

Lycopodium Limited

ABN 83 098 556 159

Annual report

30 June 2009

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This financial report covers both Lycopodium Limited as an individual entity and the consolidated entity consisting of Lycopodium Limited and its controlled entities. The financial report is presented in the Australian currency.

Lycopodium Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 25 September 2009. The directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.lycopodium.com.au

Directors

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

Company Secretary

Keith John Bakker

Principal registered office in Australia

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East Perth WA 6004
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Share register

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Website: www.computershare.com.au
Email: web.queries@computershare.com.au

Auditor

PricewaterhouseCoopers
QV1 Building
Levels 19 - 21
250 St Georges Terrace
Perth WA 6000

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 2009.

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
 Peter De Leo

Mark Bambury Ward was a director from the beginning of the financial year until his resignation on 1 July 2009.

Principal activities

The principal activities of the consolidated entity during the financial year consisted of engineering consulting in the mining, metallurgical and manufacturing industries. There were no 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:

	2009	2008
	\$	\$
Final fully franked dividend for the year ended 30 June 2008 of 20.0 cents (2007 - 12.5 cents) per fully paid share paid on 17 October 2008 (2007 - 15 October 2007)	7,568,000	4,722,500
Interim fully franked dividend for the year ended 30 June 2009 of 5.0 cents (2008 - 5.0 cents) per fully paid share paid 15 April 2009 (2008 - 15 April 2008)	<u>1,892,000</u>	<u>1,892,000</u>
	<u>9,460,000</u>	<u>6,614,500</u>

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 \$7,731,021 (20.0 cents per fully paid share fully franked) based on shareholdings as at the date of this report, to be paid on 16 October 2009 out of group retained profits at 30 June 2009.

Review of operations

Although the 2008/09 financial year has been a difficult and challenging period, the company can report the delivery of a solid result. The adoption of past strategies has insulated the company from the more immediate effects of the global financial crisis, and will underpin operations moving forward in uncertain times.

Lycopodium's core strategy is to concentrate on the delivery of EPCM consulting services. This has enabled the company to develop a world class capability in the delivery of large mineral processing projects for leading multi-national mining companies. The scale of these projects means that the duration of projects can be 2 to 3 years therefore the immediate impacts of an event such as a sharp fall in commodity prices tends to be cushioned. Additionally, these leading multi-national mining companies tend not to be as adversely impacted as the general community by credit shortages and take a longer term view when committing to new projects.

Full year results

During the past financial year ended 30 June 2009, Lycopodium continued to grow with revenue increasing to \$146.8 million from \$120.5 million in the previous financial year, a 21.8% increase. Net profit after tax and minority interest increased by 13.7% from \$12.4 million in the previous financial year to \$14.1 million; however this result includes an after tax capital profit of \$2.1 million arising from the sale of the company's previous office facilities.

The reduced profit margin reflects the tighter operating conditions experienced during the year as well as costs associated with downsizing the company as the demand for services decreased in the latter part of the year. Personnel numbers grew from 650 at the beginning of the year to a peak of 740 in November 2008, declining to 480 at 30 June 2009.

Basic earnings per share increased from 33.0 cents for the previous financial year to 37.4 cents and in accordance with the company's dividend policy the Directors have resolved to pay a final dividend of 20 cents fully franked. The total dividend for the year is therefore 25 cents fully franked which is unchanged from the previous year.

Outlook

The market for Lycopodium's services in 2009/10 remains unsettled. Recent metal price increases have provided hope of a material increase in activity following the low activity in the second half of 2008/09. However there will be a time lag as companies will want to see a sustained increase in demand for their product before committing to new projects.

Lycopodium is targeting revenue of \$110 million, 25% less than the result for the 2008/09 financial year, and an after tax profit of \$8.0 million, 45% less than the comparable operating result for the 2008/09 financial year.

This forecast is in line with the results for the second half of 2008/09 financial year.

Board changes

On 1 July 2009 Mark Ward resigned as the Managing Director. Mark joined the company as an Associate Director on 1 November 2007, was appointed a Director on 4 April 2008 and, following the retirement of Laurie Marshall, was appointed Managing Director on 1 July 2008. The Board of Directors thanks Mark for his valued contribution during his time with the company.

