LUDOWICI
DRIVEN BY INNOVATION

Ludowici Limited
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23 August 2010

Dear Shareholder

Enclosed is a copy of the Directors' Report for the half year ended 30 June, 2010 lodged with the Australian Securities Exchange Limited (ASX) today.

During the six months Ludowici has delivered record profits on the highest sales in the company's history. The business has performed particularly well in Australia, USA and South America. This record performance is driven by strong sales of capital equipment especially in Australia and the contribution made by the recently acquired JS Mining business.

We look forward to continuing to improve the performance of your company and to delivering increasing returns to our shareholders.

Included in the Directors' Report is an extract of the financial result together with a general review of operations. A copy of the financial statements filed with the ASX is available from the Company's website (www.ludowici.com.au).

The interim dividend declared for the half year is 10 cents per ordinary share unfranked and payable on 24 September, 2010. It will have a record date of 14 September, 2010. This dividend is a 67% increase on the last year's interim dividend.

The Dividend Reinvestment Plan (DRP) is in place for this interim dividend. Shares purchased under the DRP will not be issued at a discount nor underwritten.

It is expected that franking credits will apply to future dividends.

Yours faithfully

Phil Arnall
Chairman

Ludowici Limited

Directors' Report

For the Half Year ended 30 June 2010

Your directors present their report on the consolidated entity consisting of Ludowici Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2010.

DIRECTORS

The following persons were Directors of Ludowici Limited during the whole of the half-year and up to the date of this report:

P.J. Arnall (Chairman) B. Comm.
P.J. Largier (Managing Director) BSc. Chem. Eng.
J.K. Ludowici B. Comm.
C.W. Ravenhall Dip. App. Chem.
H.R. Rhodes-White
N.W. Stump MAppSc. HonDEngin Qld. FAusIMM.
G. Cowan BSc(Hons), FCCA

REVIEW AND RESULTS OF OPERATIONS

Ludowici Directors are pleased to report that the 6 months to June has produced record revenues and profits for your Company.

This result flows from the ongoing implementation of a business efficiency improvement plan that has been underway over the last two and half years and from the contribution made by the JS Mining businesses acquired by Ludowici at the end of 2009. The acquisition has delivered the forecast revenues together with synergy benefits through the successful integration of the new business over the first half of the year. In summary, the integration was completed more quickly than anticipated and has delivered the profit uplift expected at the time of the acquisition.

Notwithstanding the pleasing results for the first half of 2010, the Company is continuing to identify and implement initiatives to improve products, customer service and operational efficiency which should underpin further profit improvement going forward.

Financial Report

The following information has been extracted from the attached half year financial report.

	Half-Year Ended 30 June 10 $'000	Half-Year Ended 30 June 09 $'000	Change %
Revenue	112,986	75,090	50%
Profit from continuing operations before finance costs and tax	8,884	4,234	110%
Profit from continuing operations after income tax	5,379	2,407	123%
Profit/(Loss) from discontinued operations after income tax	0	(1,692)	-100%
Profit attributable to members of Ludowici Limited	5,379	715	652%
Earnings per share for profit from continuing operations (basic) – cents	21.2	12.6	69%
Dividends per share (declared) - cents	10	6	67%
Net tangible assets per share $	$2.10	$2.37	-11%

Sales for the first half of 2010 were $113m which is an increase of 50% over the equivalent period last year. This increase in sales was driven by strong sales of capital equipment especially in Australia and the contribution made by the acquired JS Mining operations in Australia, South America and North America. The consumables nature of the JS Mining products provides a good balance to the growth in capital equipment. The increased portion of sales of consumable products in Ludowici's portfolio should enhance the predictability of future earnings.

Profit from Continuing Operations benefited from higher revenue, improved operating efficiencies and cost synergies released from the JS Mining acquisition. The combination of these influences resulted in profit before tax and interest increasing by 110% compared to the equivalent period in 2009 rising from $4.2m last year to $8.9m this year. The benefits of consolidating Brisbane manufacturing onto a single large site at Pinkenba with a satellite site at Carole Park are evident from the improved operating efficiencies demonstrated over the first half of 2010. These improved operating efficiencies were supported by an expanding global supply chain allowing Ludowici to source high quality components centrally to be utilised in Ludowici's global businesses.

