

Lycopodium Limited

ABN 83 098 556 159

Annual report 30 June 2017

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This financial report is the consolidated financial report of the group consisting of Lycopodium Limited and its subsidiaries. The financial report is presented in the Australian currency.

Lycopodium Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Lycopodium Limited
Level 5, 1 Adelaide Terrace
East Perth WA 6004

A description of the nature of the group's operations and its principal activities is included in the directors' report on page 1, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 28 September 2017. 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 and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.lycopodium.com.au

Directors' report

Your Directors present their report on the group consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

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
Peter De Leo
Rodney Lloyd Leonard
Robert Joseph Osmetti
Lawrence William Marshall
Bruno Ruggiero
Steven John Micheil Chadwick

Mr Peter Anthony Dawson was appointed as an Executive Director on 18 September 2017 and continues in office at the date of this report.

Principal activities

The principal activities of the group during the financial year consisted of engineering consulting in the mining, metallurgical, rail and manufacturing industries. There were no significant changes in the nature of the group's principal activities during the financial year.

Dividends

Dividends paid to members during the financial year were as follows:

	2017 \$	2016 \$
Interim fully franked dividend for the year ended 30 June 2017 of 9.0 cents (2016: 1.5 cents) per fully paid share paid on 13 April 2017 (2016: 13 April 2016)	3,575,914	595,987

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final fully franked dividend of \$3,575,914 (9.0 cents per fully paid share) to be paid on 13 October 2017 out of retained earnings at 30 June 2017 (2016: \$1,589,295). This brings the total dividend declared for the year ended 30 June 2017 to 18.0 cents (2016: 5.5 cents).

Review of operations

Lycopodium has had a busy year across all sectors. We have continued to execute our strategies and have seen our first class teams successfully deliver services across all sectors within which we are involved. In line with this we have achieved a good financial outcome for the year and have further strengthened our balance sheet and financial position.

In mineral resources Lycopodium was busy with the delivery of five green fields gold projects Mako (Senegal), Houndé (Burkina Faso), Natougou (Burkina Faso), Sissingué (Côte d'Ivoire) and Santa Rosa (Colombia) as well as two expansion / upgrade projects Karma (Burkina Faso) and Toka Tindung (Indonesia).

The level of activity in our infrastructure business increased materially in the second half of the financial year with a number of new briefs awarded to both the rail and asset management groups including a material package of asset management work with Energy Australia. In addition, we are actively bidding a number of packages on the Inland Rail Project in Eastern Australia, a key national infrastructure initiative.

In our process industries business we have been awarded the design and construct contract for a Cotton Seed De-linting HCl package in NSW and are seeing a modest but steady increase in the number of opportunities.

We have grown in terms of staff numbers in line with the increases levels of activity and all our projects and studies are being delivered very well across the business and as always that is a reflection of our great people and teams.

Review of operations (continued)
Full Year Results

As per prior guidance, the Directors are pleased to report a successful outcome for the financial year ended 30 June 2017, with Lycopodium achieving revenues of \$216.6 million and a net profit after tax of \$10.3 million.

Basic earnings per share were 25.9 cents. The Directors have resolved to pay a final dividend of 9 cents fully franked, which aligns with our dividend policy. The total dividend for the year is 18 cents fully franked.

Corporate overview

As flagged last year we have now integrated our asset management, rail and general infrastructure activities under the Lycopodium Infrastructure banner. We consider this to have been successful in that we have worked through the integration of the businesses whilst continuing to strengthen the respective teams, we have broadened the locations in which we are providing our rail, civil infrastructure and asset management services. Our rail and asset management teams in particular have on the basis of the integration and improved market conditions also achieved improved financial performance.

Another key initiative for the year was the establishment of Mondium Pty Ltd (Mondium). This business is a standalone joint venture company owned by Lycopodium and Monadelphous Ltd, a highly respected engineering and construction company listed on the ASX. Mondium has been established to service the mineral resources market in Australia and select other regions by delivering projects on an Engineering Procurement and Construction (EPC) or Lump Sum Turnkey (LSTK) basis. Mondium has been in establishment mode for most of this financial year but has also bid a number of high profile EPC opportunities. Whilst it is yet to win work its' offering, as demonstrated in the various tenders, has been in every instance well received and well regarded. The numbers of opportunities in the EPC market remain low and those that have presented have all been toughly contested however we have every confidence that Mondium will be successful in the near term in securing some EPC based contracts and will undoubtedly build a strong name for itself based on the excellent management team and capabilities in place.

Finally, we have also been focussing on our 'One Minerals' strategy. This initiative is about ensuring that we deliver a consistent high standard of service across all our mineral resources related offices. We have excellent capabilities and depth across the business and we have a plan in place to leverage off those capabilities efficiently and effectively for the benefit of our clients and ultimately our shareholders. Several organisational changes have been made during the year which will help build the foundations for furthering this initiative over the next 12 months.

Operational highlights

Lycopodium continued to operate positively across all its market sectors during the period.

Resources

Lycopodium Minerals (including the Perth, Brisbane, Toronto and Manila based organisations) continued building its track record as the preeminent international engineer in terms of gold projects working on study or development phase activities for projects in Colombia, Mali, Senegal, Ghana, Burkina Faso, Ethiopia, Namibia, Philippines, Côte d'Ivoire and French Guiana. Lycopodium Minerals also continued its long relationship with First Quantum Minerals Limited (FQM) with work continuing on the world class Cobre Panama Project in Panama. ADP built on its relationship with key clients including De Beers (and its subsidiaries) whilst advancing several key studies and projects. Orway Mineral Consultants (OMC) built on the Group's strong reputation for innovation with its continued work on the Carapateena Concentrate Treatment Project for OZ Minerals.

Review of operations (continued)

Lycopodium Minerals, ADP and OMC provided services predominantly to the resources sectors with the following highlights:

Cobré

Lycopodium continued working on the Mina De Cobré Panama project for First Quantum Minerals Ltd (FQM), furthering an extended and effective association with FQML on various projects in Australia and Africa. This year, Lycopodium's engineering and procurement activities have ramped up in line with the construction requirements. Design and procurement in many areas of the plant is nearing completion and at punch list phase, including milling, flotation, bulk and copper concentrate thickening, secondary crushing and reclaim and stockpiling. The majority of the engineering effort is planned to be completed by 4Q2017.

Sissingué

In 2015 Lycopodium completed the Feasibility Study, a Mill Option Study and completed the Front End Engineering Design for Perseus Mining Limited's (Perseus) Sissingué Project. Across the year Lycopodium provided engineering, procurement and construction (EPC) services to deliver the process plant and related project infrastructure. The process plant has been designed to process nominally 1 Mtpa of primary run of mine ore crushing, grinding, gravity concentration (including intensive cyanidation and electrowinning), pre-leach thickening, leaching / adsorption, elution, electrowinning, smelting and carbon regeneration, with CIL tailings pumped to a Tailings Storage Facility. The project is progressing well in terms of safety and quality with engineering, drafting and procurement activities complete and construction progress well advanced with first gold on target for 1Q2018.

Santa Rosa

Lycopodium was awarded the EPCM contract for the development of the Santa Rosa project for Red Eagle Mining (of Canada) in March 2015, having completed a Feasibility Study in October 2014. Red Eagle planned an initial 1,000 tpd expandable operation producing an average annual production of 50,000 ounces over an eight year mine life. Site construction began 3Q2015 and by January 2016 engineering and procurement activities were essentially complete with the main effort being carried out by the Lycopodium Toronto office with the help of a local Colombian engineering company based in Medellin. During 4Q2016, construction and commissioning of the mill was completed. The first gold pour was in November 2016 with the processing facility exceeding design throughput, with the capability to process up to 1,200 tonnes per day.

Houndé

In April 2016, Lycopodium was awarded the EPCM contract for the delivery of Endeavour Mining Corporation's (Endeavour) 90%-owned Houndé project in Burkina Faso. The project comprises the delivery of a gold processing plant and associated infrastructure capable of treating 3 Mtpa of gold bearing ore. Having undertaken the Detailed Feasibility Study and participated in project optimisation reviews, Lycopodium was able to commence detailed engineering immediately with site activities commencing shortly after. Duration for project construction was estimated to be 18 months with Endeavour planning to self-perform the project build, while Lycopodium focussed primarily on the processing facility. Just over a year later, in May 2017, Endeavour presented an update to the markets on the status of the project, by announcing: "excellent progress is being made, having achieved a major milestone with the SAG mill components, which are the longest lead items, already on site and installation underway. Construction is progressing on-time with over 85% of the total project complete and on-budget, with the first gold pour expected during the 4Q2017". This project is progressing very well and continues our long association with the Endeavour team.