Following Mark's resignation, Laurie Marshall re-assumed the role of Managing Director in order to ensure that there would be an efficient transition of the role. It is intended that a new appointment will be made to the position of Managing Director in the near future.

Corporate overview

During the past financial year the company has renamed its operating subsidiaries to better reflect the areas they work in and simplify the presentation to clients.

Lycopodium's operations are now performed through five wholly owned subsidiaries being Lycopodium Minerals Pty Ltd (formerly Lycopodium Engineering Pty Ltd), Lycopodium Process Industries Pty Ltd (formerly Process Design and Fabrication Pty Ltd), Lycopodium Minerals QLD Pty Ltd (formerly Lycopodium Engineering QLD Pty Ltd), Orway Mineral Consultants (WA) Pty Ltd, and Sherwood Utilities Pty Ltd.

Subsequent to 30 June 2009 Lycopodium acquired all the remaining shares in Lycopodium Minerals QLD Pty Ltd (previously 75% owned) and Sherwood Utilities Pty Ltd (previously 40% owned).

Lycopodium Minerals Pty Ltd, Lycopodium Minerals QLD Pty Ltd and Orway Mineral Consultants (WA) Pty Ltd provide services to the minerals processing industry. Lycopodium Process Industries Pty Ltd provides services to a wide range of manufacturing industries including chemical, pharmaceutical, food, automotive and bio-fuels. Sherwood Utilities Pty Ltd provides specialist maintenance and reliability engineering services to the minerals processing, mining, oil and gas and petrochemical industries.

Review of operations (continued)
Operational highlights

As reflected in the increased revenue, Lycopodium continued to experience a high level of activity during the 2008/09 year.

Lycopodium remained active in the Western Australian iron ore sector with Stage 2 of Rio Tinto's Hope Downs project successfully commissioned during the year and a number of expansion studies for Rio Tinto also completed or progressed. The company assisted Hancock Prospecting on the early study work for the Roy Hill project and is currently providing design services, field engineering and commissioning services for the upgrade of Fortescue Metals' Cloudbreak iron ore plant.

Activity in the Western Australian nickel and gold sectors was also high with a number of projects and studies completed for BHP Billiton's Nickel West operations including the Mt Keith Operation Talc Redesign project and completion of AngloGold Ashanti's Tropicana Prefeasibility Study.

Internationally, Lycopodium completed or progressed a number of projects located in Tanzania, Ghana, the Democratic Republic of Congo, the Philippines, Papua New Guinea and the Dominican Republic. Barrick's Buzwagi gold project in Tanzania, Red Back Mining's Chirano Expansion project in Ghana and CGA Mining's Masbate gold project in the Philippines were all completed and successfully commissioned during the past financial year. First Quantum Minerals' Kolwezi copper/cobalt project in the Democratic Republic of Congo continued with commissioning scheduled to commence in the December 2009 quarter. Lihir Gold's MOPU project in Papua New Guinea and Envirogold's Las Lagunas gold tailings project in the Dominican Republic were awarded and progressed.

Lycopodium maintained its presence in the industrial sector with completion of Orica Australia's Hypochlorite Plant in Western Australia and Fisherman's Landing Caustic Terminal in Queensland. Thales Australia's Acid Storage Design Project concept study at Mulwala in New South Wales and Solvay Interlox's Hydrogen Peroxide Plant Upgrade project at Botany in New South Wales were awarded and progressed during the past year. Additionally a number of projects and studies were progressed or completed for long term clients including Yakult Australia and GlaxoSmithKline.

During recent years Lycopodium has identified opportunities in the infrastructure sector where leverage could be gained from extensive capability in developing the infrastructure associated with the mineral and industrial process plants. A strategy was implemented to pursue these opportunities and, with award of the EPCM services for Wizard Power's Whyalla Solar Storage Project in South Australia, the first of these projects has been secured.

Through Orway Mineral Consultants, Lycopodium continues to focus on providing comminution circuit design and optimisation services across a wide range of commodities, with the gold and uranium sectors being particularly buoyant. With lower commodity prices, the focus of this work has shifted as clients look to increase production and reduce costs in existing plants rather than optimising the design of new plants.

