

27 November 2008

## **ASX RELEASE**

### **Annual General Meeting – Operations Report Update**

The latest 2008 Annual Shareholders Report and Annual Financial Report presented another strong year for Lycopodium consistent with the high level of activity experienced within the resources sector. Significant developments and highlights were outlined in the Shareholders Report and I would like to take this opportunity of providing an update to Lycopodium's operations to date, and to reflect on the rapid changes that the general business environment is experiencing currently.

The rate of growth in the engineering services sector has been very strong for a number of years, however the volatility and uncertainty in the global financial markets and declining commodity prices has led to a rapid softening in the minerals services sector over the last few months. Some multi-national mining companies are reviewing their previous expansion plans and some junior companies have delayed their plans or have been affected by the credit crunch. The general chemical, manufacturing, pharmaceutical and industrial sector remains challenging due to the declining level of activity. The long term effects of this global situation remain unclear however at this time.

Whilst currently Lycopodium's previous level of activity continues, the rate of growth of further opportunities has slowed. Personnel numbers for the group have grown further from 650 as at 30 June 2008 to approximately 750 as at 31 October 2008 with growth in Perth, Brisbane and Manila.

Rio Tinto Iron Ore are currently revising their plans with respect to their 320Mt expansion project whilst continuing with projects that are part of their 220Mt expansion. Two smaller metals studies and an iron ore design package related to Fortescue Mining Group's planned expansions have recently been curtailed however these changes are not material to Lycopodium's general activities.

Although Lycopodium is not immune to the general market conditions, the company's strategies in terms of diversification of client base, commodity, and project and operational geography and the continued focus of the directors and management continues to enable the company to deal with these challenges. In particular Lycopodium continues to operate without the need for debt. Furthermore, Lycopodium's strategy of organic growth has allowed the company to grow without the increased integration risk so often associated with acquisitions.

Lycopodium announced in October that more consistent branding and a refreshed company image would be in place from November 2008 and that certain companies within the group would be renamed. This has been completed, and we welcome the new subsidiary company names of Lycopodium Minerals Pty Ltd, Lycopodium Minerals QLD Pty Ltd, and Lycopodium Process Industries Pty Ltd. This has coincided with the launch of our new website and corporate visual image.

Lycopodium continues to deliver projects in a safe and environmentally responsible manner and good performance has again been achieved since the last report.

The EPCM contract being carried out by Lycopodium Minerals for the Buzwagi gold project in Tanzania for Barrick has progressed with site activities including equipment installation, structural steel, electrical and instrumentation installation work ongoing. Other projects for Barrick were completed in Western Australia and continue in Papua New Guinea.

Lycopodium Minerals has continued with the design work on the Kolwezi copper/cobalt project for First Quantum Minerals and site works have advanced with construction of the tailings dam, general earthworks, concrete works, structural steel and tankage all now in progress in accordance with the schedule. Lycopodium Minerals has commenced a further study for a new metals plant at Kolwezi.

Activity in iron ore continued at a high level with Lycopodium Minerals in association with KBR continuing work for Rio Tinto with construction on Hope Downs Stage 2 almost complete and commissioning underway and further progression on studies for Western Turner Syncline, Marandoo BWT, Hope Downs, and Nammuldi. Rio Tinto has recently announced that they are reviewing their expansion plans for iron ore and this review is currently underway.

Construction has progressed well on the Masbate gold project for CGA Mining / Leighton Contractors in the Philippines and is on track for commissioning in the New Year.

Lycopodium Minerals has continued with the study work and projects in the nickel sector for BHP Billiton Nickel West at their Ravensthorpe, Kalgoorlie Nickel Smelter, Mount Keith, and Leinster operations.

Lycopodium Minerals continued work for AngloGold Ashanti on the Tropicana Gold Study including a Concentrated Solar Power Plant and it is expected that this method of energy generation will gain popularity in future.

Work by Lycopodium Minerals QLD for Red Back Mining on the Chirano gold project in Ghana has continued and site work has commenced.

Lycopodium Process Industries has completed the construction and pre-commissioning of the sodium hypochlorite plant for Orica and this project remains on schedule with dry commissioning currently in progress.

The first phase of the Aircraft Component Repair Station for Boeing has been completed by Lycopodium Process Industries.

Orway Mineral Consultants (OMC) activities have continued at a high level and new work has been secured at the Varvarinskoye copper/gold operation in Kazakhstan, with a Moto Gold Mines study in the DRC, and Mumi's copper/cobalt project in the DRC. OMC however is detecting a swing in the minerals cycle with study work having less focus on new projects and with more opportunities emerging on the optimisation of existing projects.

Lycopodium Minerals QLD has been awarded the engineering contract for Lihir's Million Ounce Plant Upgrade and design has commenced on this gold project. A portion of this work will be carried out by Lycopodium Minerals. Further studies have been awarded in gold, copper, and magnetite.

Lycopodium Process Industries has been awarded a contract for the design and supply of an inhibitor system for the Rio Tinto Aluminium Yarwun Stage 2 project, and continues to be awarded ongoing upgrade projects at Yakult including the Bottle Storage Tank and Conveying System Stages 1 & 2, and the Seed Storage project.

Lycopodium's associate, Sherwood Utilities (SUPL), has continued to provide Maintenance Planning and Reliability Engineering services to long term clients in the Oil & Gas sector such as Woodside and Chevron and in the mining sector for Rio Tinto. Further assignments have commenced for an African copper/cobalt project for Freeport-McMoRan and for an Australian gold project for Newmont.

Lycopodium's management and staff are integral to the performance of the company and on behalf of the Board of Directors I would like to extend our appreciation for their continued contribution to the company's success.

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