Review of operations (continued)

Fekola

Nearing completion of construction in a remote location in south western Mali, some 400 km west of the capital Bamako, is the Fekola mine. Lycopodium's involvement in the development of this project is a continuation of a successful association with two other B2Gold projects - Otjikoto in Namibia and Masbate in the Philippines. The process plant was designed to process nominally 4 Mtpa primary run of mine ore. Fekola project infrastructure, also part of the Lycopodium design scope, includes process plant, administration and mine offices and workshops. Lycopodium scope of services included the process design, detailed engineering and design of the new facilities; delivering procurement services for equipment and materials purchases as well as providing a team of engineers who were integrated with B2Gold's construction team to deliver site technical and scheduling support. Significant activities undertaken by Lycopodium during the year have included completion of the: detailed design scope of the original 4Mtpa processing plant, detailed design scope and equipment procurement for the 5Mtpa process plant expansion, closeout of the construction fabrication contracts, and additional design scope items requested by B2Gold, which included, mine bulk diesel and lube storage and dispensing facilities and expansion of the mine workshop facility. Recently, B2Gold announced that mine construction is ahead of schedule and on target for an October 2017 production start. Lycopodium commissioning personnel commenced site mobilisation in May 2016 and dry commissioning checks are currently underway. B2Gold also confirms the project is expected to be completed on budget.

Letlhakane XRT Tailings Audit Plant

The Karowe Diamond Mine, owned by Lucara Diamonds, is located in the Letlhakane region some 500 km north west of Gaborone in Botswana. Since the AK 6 pipe was opened in 2012 it has yielded over 2,000,000 carats (400 kg) of diamonds. Lycopodium ADP was retained in 1Q16 out of the Cape Town offices on an EPCM basis to develop conceptual options and thereafter to design and implement an XRT Tailings Audit Plant scheduled for commission at the end of 2017.

Mako

In August 2016, Lycopodium was awarded the Engineering, Procurement and Construction (EPC) contract for the delivery of Toro Gold Ltd's (Toro) Mako Project in Eastern Senegal. Lycopodium's scope of work is to carry out the process design, detailed engineering and drafting for the gold process plant and associated facilities, including supply of equipment and materials, construction and commissioning through to handover to Toro. The process plant will be designed to process nominally or 1.8 Mtpa of run of mine (ROM) ore through crushing, grinding, classification, pre-leach thickening, leaching / adsorption, elution, electrowinning, smelting and carbon regeneration, with CIL tailings detoxified and pumped to a Tailings Management Facility. Since award, Lycopodium has completed all engineering and procurement activities and focus has shifted to the construction of the infrastructure facilities and the process treatment plant. When developed, Mako will be only the second gold development in the country. The project is located adjacent a World Heritage listed wildlife park which has seen the design and construction of project being undertaken in strict compliance with the International Cyanide Management Code (ICMC) as well as having minimum plant footprint and strict sediment controlled runoff.

Alternative Resource Development Capability New Evaluation Vessel (ARDC NV) - De Beers Marine

We are proud of our association through Lycopodium ADP (LADP), and sister company ADP Marine & Modular (ADP M&M), with the recently inaugurated SS Nujoma, the sixth and latest addition to Debmarmine Namibia's fleet, being a highly specialised and technologically advanced vessel to enable deep water diamond exploration and sampling off the coast of Namibia. Following its' launch in January 2016, the vessel was sailed from Norway to Cape Town, where it was fitted out with its Mission Equipment, comprising of the sampling tool, the launch and recovery system, and the treatment plant. The treatment plant was designed by LADP / ADP M&M each of which has specialist expertise in mineral processing and modular plant design and construction, to minimise footprint, height and mass, and still provide operational flexibility in compliance with stringent ocean-going standards. Sea trials were then undertaken late in 2016 prior to hot commissioning in non-diamondiferous areas, thereby offering the opportunity to resolve issues prior to establishing the security protocols. This project was recognised by De Beers Marine as being highly successful and meeting or exceeding its objectives.

Review of operations (continued)

Process Industries

Lycopodium Process Industries provided services predominantly to the chemicals, renewable and pharmaceutical sectors with the following highlights:

Axio

Axio Operations Australia Pty Ltd (Axio) is a distributor and manufacturer of raw materials, ingredients and specialty chemicals. Its products add colour, taste and function to the everyday lives of consumers and are key ingredients in many manufacturing sectors and processes. Lycopodium has been providing various detail design, procurement, relocation and commissioning services and during the period relocated and upgraded Axio's production facility where adjuvants and solutions are blended from a small facility located in Bayswater, Victoria to an existing larger facility with expanded storage of raw materials and finished products in Dandenong South, some 30 km away. The project commenced in September 2016 and was completed in April 2017.

ANSTO

ANSTO is a statutory body of the Australian government, formed in 1987 to replace the Australian Atomic Energy Commission. Over the past few years, Lycopodium has been working with ANSTO in the development of an innovative and cutting edge technology on their new SyMo Waste Treatment Plant (SWTP), which is an integral part of ANSTO's strategic plan that addresses the requirements of managing radioactive waste. The SWTP facility will utilise Synroc Technologies, an innovative waste treatment process technology designed to lock up nuclear waste, thus providing a safe and secure method for final disposal. Lycopodium's role is to provide the detailed design for the Off-Gas System (OGS). SWTP will be used to process liquid waste from the production of radiopharmaceutical Molybdenum 99.

Infrastructure

Lycopodium Infrastructure provides services across the general infrastructure, transport (road and rail) and asset management sectors with the following highlights:

CITIC Pacific Powerplant Engineering Design

The massive Sino Iron Ore Project developed at Cape Preston, 100 km south west of Karratha in Western Australia's Pilbara region commenced producing magnetite concentrate in late 2012 with the first shipment being sent to China in 2013. In 2016, the last of six processing lines entered commissioning. Lycopodium's involvement with the project has been to provide detailed engineering design (using 3D modelling approach) of the warehouse, workshop, roads and drainage as well as site technical support services during construction for the Power Plant area. The assignment commenced January 2016 and construction is due for completion September 2017.

City of Perth, Property Asset Management Planning Services

The City of Perth (CoP) covers an area encompassing the Central Perth Business District, West Perth, Crawley, Northbridge and East Perth. Lycopodium recently completed working with the local government organisation to deliver Property Asset Data Collection and Condition Programme services to enable the City to progress its Property Asset Management Programme.

Maude Street Shared Pathway

Newcastle City Council's (NCC) commitment to enhancing cycling in Newcastle saw it progress investigations into a long standing, well supported proposal to develop a cycleway onto the rail corridor, under the rail overbridge and along the rail corridor to meet the current University cycleway. Based on works delivered to date, NCC awarded Lycopodium additional scope to provide concept and detailed design of the shared pathway, detailed design of adjacent road network and traffic signals as well as participation in and facilitation of workshops to progress the design. These studies started in August 2015 and are scheduled for completion by December 2017.

Review of operations (continued)
HSE and Community

Lycopodium's primary focus is on the health and safety of its staff and all personnel working on its projects. We continue to set and achieve a high standard of health and safety across all our projects and given the highly international nature of our activities we have worked proactively to ensure the security, safety and well being of our personnel wherever they may be.

In 2016/17 there were 3.67 million manhours worked across the Lycopodium managed projects with a LTIFR of 0.0 against an 8.0 construction industry average.

On the community side, Lycopodium continued to focus on education as a means of strengthening communities and in line with this remained an active sponsor and supporter of:

- The Clontarf Foundation, a charitable not-for-profit organisation in Australia improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.

In addition Lycopodium supported a number of key initiatives around its areas of operation. Examples include:

- Engagement with local college facilities in the area around one project in West Africa to provide a select group of local employees (electrical and instrumentation) skills training with the objective being to enhance their skill set through the construction phase and improve their chances for full time employment post the project. Based on the success of this initiative it is intended to roll out this model on future projects.
- At Endeavour's Houndé Project Lycopodium has provided two scholarships to graduating Year 12 students from the local senior school. These students, one female and one male, will be supported in a curriculum aligned to engineering or mining.

Additionally, Lycopodium was an active participant in a number of targeted educational initiatives in association with both the University of Western Australia, Curtin University (Western Australia) and the South African Minerals Education Trust Fund (METF). The Company also continued to provide support to a number of charitable initiatives championed by staff.

Outlook

General view

We consider that we are experiencing a new normal and expect that these conditions will prevail for the foreseeable future. In practical terms that translates to a reasonable level of work and opportunity in the market. With the business environment having stabilised we believe that this will in due course reflect in the business being able to achieve financial outcomes more in line with historical levels.