The Lycopodium subsidiary, Sherwood Utilities, continues to expand its business in the provision of reliability and maintenance engineering services to long term as well as new clients in the oil & gas and mining & minerals sectors. Staff numbers have increased by 30% to cope with this additional workload in the 2010 period.

Acknowledgement

Lycopodium is a service organisation and the Board of Directors acknowledges that the company's ability to continue to deliver world class services to clients and to maintain and enhance the company's performance and capability is dependant on the commitment and support of its personnel. The Directors sincerely thank all personnel for their highly valued contribution.

Review of operations (continued)

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

	Segment revenues		Segment results	
	2009 \$	2008 \$	2009 \$	2008 \$
EPCM	72,849,440	74,817,031	11,666,321	17,178,820
Design & construct (lump sum)	1,654,157	11,704,849	343,367	865,240
Study services	35,181,000	26,278,720	4,176,787	5,374,262
Project services	34,431,369	5,854,979	5,478,699	1,419,626
	<u>144,115,966</u>	<u>118,655,579</u>	<u>21,665,174</u>	<u>24,837,948</u>
Unallocated revenue	<u>2,719,681</u>	<u>1,922,837</u>	-	-
	<u>146,835,647</u>	<u>120,578,416</u>	<u>21,665,174</u>	<u>24,837,948</u>
Unallocated revenue less unallocated expenses			<u>(1,462,432)</u>	<u>(7,173,396)</u>
Profit before income tax expense			<u>20,202,742</u>	<u>17,664,552</u>
Income tax expense			<u>(5,425,487)</u>	<u>(5,187,734)</u>
Profit for the year			<u>14,777,255</u>	<u>12,476,818</u>
Less: Profit attributable to minority interest			<u>(606,837)</u>	<u>450</u>
Profit attributable to members of Lycopodium Ltd			<u>14,170,418</u>	<u>12,477,268</u>

Comments on the operations and the results of those operations are set out below:

- (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 rate 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 rate or fixed fee basis.
- (d) *Project Services*
This industry segment comprises the delivery of selected project 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 rate or fixed fee basis.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

Issue of 1,450,000 performance rights to Executive Directors of Lycopodium Limited.

Matters subsequent to the end of the financial year

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is \$7,731,021, which represents a fully franked dividend of 20.0 cents per fully paid ordinary share.

On 13 July 2009, Lycopodium Limited completed the acquisition of all the minority interests' shares in its subsidiary Lycopodium Minerals Qld Pty Ltd pursuant to the exercise of an existing option, for a total consideration of \$3,500,000.

On 19 August 2009 Lycopodium Limited entered into an agreement to purchase the remaining 60% shares in its associate Sherwood Utilities Pty Ltd pursuant to the exercise of an existing option, for a maximum total consideration of \$2,145,000.

In August 2009, the Tanzanian Revenue Authority ('TRA') served notice on Lycopodium Minerals Pty Ltd and its subsidiary Lycopodium Tanzania Ltd, that it was of the view that these companies had not paid the appropriate level of PAYE taxes on expatriate employees engaged by these companies on the Buzwagi Project being undertaken in Tanzania for Pangea Minerals Limited, a subsidiary of Barrick Gold Corporation, and that the appropriate amount of withholding tax had not been deducted from Lycopodium Minerals Pty Ltd's associated invoices.

In addition, the TRA also served notice on Pangea Minerals Limited to refrain from making any further payments to Lycopodium Minerals Pty Ltd until further notice. As at the date of this report the amount being withheld by the client in conformance with this request and for work performed to 30 June 2009, is in the order of \$5.4M.

It is the Company's view that employee PAYE taxes remitted by Lycopodium Tanzania Pty Ltd and withholding taxes deducted from Lycopodium Minerals Pty Ltd's invoices have met all in-country Tanzanian taxation liabilities. In the meantime the Company is seeking legal advice on the ability of the TRA to instruct Pangea Minerals Limited to withhold payments that are acknowledged by them as being due and payable. Lycopodium has fully cooperated with the TRA and continues to provide information in response to ongoing requests from the TRA in an attempt to resolve the matter expeditiously.