In the first half of 2010 there were no one-off significant items or profits/losses from Discontinued Operations. This has resulted in all profits from Continuing Operations flowing through to Profit attributable to members of Ludowici Limited. Net Profit attributable to members increased by over 650% to $5.4m. Notwithstanding the additional shares issued to fund the JS Mining acquisition, earnings per share (for profit from continuing operations) increased by 69% to 21.2 cents per share for the first six months of 2010.

The strong revenues and profits for the first half of 2010 also resulted in a healthy Net Cash inflow from Operating Activities of $9.3m over the six months. Net debt increased by $1.5m as a result of a drawdown of funds to acquire the J S Mining operation of approximately $8m significantly offset by strong operating cash flow.

Operational Report

The three areas of particular operational focus during the first half of 2010 were:

- Completing the JS Mining acquisition and integrating the new businesses.
- Driving ongoing manufacturing improvement and increasing production output to accommodate the high levels of orders for capital equipment.
- Focus on technology development and commercialising new products.

The acquisition of the JS mining businesses provided Ludowici with an opportunity to deliver a significant improvement in the performance of the Company. A full time integration manager was appointed and by the end of June 2010 the majority of the integration of the new business was complete. Examples of activities that have been undertaken during integration include migration of the Australian and USA businesses onto Ludowici's ERP system (completed end March and end April respectively) and the integration of sales forces in all regions.

During the first half of 2010 Ludowici enjoyed an unprecedented demand for capital equipment particularly in Australia. To ensure that production targets were met a significant effort was put into the supply chain, production planning and production efficiency. Delivery of this capital equipment program helped underpin Ludowici's strong first half performance.

Ludowici is a company driven by innovating and developing new products and services that will assist our customers to improve their production processes so that they can deliver increased profitability. The Company continues to explore new ideas and commercialise new products. A noteworthy new product that has gained traction during the first half of 2010 is Ludowici's new reflux classifier. This patented, revolutionary technology, developed with the University of Newcastle, enhances the separation and upgrading of fine particles which in turn improves overall mineral processing plant yields. Reflux classifiers are now operational in New Zealand, China and Australia. In addition, orders have been received and are being manufactured for new reflux classifiers in India, Africa and USA. We would expect the reflux classifier to ultimately become the global industry standard replacing gravity spirals.

Over the half year, Ludowici has continued to develop its international businesses. Examples include setting up operations in Peru to further develop business in this country, increasing business in Arizona, delivering our first product for a new project in Mongolia and starting the process of setting up new production facilities in India.

Outlook

With the sale of the New Zealand Packaging business in the middle of 2009 and the acquisition of the JS Mining business in December 2009, Ludowici is now predominantly focussed on servicing the global mineral processing industry with a balanced product portfolio split approximately 50/50 between the supply of capital equipment and mining consumables. This transformation of the company is providing greater stability of earnings which in turn allows management to increase focus on delivering longer term improvements to the business and its processes.

In recent months the level of order intake has increased after the uncertainty created by the proposed Resource Super Profit tax in Australia and the residue of the GFC elsewhere. The level of quoting is extremely strong which bodes well for future business as these quotes hopefully translate into firm orders later this year or in 2011. The lead time for major projects is reasonably long so any new large orders will only have an impact on Ludowici's profitability either late in 2010 or more likely in 2011.

Ludowici achieved an EBITDA of $11.5m for the first six months. As previously advised it is our expectation that the second half of 2010 will be similar to the first half's result. This is still our current expectation with the increasing possibility that the second half EBITDA may be stronger than the first half.
Given the level of quoting activity we currently expect 2011 to be stronger than 2010.

Post Balance Date Events

The Directors have declared a dividend of 10.0 cents per fully paid ordinary share. This dividend will be unfranked and payable on 24 September 2010. The dividend reinvestment plan will continue for the 2010 interim dividend at no discount and will not be underwritten.

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 7.

Rounding

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

P J Arnall	P J Largier
Director	Director

Brisbane, 23 August 2010