Resources

In general, we have seen steady if not strengthening prices across most commodities. The gold price has been resilient through the year having almost reached US\$1,300/oz on occasion. Obviously a strong gold price will be positive for the world's gold miners which in turn will be positive for us given our strong track record and credentials in the delivery of gold projects. Similarly, since November 2016 the price of copper has strengthened and is up over 25% for the year, this too is positive for our current and prospective clients and should see activity sustained or increase should these pricing levels prevail. The price of iron ore has also surprised to the upside this year and we are seeing a number of opportunities arise as global producers look to shore up their ability to sustain production levels.

Infrastructure

We believe that our activity in the sectors which we services will continue to improve in line with what we have seen in the last half of this past financial year. This will be driven by a combination of factors which include the announced funding by the Australian Federal Government of some significant infrastructure initiatives during the financial year, a key example being ARTC's Inland Rail Project, and an increase in spending by both the private and government sectors in terms of the maintenance planning and management of their fixed assets.

Review of operations (continued)
Acknowledgement

The Board of Directors recognises that the Company's ability to continue delivering world class services to our clients and to maintain and enhance the company's performance and capability is dependent on the continued commitment and support of our personnel. On behalf of my fellow Directors I take this opportunity to sincerely thank all personnel for their highly valued contribution.

We would also like to thank our clients for their continued trust in Lycopodium to deliver services to their projects and studies. We will as always work hard to maintain these valued relationships.

Review of operations (continued)

A summary of consolidated revenues and results for the year by significant reporting segments is set out below:

	Segment revenues		Segment results	
	2017	2016	2017	2016
	\$	\$	\$	\$
Corporate services	14,854,323	6,061,290	788,088	(501,787)
Minerals - Asia Pacific	137,132,984	59,574,067	9,080,813	2,117,834
Minerals - North America	21,649,588	13,923,202	(746,232)	1,750,480
Minerals - Africa	41,116,856	31,863,477	984,779	926,007
Project services - Africa	16,834,804	7,601,037	2,784,941	655,632
Industrial Process	4,179,161	8,221,280	(199,343)	207,018
Other	21,989,969	17,358,176	1,877,816	605,445
Intersegment eliminations	(41,141,243)	(20,142,311)	-	-
Goodwill impairment	-	-	(263,242)	(500,000)
Unallocated revenue less unallocated expenses	-	-	-	(45,000)
Total	216,616,442	124,460,218	14,307,620	5,215,629
Income tax expense			(3,934,091)	(1,889,219)
Profit for the year			10,373,529	3,326,410
Loss attributable to non-controlling interest			(81,446)	(162,932)
Profit attributable to owners of Lycopodium Ltd			10,292,083	3,163,478

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 2017 financial year. The total amount of dividend is \$3,575,914 which represents a fully franked dividend of 9.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Likely developments and expected results of operations

The group will continue to provide engineering consultancy services as detailed above.

Refer to the Review of Operations section within the Directors' Report for information regarding the likely developments and expected results.

Environmental regulation

The group'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

Michael John Caratti BE (Elec) (Hons). Non-executive Chairman. Age 67.

Experience and expertise

Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 40 years experience in the mineral processing industry and has had a major role in the development of the group's risk management and quality control programmes. Mr Caratti is a Director of Orway Minerals Consultants (WA) Pty Ltd.

Special responsibilities

Chairman of the Board.

Chairman of the Corporate Governance Committee.

Interests in shares and options

9,104,637 ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years

None.

Peter De Leo BE (Civ) CPEng FIEAust. Managing Director. Age 51.

Experience and expertise

Mr De Leo has over 25 years experience in the construction and engineering fields. Mr De Leo is the Managing Director of Lycopodium Limited and a Non-executive Director of Mondium Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Member of the Audit Committee.

Interests in shares and options

1,171,711 ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years

None.

Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Executive Director. Age 56.

Experience and expertise

Mr Leonard has in excess of 30 years experience in the mineral processing industry and is the Managing Director of Lycopodium Minerals Pty Ltd and Non-executive Director of ADP Holdings Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Member of the Audit Committee.

Interests in shares and options

2,354,215 ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years

None.

Information on Directors (continued)

Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 61.

Experience and expertise

Mr Osmetti has over 35 years experience in the project management and construction of minerals, oil refining and manufacturing projects. Mr Osmetti is a Director of Lycopodium Minerals Canada Limited and Managing Director of Mondium Pty Ltd.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

1,808,148 ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years

None.

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust. Executive Director. Age 53.

Experience and expertise

Mr Ruggiero has over 25 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 a Director of Lycopodium Minerals Pty Ltd and a Non-executive Director of ECG Engineering Pty Ltd and Quantum Graphite Limited.

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

3,167,332 ordinary shares in Lycopodium Limited.

Former directorships in the last 3 years

None.

Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 64.

Experience and expertise

Mr Marshall in his role as the former Chief Executive Officer of Lycopodium Limited and with over 35 years experience has played a major role in the development of the group's information, accounting and management and risk management systems. Mr Marshall is a Non-executive Director of Lycopodium Process Industries Pty Ltd, Lycopodium Infrastructure Pty Ltd and ADP Holdings Pty Ltd.

Special responsibilities

Chairman of the Audit Committee.

Member of the Corporate Governance Committee.

Interests in shares and options

1,942,332 ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years

None.

Information on Directors (continued)

Steven Chadwick BSc (Metallurgy). Non-executive Director. Age 63.

Experience and expertise

Mr Chadwick has 40 years experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background. Mr Chadwick is now a metallurgical consultant specialising in project management with a range of local and international clients. He was a founding Director of BC Iron and a former Managing Director of Coventry Resources, PacMin Mining and, Northern Gold. Mr Chadwick is a Non-executive Director of Lycopodium Limited and Quantum Graphite Limited.

Former directorships in the last 3 years

Coventry Resources.

Company secretary

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 64.

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 numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees					
					Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Michael Caratti	9	11	-	-	**	-	-	-	-	***
Peter De Leo	11	11	*	-	2	2	-	-	-	***
Rodney Leonard	11	11	*	-	2	2	-	-	-	***
Robert Osmetti	11	11	*	-	**	-	-	-	-	***
Lawrence Marshall	10	11	-	-	2	2	-	-	-	***
Bruno Ruggiero	9	11	*	*	**	-	-	-	-	***
Steven Chadwick	9	11	-	-	**	-	-	-	-	-
Peter Anthony Dawson										

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 non-executive Director

** = Not a member of the relevant committee

*** = Remuneration reviewed during a normal monthly meeting of the full board rather than as a separate committee meeting.

The following Directors missed full meetings of the Board because of absence on company business.

Name	Number of meetings
Bruno Ruggiero	1
Steven Chadwick	1

Remuneration report - audited

The Directors are pleased to present your Company's 2017 remuneration report which sets out remuneration information for Lycopodium Limited's non-executive Directors, executive Directors and other key management personnel.

Directors and key management personnel disclosed in this report

Name	Position
Michael Caratti	Chairman, Non-executive Director
Peter De Leo	Managing Director
Rodney Leonard	Executive Director
Robert Osmetti	Executive Director
Bruno Ruggiero	Executive Director
Lawrence Marshall	Non-executive Director
Steven Chadwick	Non-executive Director
Keith Bakker	Company Secretary, Chief Financial Officer

Role of the remuneration committee

The remuneration committee comprises all members of the Board. It is primarily responsible for making recommendations on:

- Remuneration levels of executive Directors and other key management personnel
- The over-arching executive remuneration framework and operation of any incentive plan, and
- Key performance indicators and performance hurdles for the executive team.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company.

Non-executive Director remuneration policy

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board to ensure that they are appropriate and in-line with the market.

Non-executive Directors are also paid an hourly rate for ad hoc services, as required.

Non-executive Directors do not receive performance-based pay.

Directors' fees

The current base fees were last reviewed with effect from 1 July 2016. The fees are inclusive of committee fees. Details on Directors fees are disclosed under service agreements on page 14.

Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

The executive remuneration framework has three components:

- Fixed annual remuneration, including superannuation, and
- Service bonus, and
- Equity.

Remuneration report - audited (continued)
Executive remuneration policy and framework (continued)

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 at a minimum annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

1,450,000 rights were granted to certain executive directors under the Executive Director Performance Rights Plan in the financial year ended 30 June 2009. These rights were granted for nil consideration and are exercisable upon certain performance hurdles and vesting conditions being achieved. This is the only element of remuneration that is linked to company performance. Refer to page 16 for details.

A service or senior management bonus may be provided to certain senior salaried employees payable annually, at the discretion of the company.