With the exceptions of the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

- (a) the consolidated entity's operations in 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

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

Michael John Caratti BE (Elec) (Hons). Chairman Executive Director. Age 59.

Experience and expertise

Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 30 years experience in the mineral processing industry and has had a major role in the development of the consolidated entity's risk management and quality control programmes.

Special responsibilities

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

Interests in shares and options

9,205,696 ordinary shares of Lycopodium Limited.

Information on directors (continued)

Lawrence William Marshall B.Bus (Acc) CPA. Managing Director. Age 56.

Mr Marshall in his role as the former Chief Executive Officer of Lycopodium Minerals Pty Ltd and with over 30 years experience has played a major role in the development of the consolidated entity's information, accounting and management and risk management systems. Mr Marshall retired as Managing Director of Lycopodium Limited effective 1 July 2008, but has resumed the role from 1 July 2009 following the resignation of his replacement. This arrangement will continue for the short term while the Board considers a permanent appointment. Mr Marshall is a non-executive director of Lycopodium Minerals Qld Pty Ltd and Lycopodium Process Industries Pty Ltd.

Special responsibilities

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

Interests in shares and options

2,142,332 ordinary shares of Lycopodium Limited.

Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Executive Director. Age 48.

Experience and expertise

Mr Leonard has in excess of 20 years experience in the mineral processing industry and is an executive director of Lycopodium Minerals Pty Ltd and a non-executive director of Orway Mineral Consultants (WA) Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

2,812,332 ordinary shares of Lycopodium Limited.

250,000 performance rights over ordinary shares of Lycopodium Limited

Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 53.

Experience and expertise

Mr Osmetti has approximately 30 years experience in the project management and construction of minerals, oil refining and manufacturing projects. Mr Osmetti is a non-executive director of Lycopodium Process Industries Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

3,142,332 ordinary shares of Lycopodium Limited.

250,000 performance rights over ordinary shares of Lycopodium Limited

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, MIEAust, MAusIMM. Executive Director. Age 45.

Experience and expertise

Mr Ruggiero has over 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 Minerals Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

3,167,332 ordinary shares in Lycopodium Limited.

250,000 performance rights over ordinary shares of Lycopodium Limited

Information on directors (continued)

Peter De Leo BE (Civ) CPEng FIEAust. Executive Director. Age 43.

Experience and expertise

Mr De Leo has some 20 years experience in the construction and engineering fields and is the Managing Director of Lycopodium Minerals Pty Ltd.

Special responsibilities

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

Interests in shares and options

875,871 ordinary shares of Lycopodium Limited.

350,000 performance rights over ordinary shares of Lycopodium Limited

Company secretary

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 56.

Keith has in excess of 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 number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Other+	
	A	B	A	B	A	B
Michael Caratti	13	17	*	*	1	1
Lawrence Marshall	14	17	2	2	1	1
Rodney Leonard	14	17	*	*	1	1
Robert Osmetti	15	17	*	*	1	1
Bruno Ruggiero	17	17	*	*	1	1
Peter De Leo	15	17	2	2	1	1
Mark Ward	17	17	2	2	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

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity'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. Remuneration, other than the vesting criteria for the performance rights issued during the year, is not dependent upon the achievement of performance conditions.

Non-executive directors

There were no non-executive directors serving on the board during the financial year.

Directors' fees

No directors' fees were payable for the year ended 30 June 2009.

Executive pay

The executive remuneration and reward framework has three components:

- fixed annual remuneration, including superannuation, and
- service bonus, and
- equity.

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.

1,450,000 performance rights were granted to certain executive directors during the reporting period. These rights were granted for nil consideration and are exercisable upon certain performance hurdles and vesting conditions being achieved.

A service bonus may be provided to certain senior salaried employees payable annually, at the discretion of the company, commencing from an employee's third anniversary date. The service bonus was introduced in the prior reporting period, effective from 1 July 2007 and has been suspended indefinitely effective from 30 June 2009.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Lycopodium Limited and the consolidated entity are set out in the following tables.

