093
Total assets	56,955,608	48,739,553	42,538,985
LIABILITIES			
Current liabilities			
Trade and other payables	14,561,054	15,134,769	13,331,075
Borrowings	2,113,375	1,173,133	443,389
Current tax liabilities and provisions	3,592,357	2,147,219	1,272,427
Total current liabilities	20,266,786	18,455,121	15,046,891
Non current liabilities			
Borrowings	2,500,372	1,754,925	2,027,100
Provisions	338,750	222,639	205,537
Total non current liabilities	2,839,122	1,977,564	2,232,637
Total liabilities	23,105,908	20,432,685	17,279,528
Net assets	33,849,700	28,306,868	25,259,457
EQUITY			
Contributed equity	17,656,497	17,546,497	17,486,497
Reserves	(718,488)	(288,967)	(33,215)
Retained profits	16,912,106	11,049,338	7,806,175
Minority interest	(415)	0	0
Total equity	33,849,700	28,306,868	25,259,457

This data is based on information that is in the process of being audited.

Shareholder Information

The shareholder information set out below was applicable as at 13 August 2008

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Ordinary shares			
1	-	1000	211
1,001	-	5,000	473
5,001	-	10,000	168
10,001	-	100,000	155
100,001	-	and over	24
			1031

There were 10 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed as:

Name	Number held	Percentage of issued shares
1 Reesh Pty Ltd	9,046,221	23.91
2 Luala Pty Ltd	3,142,332	8.30
3 Selso Pty Ltd	3,142,332	8.30
4 Caddy Fox Pty Ltd	2,787,332	7.37
5 Invia Custodian Pty Limited	2,590,418	6.85
6 Accede Pty Ltd	2,142,332	5.66
7 Equity Trustees Limited	1,369,038	3.62
8 National Nominees Limited	954,934	2.52
9 HSBC Custody Nominees (Australia) Limited	789,495	2.09
10 Mr Peter De Leo	622,466	1.64
11 ANZ Nominees Limited	565,050	1.49
12 JDV Limited	517,469	1.37
13 Citicorp Nominees Pty Limited	471,912	1.25
14 UBS Nominees Pty Ltd	446,325	1.18
15 Citicorp Nominees Pty Limited	345,113	0.91
16 Mr Glenn Robertson	309,997	0.82
17 Claw Pty Ltd	300,000	0.79
18 Botech Pty Ltd	225,405	0.60
19 Fadmoor Pty Ltd	225,000	0.59
20 Mr David James Taylor	217,500	0.57
Total	30,210,671	79.83

Shareholder Information

C. Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number held	Percentage
Reesh Pty Ltd	9,046,221	23.91
Luala Pty Ltd	3,142,332	8.30
Selso Pty Ltd	3,142,332	8.30
Caddy Fox Pty Ltd	2,787,332	7.37
Invia Custodian Pty Limited	2,590,418	6.85
Accede Pty Ltd	2,142,332	5.66

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares - On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.



Corporate Directory

Directors

Michael John Caratti
Mark Bambury Ward
Robert Joseph Osmetti
Rodney Lloyd Leonard
Bruno Ruggiero
Peter De Leo
Lawrence William Marshall

Company Secretary

Keith John Bakker

Registered and Principal Office

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Web: www.lycopodium.com.au

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Web: www.computershare.com.au

Auditor

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