Voting and comments made at the company's 2016 Annual General Meeting

The remuneration report for the 2016 financial year was unanimously approved by shareholders during the AGM. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Company performance

The profit after income tax expense and basic earnings per share for the group for the last five years is as follows:

	2017	2016	2015	2014	2013
Revenue (\$)	216,616,442	124,460,218	122,811,332	154,765,985	245,940,092
Profit/(Loss) before income tax (\$)	14,307,620	5,215,629	(1,620,068)	7,682,592	28,534,189
Income tax expense/(benefit) (\$)	3,934,091	1,889,219	(604,655)	3,973,206	5,993,750
Profit/(Loss) after income tax (\$)	10,373,529	3,326,410	(1,015,413)	3,709,386	22,540,439
Basic EPS (cents)	25.9	8.0	(2.3)	10.0	56.5
Basic EPS growth, year on year (%)	223.8%	447.8%	(123.0%)	(82.3%)	(1.4%)
Fully franked dividends per share (cents)	18.0	5.5	1.5	6.5	36.0
Change in share price * (\$)	1.05	0.84	(0.84)	(2.17)	(2.40)
Return on equity (%)	15.53%	5.22%	(1.61%)	5.61%	34.86%

*calculated as the difference between the closing share price at the start and end of the respective financial years.

Remuneration report - audited (continued)

Details of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the group for the current and previous financial year.

2017	Short-term employee benefits				Post-em ployment benefits	Share- based payments	Total	Perfor- mance related %
	Cash salary and fees	Cash bonus	Non- monetary benefits	Other	Super- annuation	Rights		
Name	\$	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>								
Michael Caratti	54,794	-	11,378	-	5,206	-	71,378	-
Lawrence Marshall	94,470	-	11,378	-	35,000	-	140,848	-
Steven Chadwick	108,180	-	-	-	-	-	108,180	-
Sub-total non-executive directors	257,444	-	22,756	-	40,206	-	320,406	-
<i>Executive Directors</i>								
Rodney Leonard	427,700	-	11,378	-	34,000	-	473,078	-
Peter De Leo	493,450	-	11,378	-	35,000	-	539,828	-
Robert Osmetti	475,785	-	9,155	5,100	35,000	-	525,040	-
Bruno Ruggiero	384,278	-	11,378	-	35,000	-	430,656	-
<i>Other key management personnel</i>								
Keith Bakker	317,175	15,000	-	-	35,000	-	367,175	-
Total key management personnel compensation (group)	2,355,832	15,000	66,045	5,100	214,206	-	2,656,183	-

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

2016	Short-term employee benefits				Post-em ployment benefits	Share- based payments	Total	Perfor- mance related %
	Cash salary and fees	Cash bonus*	Non- monetary benefits	Other	Super- annuation	Rights		
Name	\$	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>								
Michael Caratti	54,794	-	11,014	-	5,206	-	71,014	-
Lawrence Marshall	138,274	-	11,014	-	35,000	-	184,288	-
Steven Chadwick	27,500	-	-	-	-	-	27,500	-
Sub-total non-executive directors	220,568	-	22,028	-	40,206	-	282,802	-
<i>Executive Directors</i>								
Rodney Leonard	492,371	-	11,014	-	35,000	-	538,385	-
Peter De Leo	504,538	-	11,014	-	35,000	-	550,552	-
Robert Osmetti	514,067	-	-	31,251	-	-	545,318	-
Bruno Ruggiero	389,453	-	11,014	-	35,000	-	435,467	-
<i>Other key management personnel</i>								
Keith Bakker	320,204	-	11,014	-	35,000	-	366,218	-
Total key management personnel compensation (group)	2,441,201	-	66,084	31,251	180,206	-	2,718,742	-

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

Remuneration report - audited (continued)

Service agreements

Remuneration and other terms of employment for the Directors and 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. None of the directors or executives are provided with termination benefits.

Name	Term of agreement	Fixed Remuneration including superannuation*
Michael Caratti, <i>Chairman and Non-executive Director</i>	No fixed term	Directors fee of \$60,000 p.a.
Peter De Leo, <i>Managing Director</i>	No fixed term	\$525,000 p.a.
Rodney Leonard, <i>Executive Director</i>	No fixed term	\$450,000 p.a.
Robert Osmetti, <i>Executive Director</i>	No fixed term	\$450,000 p.a.
Bruno Ruggiero, <i>Executive Director</i>	No fixed term	Fixed hourly rate of \$203.13 Directors fee of \$60,000 p.a.
Lawrence Marshall, <i>Non-executive Director</i>	No fixed term	Fixed hourly rate of \$203.13 Directors fee of \$60,000 p.a.
Steven Chadwick, <i>Non-executive Director</i>	No fixed term	Directors fee of \$60,000 p.a.
Keith Bakker, <i>Company Secretary and Chief Financial Officer</i>	No fixed term	\$352,175 p.a.

* Fixed remuneration payable from 1 July 2016 and reviewed annually by the Remuneration Committee. No change from 2015/2016.

Remuneration report - audited (continued)
Service agreements (continued)

Share-based compensation

Executive Director 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 above rights are subject to the following performance hurdles:

Performance Rights Plan	Grant date	Tranche	Vesting date and Performance hurdles
Executive Director	24 December 2008	Tranche 1	1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
Executive Director	24 December 2008	Tranche 2	1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
Executive Director	24 December 2008	Tranche 3	1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
Executive Director	24 December 2008	Tranche 4	1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
Executive Director	24 December 2008	Tranche 5	1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

The above rights were granted for no consideration.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
24 December 2008	1 July 2011	24 December 2016	\$-	\$0.74	Achieved	100%
24 December 2008	1 July 2012	24 December 2016	\$-	\$0.74	Achieved	100%
24 December 2008	1 July 2013	24 December 2016	\$-	\$0.74	34%	100%
24 December 2008	1 July 2014	24 December 2016	\$-	\$0.74	Achieved	100%
24 December 2008	1 July 2015	24 December 2016	\$-	\$0.74	0%	0%

The rights granted carry no dividend or voting rights.

Further information on rights over ordinary shares on issue is set out in note 33 to the financial statements.

Remuneration report - audited (continued)
Share-based compensation (continued)

Details of remuneration: Executive Directors Performance Rights

All of the above rights vest after three years, provided the vesting conditions are met. No rights will vest if the conditions are not satisfied, hence the minimum value of the right yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights and is yet to be expensed.

Name	Shared-based compensation benefits (Options)				Maximum total value of grant yet to vest \$
	Year granted	Vested %	Forfeited %	Financial years in which options may vest	
Peter De Leo	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	100	-	30 June 2014	-
	2009	-	100	30 June 2015	-
Robert Osmetti	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	100	-	30 June 2014	-
	2009	-	100	30 June 2015	-
Bruno Ruggiero	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	100	-	30 June 2014	-
	2009	-	100	30 June 2015	-
Rodney Leonard	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	100	-	30 June 2014	-
	2009	-	100	30 June 2015	-

Senior manager share acquisition plan

Interest free loans were provided to eligible senior managers to acquire shares in Lycopodium Limited under the Senior Manager Share Acquisition Plan. The plan was designed to provide alignment of the senior managers with the shareholders of the company by assisting the senior managers to acquire shares in Lycopodium Limited under the plan. None of the Directors of Lycopodium Limited are eligible to participate in this plan. Further information on the plan is set out in note 33 to the financial statements.

Equity instrument disclosures relating to key management personnel

The table below shows the number of:

- (i) Rights over ordinary share in the company
- (ii) Shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

Remuneration report - audited (continued)

Equity instrument disclosures relating to key management personnel (continued)

(i) Rights holdings

The numbers of rights over ordinary shares in the Company held during the financial year by each Director of Lycopodium Limited are set out below.

2017 Name	Balance at start of the year	Granted as compen- sation	Exercised	Expired	Balance at end of the year	Vested and exercisable	Unvested
Directors of Lycopodium Limited							
Rodney Leonard	167,000	-	-	(167,000)	-	-	-
Peter De Leo	50,000	-	-	(50,000)	-	-	-
Robert Osmetti	67,000	-	-	(67,000)	-	-	-
Bruno Ruggiero	67,000	-	-	(67,000)	-	-	-

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Lycopodium Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2017 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Lycopodium Limited				
Ordinary shares				
Michael Caratti	9,104,367	-	-	9,104,367
Peter De Leo	1,171,711	-	-	1,171,711
Rodney Leonard	2,612,332	-	(258,117)	2,354,215
Robert Osmetti	2,058,148	-	(250,000)	1,808,148
Lawrence Marshall (*)	1,942,332	-	-	1,942,332
Bruno Ruggiero	3,167,332	-	-	3,167,332
Steven Chadwick	-	-	-	-
Other key management personnel of the group				
Ordinary shares				
Keith Bakker	49,281	-	(2,407)	46,874

* Since year end, 670,000 shares were sold on 29 August 2017.