2009	Short-term employee benefits			Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Service bonus	Non monetary benefits	Super-annuation	Performance Rights	
Name	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>						
Michael John Caratti	39,956	-	3,732	100,000	-	143,688
Lawrence William Marshall	277,811	-	3,732	100,000	-	381,543
Rodney Lloyd Leonard	466,667	55,000	3,732	50,000	40,326	615,725
Robert Joseph Osmetti	414,699	50,000	5,644	68,634	40,326	579,303
Bruno Ruggiero	433,333	50,000	3,732	50,000	40,326	577,391
Peter De Leo	460,588	55,000	3,732	37,745	61,852	618,917
Mark Bambury Ward	600,000	-	3,732	50,000	61,852	715,584
<i>Other key management personnel (consolidated entity)</i>						
Doug Rogers	180,000	33,000	53,732	100,000	-	366,732
David Taylor	216,922	34,000	53,732	100,000	-	404,654
Lou Giura	306,255	32,000	3,732	13,745	-	355,732
Dr Greg O'Neil	140,000	24,000	3,732	100,000	-	267,732
Keith Bakker	193,700	30,000	6,882	100,000	-	330,582
Preben Savik*	201,338	10,528	3,732	14,117	-	229,715
Steven Zaninovich**	265,377	26,500	3,732	13,745	-	309,354
Clive Catlow	128,232	-	21,768	100,000	-	250,000
Glenn Robertson	236,255	-	-	13,745	-	250,000
Pankaj Bali (From 1/7/2008 to 13/3/2009)	145,402	-	-	20,265	-	165,667
Claude Sapienza***	279,554	26,500	22,032	13,745	-	341,831
Jonathan Morey***	131,040	-	25,200	11,662	-	167,902
Francois Steyn****	88,150	-	-	5,727	-	93,877
Ian Yovich	225,680	-	55,153	100,000	-	380,833
Brian Putland	232,840	20,640	5,135	20,560	-	279,175
Leigh Siddall	216,849	19,728	22,485	13,817	-	272,879
Total key management personnel compensation (Consolidated entity)	5,880,648	466,896	309,083	1,197,507	244,682	8,098,816

* Preben Savik was appointed a director of Lycopodium Minerals Pty Ltd on 1 July 2008.

** Steven Zaninovich was appointed a director of Orway Mineral Consultants (WA) Pty Ltd on 1 July 2008.

*** Claude Sapienza and Jonathan Morey were appointed directors of Lycopodium Process Industries Pty Ltd on 1 July 2008.

**** Francois Steyn was appointed a director of Lycopodium Process Industries Pty Ltd on 1 February 2009. Amounts shown above do not include Mr Steyn's remuneration before his appointment as director as he did not meet the definition of a key management person before this time.

Other than the performance rights, no element of the above remuneration is conditional upon meeting key performance indicators.

Remuneration report (continued)
 B Details of remuneration (continued)
 Amounts of remuneration (continued)

2008	Short-term employee benefits			Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Service bonus	Non monetary benefits	Super-annuation	Performance Rights***	
Name	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>						
Michael John Caratti	142,250	-	4,000	100,000	-	246,250
Lawrence William Marshall	324,488	-	10,198	89,314	-	424,000
Rodney Lloyd Leonard	389,262	-	4,257	36,000	-	429,519
Robert Joseph Osmetti	370,675	-	4,000	49,325	-	424,000
Bruno Ruggiero	357,903	-	4,000	47,525	-	409,428
Peter De Leo	371,107	-	16,893	36,000	-	424,000
Mark Bambury Ward*	239,897	-	4,121	39,744	-	283,762
<i>Other key management personnel (consolidated entity)</i>						
Doug Rogers	217,635	27,500	19,185	74,891	-	339,211
David Taylor	194,314	27,500	52,611	83,539	-	357,964
Lou Giura	276,454	30,000	4,000	13,129	-	323,583
Dr Greg O'Neil	118,995	20,642	10,768	89,519	-	239,924
Keith Bakker	162,000	22,000	36,167	51,500	-	271,667
Clive Catlow	167,544	-	23,064	53,971	-	244,579
Glenn Robertson	185,844	-	-	60,128	-	245,972
Pankaj Bali	149,286	-	-	28,129	-	177,415
Ian Yovich**	175,671	-	9,480	90,731	-	275,882
Brian Putland	198,829	-	4,000	16,432	-	219,261
Leigh Siddall	174,688	-	21,350	14,307	-	210,345
Total key management personnel compensation (consolidated entity)	4,216,842	127,642	228,094	974,184	-	5,546,762

