

27 February 2008

Dear Shareholder

The Directors of Lycopodium are pleased to announce a successful first half of the 2007/08 financial year with revenue of \$55.9 million and net profit after tax of \$4.8 million. Commensurate with these results, which show a significant increase over those for the corresponding six months of the previous financial year, your Directors advise their forecast revenue for the 2007/08 financial year is \$110.5 million with an after tax profit of \$10.2 million. This represents an increase of 5.6% in revenue and 14% in after tax profit over the previous financial year.

The Directors have resolved to pay an interim dividend of 5 cents per share fully franked payable on 15 April 2008 with a record date of 1 April 2008.

We have enclosed with this letter a summary of Lycopodium's financial results.

Highlights of the six months to December 2007 include:

#### **Chirano Project, Ghana**

This year, Lycopodium is again involved with the ongoing development of the Chirano Gold Project, 100 km southwest of Kumasi, in Ghana, West Africa.

Past work has included the feasibility study, completed in 2003, as well as EPCM services in 2005/2006 for a treatment plant which can process combinations of oxide and primary ores. This treatment plant commenced operation in October 2005 with a nameplate capacity of 2 Mtpa.

In 2007, Lycopodium carried out comminution option studies which investigated an increase in plant throughput to 3.2 Mtpa.

Lycopodium has now been awarded an EPCM contract for the plant expansion which will increase the plant throughput to 3.5 Mtpa.

#### **KMT Project, Democratic Republic of the Congo**

In November 2007, the board of Kingamyambo Musonoi Tailings SARL (KMT), 65% owned by First Quantum Minerals Limited, 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.



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Lycopodium has been awarded an Engineering Services contract for the project to provide detailed engineering and design for the processing plant, along with project management, project controls and administration, procurement assistance and supporting First Quantum in the site construction, erection and installation work as well as pre-commissioning and systems handover.

To December 2007, engineering design, drafting and procurement activities were approximately 25% complete whilst on site construction was underway for power supply, water supply, construction camp and housing platforms, plant infrastructure buildings, and plant roads.

Completion of project construction and commissioning is targeted for the 4Q2009 with commercial production in the first quarter of 2010.

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.

### **Biodiesel Project, Victoria**

The tank farm and utility facilities at Barnawartha were complete by mid 2007 and installation of the process facility was completed at the end of 2007. Construction of the European designed process unit involved the installation of a large number of process vessels within a structure approximately 16m high and the use of 4.5 km of interconnecting stainless steel pipework.

A peak workforce of 120 constructed the facility, including pipe fitters, electricians and specialists for the large amount of thermal insulation required. After commissioning, the very first batch of biodiesel produced was within the required specifications and total plant performance trials are currently in progress. The plant is largely automated and will produce 50,000 tonnes per year of diesel fuel from tallow and used cooking oil.

### **Brisbane Office, Queensland**

The Brisbane office has seen solid growth over the past six months through focus on both market opportunities and on the recruitment of suitable professionals to support the growing client base.

Current activities involve both project implementation and studies in Queensland, PNG and Ghana for clients involved in molybdenum, nickel, copper, phosphate, zinc and gold.

### **Masbate Project, Philippines**

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

Operating from its Manila office, Lycopodium Engineering, is responsible for all process engineering and detailed design associated with the project.

At December 2007, detailed engineering design was 45% complete with construction on site just commencing with the first concrete being poured for the CIL tanks.

Lycopodium continues to provide EPCM services to Rio Tinto on iron ore projects and BHP Billiton on nickel projects.

The Buzwagi Project in Tanzania maintains its progress on schedule and on budget.

Additional EPCM services have been secured with Barrick at four Western Australia sites and one in PNG.

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While we endeavour to keep you informed of the Company's activities through the year you can visit us through our website at [www.lycopodium.com.au](http://www.lycopodium.com.au) or feel free to call us if there is anything about the Company and its activities you would like to discuss.

Yours faithfully

A handwritten signature in cursive script that reads "Mick Caratti".

**MICK CARATTI**  
**CHAIRMAN**

## LYCOPodium LIMITED FINANCIAL ANALYSIS

Income Statement	Actual 1st Half to December 2006	Actual 2nd Half to June 2007	Actual 2006 / 2007	Actual 1st Half to December 2007	Forecast 2nd Half to June 2008	Forecast 2007 / 2008
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	52.35	52.30	104.65	55.94	54.53	110.47
Pre-tax Profit	6.32	6.09	12.41	7.09	7.82	14.91
Tax	2.01	1.50	3.51	2.35	2.35	4.70
Minority Interests	0.00	0.00	0.00	-0.10	0.16	0.06
Net Profit	4.31	4.59	8.90	4.84	5.31	10.15

Balance Sheet	Actual as at December 2006	Actual as at June 2007	Actual as at December 2007
	\$m	\$m	\$m
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6.40	13.41	11.73
Receivable	20.95	22.70	21.36
Other	3.07	1.09	1.19
Total Current Assets	30.42	37.20	34.28
<b>Non-current assets</b>			
Property, plant and equipment	3.66	3.81	4.82
Intangible assets	5.68	5.90	5.79
Other	1.75	1.83	2.13
Total Non-current Assets	11.09	11.54	12.74
Total assets	41.51	48.74	47.02
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11.54	15.14	13.57
Other	2.31	3.32	2.85
Total Current Liabilities	13.85	18.46	16.42
<b>Non-current liabilities</b>			
Borrowings	1.79	1.75	2.02
Other	0.20	0.22	0.34
Total Non-current Liabilities	1.99	1.97	2.36
Total Liabilities	15.84	20.43	18.78
Net Assets	25.67	28.31	28.24
<b>Equity</b>			
Contributed equity	17.50	17.55	17.61
Reserves	-0.18	-0.29	-0.44
Retained profits	8.35	11.05	11.17
Minority Interests	0	0	-0.10
Total Equity	25.67	28.31	28.24

Valuation Data	Actual as at June 2006	Actual as at June 2007
Net profit	\$7.59m	\$8.90m
EPS	20.1c	23.5
EPS growth	20.9%	19.8%
P/E ratio	19.2x	16.1x
Op CFPS	22.2c	19.9c
Price/OpCFPS	17.2x	19.0c
DPS	15.0c	17.5c
Yield	4.0%	4.6%
EV/EBITDA	12.3x	10.3x
EV/EBITA	13.2x	10.9x
Payout Ratio	74.6%	74.4%
Franking	100.0%	100.0%

Profitability Ratios		
EBITDA/sales	12.8%	12.3%
EBITA/sales	12.0%	11.6%
Return on assets	25.2%	25.6%
Return on equity	31.1%	33.4%
Dividend cover	1.3x	1.3x
Effective tax rate	28.5%	28.5%