Remuneration report - audited (continued)

Loans to key management personnel

Details of loans made to Directors of Lycopodium Limited and other key management personnel of the group, including their personally related parties, are set out below.

(i) *Aggregates for key management personnel*

	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at end of the year \$	Number in group at the end of the year
2017	49,134	-	-	40,607	1
2016	44,232	-	-	49,134	3

Loans outstanding at the end of the current and prior year include a loan to a key management personnel under the senior manager share acquisition plan.

All other loans to key management personnel are short-term advances in nature and are insignificant.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

End of remuneration report.

Shares under option

There were 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 group, 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 wilful 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.

Indemnity of auditors

Lycopodium Limited has agreed to indemnify their auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Lycopodium Limited's breach of their agreement. The indemnity stipulates that Lycopodium Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

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 group are important.

Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) 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 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*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2017 \$	2016 \$
Taxation services		
Firm related to Grant Thornton Audit Pty Ltd:		
Tax compliance services (including income tax returns)	32,300	146,400
Network firm of Grant Thornton:		
Tax compliance services (including income tax returns)	56,926	25,995
Non-Grant Thornton Audit Pty Ltd audit firms:		
Tax compliance services (including income tax returns)	33,951	100,102
Total remuneration for taxation services	123,177	272,497
Other services		
Grant Thornton Audit Pty Ltd Australian firm:		
Other services	15,183	9,500
Non-Grant Thornton Audit Pty Ltd audit firms:		
Other services	24,536	-
Total remuneration for other services	39,719	9,500
Total remuneration for non-audit services	162,896	281,997

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 23.

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

A handwritten signature in black ink, appearing to read 'Peter De Leo', is written over the printed name and title.

Peter De Leo
Managing Director

Perth
28 September 2017

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Auditor's Independence Declaration to the Directors of Lycopodium Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J HILLGROVE
Partner - Audit & Assurance

Perth, 28 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Corporate governance statement

The Board of Directors of Lycopodium Limited is responsible for the overall corporate governance of the company. The Board has implemented the Recommendations of the ASX Corporate Governance Council to the extent considered appropriate for the size and nature of the Company's current operations.

Lycopodium Limited's practices are consistent with the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) ('Principles') with any exceptions noted.

1.0 COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Council Recommendation 1.1:

A listed entity should:

- (a) disclose the respective roles and responsibilities of the Board and Management*
- (b) disclose those matters expressly reserved to the Board and those delegated to Management.*

The Company complies with this recommendation.

1.2 Council Recommendation 1.2:

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director*
- (b) provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.*

The Company complies with this recommendation.

1.3 Council Recommendation 1.3:

A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company complies with this recommendation.

1.4 Council Recommendation 1.4:

The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Company complies with this recommendation.

1.5 Council Recommendation 1.5:

A listed entity should:

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
 - (i) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or*

**1.0 COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT
(continued)**

1.5 Council Recommendation 1.5: (continued)

- (ii) *if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent published 'Gender Equality Indicators', as defined in under the Act.*

The Company does not comply with recommendation 1.5(a) or 1.5(c)(i). As a global participant, the Company recruits staff from every continent and has an established policy of equal opportunity employment.

1.6 Council Recommendation 1.6:

A listed entity should:

- (a) *have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

1.7 Council Recommendation 1.7:

A listed entity should:

- (a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Council Recommendation 2.1:

The Board of a listed entity should:

- (a) *have a nomination committee which:*
 - (i) *has at least 3 members, a majority of which are independent directors; and*
 - (ii) *is chaired by an independent director; and disclose*
 - (iii) *the charter of the committee;*
 - (iv) *the members of the committee; and*
 - (v) *as at the end of each reporting period, the number of times the committee meet throughout the period and the individual attendances of the members at these meetings;*
or
- (b) *if it does not have a nomination committee, disclose the fact and the process it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Company does not comply with this recommendation. The role of the nomination committee is carried out by the full Board. The Board intends to reconsider the formation of a separate Nomination Committee as the Company's operations evolve.

2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (continued)

2.2 Council Recommendation 2.2:

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company does not comply with this recommendation. The Board considers that each of its current directors possess skills and experience appropriate to managing and developing the Company. Any additional information or specific advice can be more appropriately and economically obtained by engaging independent external expert consultants.

2.3 Council Recommendation 2.3:

A listed entity should disclose:

- (a) the names of directors considered by the Board to be independent directors;*
- (b) if a director has an interest, position, association or relationship that might cause doubt about the independence of the director but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and*
- (c) the length of service of each director.*

The Company complies with this recommendation.

2.4 Council Recommendation 2.4:

A majority of the Board of a listed entity should be independent.

The Company does not comply with this recommendation as only one director is independent. The Board considers that at this time the shareholders are better served by directors who have a vested interest in the Company.

2.5 Council Recommendation 2.5:

The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company does not fully comply with this recommendation as the Chairperson is not an independent director. The Board considers that at this stage in the development of the Company, an independent Chairperson would not add sufficient expertise to the Board to justify the associated cost and any additional information or specific advice required can be more appropriately and economically obtained from independent external expert consultants.

2.6 Council Recommendation 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform the role as directors effectively.

The Company complies with this recommendation.

3.0 COUNCIL PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Council Recommendation 3.1:

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

The Company complies with this recommendation.

4.0 COUNCIL PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Council Recommendation 4.1:

The board of a listed entity should:

- (a) have an audit committee which:*
 - (i) has at least three members, of all whom are non-executive directors and a majority are independent directors; and*
 - (ii) is chaired by an independent director, who is not the chair of the Board, and disclose;*
 - (iii) the charter of the committee;*
 - (iv) the relevant qualifications and experience of the members of the committee; and*
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at these meetings; or*
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Company does not fully comply with this recommendation in that the Audit Committee consists of three directors only one of which is a non-executive and none are independent.

4.2 Council Recommendation 4.2:

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this recommendation.

4.3 Council Recommendation 4.3:

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this recommendation.

5.0 COUNCIL PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Council Recommendation 5.1:

A listed entity should:

- (a) *have a written policy for complying with its continuous disclosure obligations under the listing Rules; and*
- (b) *disclose that policy or a summary of it.*

The Company complies with this recommendation.

6.0 COUNCIL PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Council Recommendation 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

The Company complies with this recommendation.

6.2 Council Recommendation 6.2:

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this recommendation.

6.3 Council Recommendation 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company does not currently comply with this recommendation, although the matter will be assessed in the light of what emerges in the market and will be responded to as appropriate.

6.4 Council Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company complies with this recommendation.

7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Council Recommendation 7.1:

The Board of a listed entity should:

- (a) *have a committee or committees to oversee risk, each of which:*
 - (i) *has at least 3 members, a majority of whom are independent directors; and*
 - (ii) *is chaired by an independent director, and disclose;*
 - (iii) *the charter of the committee;*
 - (iv) *the members of the committee; and*
 - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company complies with (b) of this recommendation.

7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK (continued)

7.1 Council Recommendation 7.1: (continued)

The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The areas of risk covered by the internal control framework are tenders / proposals, client contract negotiation and management, financial control and reporting, commercial / corporate control and reporting, operational control and reporting, personnel management, procurement and purchasing and supplier contract negotiation and management.

7.2 Council Recommendation 7.2:

The Board or a committee of the Board should:

- (a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *Disclose, in relation to each reporting, whether such a review has taken place.*

The Company complies with this recommendation.

7.3 Council Recommendation 7.3:

A listed entity should disclose:

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The Company complies with (b) of this recommendation.

7.4 Council Recommendation 7.4:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage these risks.

The Company is of the view that it is not materially exposed to the risks outlined in this recommendation.

8.0 COUNCIL PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Council Recommendation 8.1:

The Board of a listed entity should:

- (a) *have a remuneration committee which:*
 - (i) *has at least three members, a majority of whom are independent directors; and*
 - (ii) *is chaired by an independent director, and disclose;*
 - (iii) *the charter of the committee;*
 - (iv) *the members of the committee; and*
 - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

8.0 COUNCIL PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (continued)

8.1 Council Recommendation 8.1: (continued)

- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not fully comply with this recommendation as a separate Remuneration Committee has not been formed.

The role of the Remuneration Committee is carried out by the full Board. The Company has a remuneration committee charter which is published on its website. Statistics regarding participation at remuneration committee meetings are published in each Annual Report.

8.2 Council Recommendation 8.2:

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company complies with this recommendation.

8.3 Council Recommendation 8.3:

A listed entity which has an equity based remuneration scheme should:

- (a) *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *disclose that policy or a summary of it.*

This recommendation does not apply as the Company has not entered into any scheme which enables participants to hedge or otherwise limit the economic risk of participation without prior disclosure and the approval of security holders at a general meeting.