* Mr Ward was appointed a director on 4 April 2008. Before this appointment he was a key management person. Amounts shown above include all Mr Ward's remuneration during the reporting period, whether as a director or as a key management person. Amounts received in his position as a director amounted to \$88,537, made up of cash salary of \$70,367, non-monetary benefits of \$1,000, and superannuation of \$14,170.

** Ian Yovich was appointed a director of Lycopodium Minerals Qld Pty Ltd on 21 August 2007. Amounts shown above represent his remuneration after this appointment.

*** Performance rights were only issued during the financial year ended 30 June 2009.

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

Remuneration report (continued)

C Service agreements

Remuneration and other terms of employment for the directors and other key management personnel 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 may be terminated by either party with one month's notice, with the exception of the contract with Mark Ward which provided for three month's notice by either party. None of the directors or executives are provided with termination benefits.

Michael Caratti, *Chairman*

- Fixed hourly rate, inclusive of superannuation, for the year beginning 1 July 2008 of \$308 was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$246.

Lawrence Marshall, *Managing Director*

- Fixed hourly rate, inclusive of superannuation, for the year beginning 1 July 2008 of \$308 was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$246.

Rodney Leonard, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$550,000, reduced to \$500,000 on 1 March 2009 and was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$400,000.

Robert Osmetti, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$500,000 and was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$400,000.

Bruno Ruggiero, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$500,000 and was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$400,000.

Peter De Leo, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$500,000 increased to \$550,000 on 1 March 2009 and was reviewed by the Remuneration Committee on 1 May 2009 and reduced to \$440,000.

Mark Ward, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2009 of \$650,000.

Doug Rogers, *Manager of Process - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$330,000 was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

David Taylor, *Manager of Engineering - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$340,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Lou Giura, *Manager of Projects - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$320,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Dr Greg O'Neil, *Director - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$240,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Preben Savik, *Director - Lycopodium Minerals Pty Ltd*

- Preben Savik was appointed director of Lycopodium Minerals Pty Ltd on 1 July 2008. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$211,000, was reviewed per company policy on 1 December 2008 to \$218,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Remuneration report (continued)

C Service agreements (continued)

Clive Catlow, *Director - Lycopodium Process Industries Pty Ltd*

- Contract was terminated on 30 June 2009.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$250,000 was reviewed on 1 December 2008 with no change.

Glenn Robertson, *Director - Lycopodium Process Industries Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$250,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Pankaj Bali, *Manager (NSW) and (QLD) - Lycopodium Process Industries Pty Ltd*

- Contract was terminated on 13 March 2009.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$180,500 was reviewed on 1 December 2008 with no change, as per company policy.

Claude Sapienza, *Director - Lycopodium Process Industries Pty Ltd*

- Claude Sapienza was appointed director of Lycopodium Process Industries Pty Ltd on 1 July 2008. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$265,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Jonathan Morey, *Director - Lycopodium Process Industries Pty Ltd*

- Jonathan Morey was appointed director of Lycopodium Process Industries Pty Ltd on 1 July 2008. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$168,036, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Francois Steyn, *Managing Director - Lycopodium Process Industries Pty Ltd*

- Francois Steyn was appointed director of Lycopodium Process Industries Pty Ltd on 1 February 2009 and Managing Director on 1 July 2009. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2009 of \$225,000 to be reviewed by the Remuneration Committee annually from 1 December.

Ian Yovich, *Managing Director - Lycopodium Minerals Qld Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$375,000 to be reviewed by the Remuneration Committee annually from 1 July.

Brian Putland, *Managing Director - Orway Mineral Consultants (WA) Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$240,000, plus allowance for site work, was reviewed on 1 January 2009 as per company policy to \$258,000. It is to be reviewed by the Remuneration Committee annually from 1 December.