Lycopodium Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

		Consolidated	
		2017	2016
	Notes	\$	\$
Revenue from operations	5	216,616,442	124,460,218
Employee benefits expense		(61,898,213)	(57,853,816)
Depreciation and amortisation expense	6	(1,171,764)	(1,329,095)
Project expenses		(9,843,966)	(4,370,898)
Equipment and materials		(74,207,912)	(12,080,173)
Contractors		(38,255,322)	(28,417,150)
Occupancy expense		(8,052,368)	(8,082,301)
Impairment of goodwill	16	(263,242)	(500,000)
Other expenses		(9,540,001)	(7,768,302)
Loss on disposal of asset		(1,634)	(1,254)
Finance costs	6	(93,651)	(33,324)
Share of net profit of associates and joint ventures accounted for using the equity method		1,019,251	1,191,724
Profit before income tax		14,307,620	5,215,629
Income tax expense	7	(3,934,091)	(1,889,219)
Profit for the year		10,373,529	3,326,410
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gains/(losses) on translation of foreign operations	22(a)	111,932	(1,593,336)
Total comprehensive income for the year		10,485,461	1,733,074
Profit for the year is attributable to:			
Owners of Lycopodium Limited		10,292,083	3,163,478
Non-controlling interests		81,446	162,932
		10,373,529	3,326,410
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		10,404,015	1,570,142
Non-controlling interests		81,446	162,932
		10,485,461	1,733,074
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32(a)	25.9	8.0
Diluted earnings per share	32(b)	25.9	8.0

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated balance sheet
As at 30 June 2017

		Consolidated	
		2017	2016
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	8	85,334,769	41,547,757
Trade and other receivables	9	36,919,288	26,525,309
Inventories		327,430	703,686
Current tax receivables		1,344,040	1,008,816
Other current assets	10	2,149,687	1,793,028
Derivative financial assets	11(c)	164,994	-
Total current assets		126,240,208	71,578,596
Non-current assets			
Investments accounted for using the equity method	13	2,227,735	1,768,751
Available-for-sale financial assets	11(b)	102,963	102,953
Property, plant and equipment	14	3,174,174	2,343,796
Intangible assets	16	7,421,173	7,907,733
Other receivables	12	442,616	521,898
Deferred tax assets	15	3,797,930	2,782,541
Total non-current assets		17,166,591	15,427,672
Total assets		143,406,799	87,006,268
LIABILITIES			
Current liabilities			
Trade and other payables	17	64,080,967	21,436,955
Borrowings	11(d)	509,731	89,879
Current tax liabilities		3,978,266	508,544
Provisions	18	4,280,795	-
Total current liabilities		72,849,759	22,035,378
Non-current liabilities			
Borrowings		832,912	-
Provisions	20	500,796	639,873
Total non-current liabilities		1,333,708	639,873
Total liabilities		74,183,467	22,675,251
Net assets		69,223,332	64,331,017
EQUITY			
Contributed equity	21	20,823,772	20,823,772
Reserves	22(a)	(988,042)	(840,944)
Retained earnings	22(b)	46,412,369	41,285,494
Parent entity interest		66,248,099	61,268,322
Non-controlling interests	23	2,975,233	3,062,695
Total equity		69,223,332	64,331,017

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

		Attributable to members of Lycopodium Limited						
	Notes	Contributed equity \$	Retained earnings \$	Foreign currency translation reserve \$	Available for sale investment revaluation reserve \$	Performance rights reserve \$	Non-controlling interests \$	Total equity \$
Consolidated								
Balance at 1 July 2015		20,823,772	38,718,003	577,285	(81,900)	259,037	2,936,729	63,232,926
Profit for the year		-	3,163,478	-	-	-	162,932	3,326,410
Other comprehensive income / (expense)		-	-	(1,593,336)	(2,030)	-	-	(1,595,366)
Total comprehensive income for the year		-	3,163,478	(1,593,336)	(2,030)	-	162,932	1,731,044
Transactions with owners in their capacity as owners:								
Foreign currency translation with non-controlling interest	23	-	-	-	-	-	(36,966)	(36,966)
Dividends provided for or paid	24	-	(595,987)	-	-	-	-	(595,987)
		-	(595,987)	-	-	-	(36,966)	(632,953)
Balance at 30 June 2016		20,823,772	41,285,494	(1,016,051)	(83,930)	259,037	3,062,695	64,331,017
Balance at 1 July 2016		20,823,772	41,285,494	(1,016,051)	(83,930)	259,037	3,062,695	64,331,017
Profit for the year		-	10,292,083	-	-	-	81,446	10,373,529
Other comprehensive income / (expense)		-	-	111,932	7	-	-	111,939
Total comprehensive income for the year		-	10,292,083	111,932	7	-	81,446	10,485,468
Transactions with owners in their capacity as owners:								
Foreign currency translation with non-controlling interest	23	-	-	-	-	-	(168,908)	(168,908)
Dividends provided for or paid	24	-	(5,165,208)	-	-	-	-	(5,165,208)
Performance rights - expired	22	-	-	-	-	(259,037)	-	(259,037)
		-	(5,165,208)	-	-	(259,037)	(168,908)	(5,593,153)
Balance at 30 June 2017		20,823,772	46,412,369	(904,119)	(83,923)	-	2,975,233	69,223,332

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

		Consolidated	
	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		237,498,193	123,507,881
Payments to suppliers and employees (inclusive of goods and services tax)		(187,908,401)	(119,223,061)
		49,589,792	4,284,820
Interest received		1,557,922	1,149,187
Income taxes (paid)/received		(1,814,985)	4,632,663
Net cash inflow from operating activities	31	49,332,729	10,066,670
Cash flows from investing activities			
Dividends received from joint ventures and associate		560,267	2,600,000
Payments for property, plant and equipment	14	(335,812)	(548,607)
Proceeds from sale of property, plant and equipment		6,311	21,038
Payments for available-for-sale financial assets		-	(70,104)
Payments for intangible assets	16	(50,116)	(9,962)
Payments for investment in associate	13(b)	-	(387,500)
Net cash inflow/ from investing activities		180,650	1,604,865
Cash flows from financing activities			
Proceeds from borrowings		1,231,311	804,015
Repayments of borrowings		(1,229,832)	(832,572)
Repayments of hire purchase and lease liabilities		(227,765)	(193,990)
Loans advanced to associate		(336,000)	(387,500)
Dividends paid to company's shareholders		(5,165,208)	(595,987)
Proceeds from repayment of loans under the senior manager share acquisition plan		79,282	181,393
Net cash outflow from financing activities		(5,648,212)	(1,024,641)
Net increase/(decrease) in cash and cash equivalents		43,865,167	10,646,894
Cash and cash equivalents at the beginning of the financial year		41,547,757	32,440,938
Effects of exchange rate changes on cash and cash equivalents		(78,155)	(1,540,075)
Cash and cash equivalents at the end of financial year	8	85,334,769	41,547,757

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the financial statements for the group consisting of Lycopodium Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Lycopodium Limited is a for-profit entity for the purpose of preparing the financial report.

(i) Compliance with IFRS

The consolidated financial report of the Lycopodium Limited group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the financial year beginning 1 July 2016:

- AASB 2014-3 - Amendments to Australian Accounting Standards - *Accounting for Acquisition of Interests in Joint Operations*
- AASB 2014-4 Amendments to Australian Accounting Standards - *Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-9 Amendments to Australian Accounting Standards - *Equity Method in Separate Financial Statements*
- AASB 2015-2 Amendments to Australian Accounting Standards - *Disclosure Initiative: Amendments to AASB 101*

The adoption of the above standards did not have a material impact on the group.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit and loss.

(v) Critical accounting estimates

The preparation of financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 3.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between companies in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

(ii) Employee Share Trust

The group has formed a trust to administer the group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group.

(iii) Joint arrangements

Under AASB 11 *Joint Arrangement* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than legal structure of the joint arrangement. Lycopodium Limited has a joint venture arrangement.

Joint ventures

Interest in joint ventures are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (v) below), after initially being recognised at cost.

(v) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(v) *Equity method (continued)*

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributed to owners of Lycopodium Limited.

(vi) *Changes in ownership interests*

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial report of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report are presented in Australian dollars, which is Lycopodium Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) *Consolidated entities*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Consolidated entities (continued)

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, associated exchange differences are recognised in the profit and loss, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from consulting services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(ii) Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term as this matches the profile of the manner in which rental is earned. Contingent rental income is recognised as income in the periods in which it is earned.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial report. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Lycopodium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2013. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial report.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

1 Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit and loss within 'administration and management costs'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'administration and management costs' in the profit and loss.