Leigh Siddall, *Director - Orway Mineral Consultants (WA) Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$220,000, plus allowance for site work, was reviewed on 1 January 2009 as per company policy to \$236,400. It is to be reviewed by the Remuneration Committee annually from 1 December.

Steven Zaninovich, *Director - Orway Mineral Consultants (WA) Pty Ltd*

- Steven Zaninovich was appointed director of Orway Mineral Consultants (WA) Pty Ltd on 1 July 2008. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$265,000, was reviewed per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Keith Bakker, *Chief Financial Officer*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2008 of \$300,000 was reviewed as per company policy on 1 December 2008 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

Remuneration report (continued)

D Share-based compensation

Performance Rights

Performance rights were granted to certain executive directors as disclosed in the Notice of Annual General Meeting dated 16 October 2008. The rights were designed to give incentive to the executive directors to provide dedicated and ongoing commitment and effort to the company and aligning the interest of both employees and shareholders.

Vesting of the rights is subject to meeting the following performance hurdles:

Tranche	Vesting date and Performance hurdle
Tranche 1	1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
Tranche 2	1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
Tranche 3	1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
Tranche 4	1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
Tranche 5	1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

The rights are granted under the plan for no consideration.

The terms and conditions of each grant of rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
24 December 2008	30 June 2011	30 June 2016	\$-	\$0.74
24 December 2008	30 June 2012	30 June 2016	\$-	\$0.74
24 December 2008	30 June 2013	30 June 2016	\$-	\$0.74
24 December 2008	30 June 2014	30 June 2016	\$-	\$0.74
24 December 2008	30 June 2015	30 June 2016	\$-	\$0.74

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

Details of rights over ordinary shares in the company provided as remuneration to each director of Lycopodium Limited and each of the key management personnel of the parent entity and the consolidated entity are set out below. When exercisable, each right is convertible into one ordinary share of Lycopodium Limited. Further information on the rights is set out in note 42 to the financial statements.

Name	Number of rights granted during the year		Number of rights vested during the year	
	2009	2008	2009	2008
Directors of Lycopodium Limited				
Mark Bambury Ward	350,000	-	-	-
Peter De Leo	350,000	-	-	-
Robert Joseph Osmetti	250,000	-	-	-
Bruno Ruggiero	250,000	-	-	-
Rodney Lloyd Leonard	250,000	-	-	-

Remuneration report (continued)

D Share-based compensation (continued)

The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, 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 rights.

The model inputs used for rights granted during the year ended 30 June 2009 included:

- (a) exercise price: \$0.0
- (b) grant date: 27 November 2008
- (c) expiry date: 30 June 2016
- (d) share price at grant date: \$1.95
- (e) expected price volatility of Lycopodium's shares: 45.6%
- (f) expected dividend yield: 12.8%
- (g) risk free interest rate: 5.25%

Shares provided on exercise of rights

No rights over ordinary shares in the company were exercised during this or the previous financial year by any director of Lycopodium Limited or other key management personnel of the consolidated entity.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 31 to the financial statements.

Shares under option

There are no unissued ordinary shares of Lycopodium Limited under option at the date of this report.

Insurance of officers

During the financial year, Lycopodium Limited took out insurance cover for the directors, secretaries and senior officers of the company and its 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 willful 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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 or payable 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 impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Non-audit services (continued)

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:

	Consolidated	
	2009	2008
	\$	\$
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	389,797	243,293
Related practices of PricewaterhouseCoopers Australian firm	15,727	18,566
Fees paid to Grant Thornton for the audit or review of financial reports of Lycopodium Tanzania Limited	<u>11,763</u>	-
Total remuneration for audit services	<u>417,287</u>	<u>261,859</u>
2. Non-audit services		
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	27,800	69,000
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	<u>-</u>	<u>5,778</u>
Total remuneration for taxation services	<u>27,800</u>	<u>74,778</u>
Other Advisory services		
Fees paid to PricewaterhouseCoopers	<u>15,764</u>	<u>28,196</u>
Total remuneration for other services	<u>15,764</u>	<u>28,196</u>
Total remuneration for non-audit services	<u>43,564</u>	<u>102,974</u>

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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.



Lawrence William Marshall
 Managing Director

Perth
 25 September 2009