(l) Inventories

Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amount is presented under other liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's contract activities in general.

(m) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Financial assets - reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(k).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(n) Derivatives financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 11(c).

Derivatives are initially recognised at fair value at the date of the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which even the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

Depreciation on plant and equipment is calculated using the straight line or diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment	3 - 10 years
- Vehicles	5 - 7 years
- Furniture, fittings and equipment	3 - 8 years
- Leasehold improvements	3 - 6 years
- Leased plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 5 years.

(iii) Software

Intangible assets also comprise capitalised computer software. Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the computer software over their estimated useful lives, being 3 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

1 Summary of significant accounting policies (continued)

(r) Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefits obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to certain executive directors and other designated employees via the Performance Rights Plans. Information relating to this scheme is set out in note 33.

The fair value of rights granted under the Performance Rights Plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 option.

(v) Senior manager share acquisition plan

The senior manager share acquisition plan was approved at the company's Annual General Meeting on 24 November 2009. The aim of the plan was to allow the Board to assist managers, who in the Board's opinion have demonstrated the qualities and dedication to become the next generation of senior managers, to take up a significant shareholding so as to ensure their commitment and the future of the company.

Eligible Senior Managers include both full-time senior managers and executive directors of the group or such other persons as the Board determines.

A broad outline of the plan is summarised below:

- The company will loan funds to participating Senior Managers to purchase Lycopodium Limited shares via the Lycopodium Share Plan Trust.
- The loan will be a limited recourse loan provided the Senior Manager stays with the group for greater than 3 years.
- The loan will be interest free if the Senior Manager remains employed by the group for greater than 3 years.
- In the event that the Senior Manager leaves within 3 years, interest will be charged equal to the market rate of interest that would have accrued on the loan from the date of advance of the funds to the repayment date.
- During the term of the loan, dividends will be offset against the outstanding loan balance.
- The shares are allocated to the Senior Managers at a 1 cent discount to the volume weighted average of the prices at which the shares of Lycopodium Limited were traded on the ASX during the one week period up to and including the date of allocation.

The group has the following as the result of this transaction:

Share based payment

The difference between the value of the shares purchased and the value of the shares allocated to the senior managers represents the cost to the company for providing the loan to the employees. This amount is expensed in the profit and loss.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(v) Senior manager share acquisition plan (continued)

Embedded derivative

The senior manager loan receivable is a loan with an embedded derivative with the senior manager having an option to put back the share to the group in full settlement of the loan after the 3 year period. As the embedded derivative is closely related to the senior manager loan, the financial instrument is measured at fair value through profit or loss.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1 Summary of significant accounting policies (continued)

(z) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

(iii) AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;

1 Summary of significant accounting policies (continued)

(z) New accounting standards not yet effective (continued)

(iii) (continued)

- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses;
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

(aa) Parent entity financial information

The financial information for the parent entity, Lycopodium Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial report, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial report of Lycopodium Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Financial risk management

The group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the group's financial risk management policy. The objective of the policy is to support the delivery of the group's financial targets whilst protecting future financial security.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified above.

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD) and Philippine Peso (PHP). Exchange rate exposures are managed with approved policy parameters utilising forward exchange contracts.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency.

The group's exposure to foreign currency risk at the reporting period, expressed in Australian dollar, was as follows:

	30 June 2017		30 June 2016	
	USD	PHP	USD	PHP
	\$	\$	\$	\$
Cash and cash equivalents	26,491,471	203,126	3,507,010	106,943
Trade and other receivables	-	32,356	134	36,583
Other current assets	-	184,017	-	389,479
Trade and other payables	(10,621,049)	(161,669)	(16,732)	(183,142)
Net exposure	15,870,422	257,830	3,490,412	349,863

Group sensitivity

Based on the financial instruments held at 30 June 2017, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit and equity for the year would have been \$1,587,042 higher/\$1,587,042 lower (2016: \$349,041 higher/\$349,041 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2017 than 2016 because of the higher amount of US dollar denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2017, had the Australian dollar weakened/strengthened by 10% against the Philippine Peso with all other variables held constant, the group's post-tax profit and equity for the year would have been \$25,783 higher/\$25,783 lower (2016: \$34,986 higher/\$34,986 lower), mainly as a result of foreign exchange gains/losses on translation of Philippine Peso denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/Philippine Peso exchange rates in 2017 than 2016 mainly because of the higher amount of Philippine Peso denominated cash and cash equivalents.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(ii) Price risk

The group is exposed to equity securities price risk with the exposure, however, being minimal. Equity securities price risk arises from investments in equity securities. The equity investments are publicly traded on the Australian Securities Exchange ("ASX"). The price risk for the listed securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed. The group does not have a risk management policy surrounding price risk in place as the Board considers the risk minimal.

(iii) Interest rate risk

The group is exposed to interest rate risk arising mainly from borrowings and cash balances held. The risk is considered minimal as the group's borrowings are minimal. The group does not enter into any specific swaps or hedges to cover any interest rate volatility and does not have a risk management policy surrounding cash flow and interest rate risk as the Board considers these risks to be minimal.

Group sensitivity

At 30 June 2017, if interest rates had changed by +/-50 basis points from the year end rates with all other variables held constant, post-tax profit and equity for the year would have been \$298,419 lower/higher (2016: +/-50 basis points: \$141,327 lower/higher), as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables and other current assets. The group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Other receivables comprises of the loan under the senior management share acquisition plan. The group is not exposed to credit risk as the loan is secured under the terms of the loan (note 1(u)).

2 Financial risk management (continued)

(b) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2017	2016
	\$	\$
Cash and cash equivalents	85,334,769	41,547,757
Trade and other receivables	36,919,288	26,525,309
Deposits held with banks (note 10)	553,553	597,974
	122,807,610	68,671,040

Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because the group's primary bank is rated AA- by an international credit-rating agency.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the group's policy to securitise its trade and other receivables. All receivables at balance date that are neither past due nor impaired comply with the group's policy on credit quality.

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is minimised.

There are no significant concentrations of credit risk within the group. The group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers that operate predominantly in the mining and extractive industry sector including the major players in the industry and the junior/emerging players. There are multiple contracts with our significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

Deposits held with banks

The credit risk on deposits held with banks are limited as they comprise deposits held with banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements

The group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated 2017	2016
	\$	\$
Leasing facility	1,850,000	881,870
Standby credit facility	11,658	-
Insurance bonds	3,238,479	15,000,000
	<u>5,100,137</u>	<u>15,881,870</u>

Maturities of financial liabilities

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Consolidated - At 30 June 2017	\$	\$	\$	\$	\$	\$
Non-derivatives						
Trade payables	23,401,728	-	-	-	23,401,728	23,401,728
Insurance premium funding	121,247	-	-	-	121,247	121,247
Finance lease liabilities	450,053	450,053	439,719	-	1,339,825	1,221,396
Total	<u>23,973,028</u>	<u>450,053</u>	<u>439,719</u>	<u>-</u>	<u>24,862,800</u>	<u>24,744,371</u>

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Consolidated - At 30 June 2016	\$	\$	\$	\$	\$	\$
Non-derivatives						
Trade payables	12,265,985	-	-	-	12,265,985	12,265,985
Insurance premium funding	89,879	-	-	-	89,879	89,879
Total	<u>12,355,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,355,864</u>	<u>12,355,864</u>

In assessing and managing liquidity risks of its derivative financial instruments the Group considers both contractual inflows and outflows. The contractual cash flows of the Group's derivative financial assets and liabilities are all current (within 12 months).

2 Financial risk management (continued)

(c) Liquidity risk (continued)

The Group did not have any derivative financial instruments in the financial year ended 30 June 2016.

Derivative financial instruments reflect forward exchange contracts (see Note 11(c)) that will be settled on a gross basis.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment testing of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions. In 2016, the group recognised an impairment loss on goodwill (see Note 16(a)).

(ii) Service warranties

In accordance with the accounting policy stated in note 1(t), the group has recognised warranty provisions at the end of the financial year in respect of potential claims for rectification work on some of its EPC contracts. Refer to note 18 in relation to the service warranty provisions provided at period end. The amounts provided take into account contractual exposure and estimates based on industry and historical trends.

(iii) Fixed-price contracts

The group uses the percentage of completion method in accounting for its revenue from fixed-sum contracts. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variations work that will affect the stage of completion and the contract revenue respectively. In making these estimates, the group has relied on past experience and best available information.

4 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both a product and geographic perspective and has identified nine operating segments of which four (2016: two) are reportable in accordance with the requirements of AASB 8.

The Corporate Services segment consists of managerial and legal services provided to the group in addition to strategic investment holdings.

4 Segment information (continued)

(a) Description of segments (continued)

The Minerals segment consists of engineering and related services provided to the extractive mining industry. The clients, including junior exploration companies and major multinational producers, are developing projects for a wide range of commodities. These projects range in scope from large greenfield projects involving process plant and equipment, civil, building works, control systems, services and infrastructure to small skid-mounted pilot plants.

The Process Industries segment consists of engineering and related services provided to the manufacturing and renewable energy facilities throughout Australia and South East Asia.

The Project Services - Africa segment consists of project management, construction management and commissioning services provided to the extractive mining industry in Africa.

All other operating segments are not reportable operating segments, as they fall under the quantitative thresholds of AASB 8. The results of these operations are included in the 'Other' column.

The remaining operating segments that are not reportable consists of:

Infrastructure:	engineering and related services including architectural designs, power supply and distribution, water supply and distribution, accommodation, buildings, roads and other general civil and infrastructure components.
Asset Management:	reliability and engineering maintenance services to clients in the petrochemical, oil and gas, mining minerals, marine and manufacturing sectors.
Rail:	project development phase studies, engineering and design, procurement and construction phase services for rail infrastructure projects across Australia.
Metallurgical:	metallurgical consulting providing a range of services to the mineral processing community, primarily in the field of comminution, hydrometallurgy and mineral processing design.

Project Services Asia: provision of drafting services for offshore Lycopodium entities.

At 1 July 2016, the operating segments of Infrastructure, Asset Management and Rail were amalgamated in order to achieve better economies of scale and efficiencies. In both financial years ended 30 June 2017 and 30 June 2016, these stand-alone operating segments and amalgamated segments were not reportable segments.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2017 and 30 June 2016 are as follows:

4 Segment information (continued)

(b) Segment information provided to the Board of Directors (continued)

2017	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	Total
		Asia Pacific	North America	Africa				
		\$	\$	\$				\$
Total segment revenue	14,854,323	137,132,984	21,649,588	41,116,856	16,834,804	4,179,161	21,989,969	257,757,685
Inter-segment revenue	(14,741,676)	(3,427,752)	(7,614,681)	(114,273)	(5,316,980)	(353,497)	(9,572,384)	(41,141,243)
Revenue from external customers	112,647	133,705,232	14,034,907	41,002,583	11,517,824	3,825,664	12,417,585	216,616,442
Profit / (Loss) before tax	788,088	9,080,813	(746,232)	984,779	2,784,941	(199,343)	1,877,816	14,570,862
Interest in the profit of equity accounted joint ventures	927,295	91,956	-	-	-	-	-	1,019,251
Depreciation and amortisation	153	593,629	76,075	309,152	3,831	31,048	157,876	1,171,764
Income tax benefit / (expense)	711,881	(2,910,830)	80,616	(650,065)	(402,807)	59,258	(822,144)	(3,934,091)
Total segment assets	22,748,913	66,636,322	4,725,219	17,556,315	14,545,417	4,082,881	10,070,508	140,365,575
Total assets includes:								
Investment in joint ventures	1,369,880	857,855	-	-	-	-	-	2,227,735
Additions to non-current assets (other than financial assets and deferred tax)	-	1,482,555	16,935	58,764	-	1,398	205,939	1,765,591
Total segment liabilities	3,749,923	49,142,644	2,461,174	6,374,583	11,501,412	1,588,570	3,386,944	78,205,250

4 Segment information (continued)

(b) Segment information provided to the Board of Directors (continued)

2016	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	Total
		Asia Pacific	North America	Africa				
Total segment revenue	\$ 6,061,290	\$ 59,574,068	\$ 13,923,203	\$ 31,863,477	\$ 7,601,037	\$ 8,221,280	\$ 17,358,174	\$ 144,602,529
Inter-segment revenue	(5,365,437)	(6,383,225)	(444,818)	(58,309)		(60,880)	(7,829,642)	(20,142,311)
Revenue from external customers	695,853	53,190,843	13,478,385	31,805,168	7,601,037	8,160,400	9,528,532	124,460,218
Profit / (Loss) before tax	(501,787)	2,117,834	1,750,480	926,007	655,632	207,018	605,445	5,760,629
Interest in the profit of equity accounted joint ventures	-	1,191,724	-	-	-	-	-	1,191,724
Depreciation and amortisation	153	593,756	118,713	275,215	7,636	109,276	224,346	1,329,095
Income tax benefit / (expense)	200,936	(898,008)	(401,399)	9,903	(541,872)	(62,502)	(196,277)	(1,889,219)
Total segment assets	16,922,240	26,137,873	5,545,695	17,620,711	3,880,817	4,623,076	8,142,000	82,872,412
Total assets includes:								
Investment in joint ventures	752,852	1,015,900	-	-	-	-	-	1,768,752
Additions to non-current assets (other than financial assets and deferred tax)	-	17,707	1,424	385,890	-	134,191	19,357	558,569
Total segment liabilities	5,032,115	5,314,185	1,990,390	6,895,818	3,413,412	1,488,679	1,735,624	25,870,223

4 Segment information (continued)

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board of Directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The entity is domiciled in Australia. The result of its revenue from external customers in Australia is \$24,016,675 (2016: \$20,800,010), and the total of revenue from external customers from other countries is \$192,599,767 (2016: \$103,660,208). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$91,090,536 (2016: \$36,973,772) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

(ii) Segment profit before tax

The board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before tax.

A reconciliation of segment profit before tax to the profit before tax in the consolidated statement of profit or loss and other comprehensive income is provided as follows:

	Consolidated	
	2017	2016
	\$	\$
Segment profit before tax	14,570,862	5,760,629
Goodwill impairment	(263,242)	(500,000)
Amortisation of customer relationships	-	(45,000)
Profit before income tax as per statement of comprehensive income	14,307,620	5,215,629

(iii) Segment assets

The amounts provided to the board of Directors with respect to total assets are measured in a manner consistent with that of the financial report. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2017	2016
	\$	\$
Segment assets	140,365,575	82,872,412
Intersegment eliminations	(4,180,052)	(3,350,662)
Intangibles arising on consolidation	7,221,276	7,484,518
Total assets as per the consolidated balance sheet	143,406,799	87,006,268

The total of non-current assets other than financial instruments and deferred tax assets in Australia is \$9,968,180 (2016: \$8,964,665), and other countries is \$3,400,482 (2016: \$3,680,467).

4 Segment information (continued)

(c) Other segment information (continued)

(iv) Segment liabilities

The amounts provided to the board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial report. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2017	2016
	\$	\$
Segment liabilities	78,205,250	25,870,223
Intersegment eliminations	(4,021,783)	(3,194,972)
Total liabilities as per the consolidated balance sheet	74,183,467	22,675,251

5 Revenue

	Consolidated	
	2017	2016
	\$	\$
From operations		
<i>Sales revenue</i>		
Contract revenue	214,817,550	122,992,053
<i>Other revenue</i>		
Rents and sub-lease rentals	59,803	84,070
Bank interest	1,639,559	1,209,245
Other revenue	99,530	174,850
	1,798,892	1,468,165
Total revenue from operations	216,616,442	124,460,218

6 Expenses

	Consolidated	
	2017	2016
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	649,407	655,534
Leasehold improvements	60,331	121,698
Leased plant and equipment	160,172	77,907
Motor vehicles	18,826	17,056
Total depreciation	888,736	872,195
<i>Amortisation</i>		
Computer software	283,028	411,900
Customer contracts	-	45,000
Total amortisation	283,028	456,900
Total depreciation and amortisation	1,171,764	1,329,095
<i>Finance costs</i>		
Interest and finance charges paid/payable	93,651	33,324
Net foreign exchange (gains)/losses	433,067	30,893
Net loss on disposal of property, plant and equipment	1,634	1,254
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	8,052,368	8,082,300
Defined contribution superannuation expense	2,604,288	2,481,745

7 Income tax expense

(a) Income tax expense

	Consolidated	
	2017	2016
	\$	\$
Current tax	4,879,361	1,062,835
Deferred tax	(1,184,980)	2,494,234
Adjustments for current tax of prior periods	239,710	(1,667,850)
	<u>3,934,091</u>	<u>1,889,219</u>
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	(1,464,815)	2,835,279
(Decrease)/increase in deferred tax liabilities (note 19)	279,835	(341,045)
	<u>(1,184,980)</u>	<u>2,494,234</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2017	2016
	\$	\$
Profit before income tax expense	14,307,620	5,215,629
Tax at the Australian tax rate of 30% (2016: 30%)	4,292,286	1,564,689
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	78,973	150,000
Sundry items	278,688	306,065
	<u>4,649,947</u>	<u>2,020,754</u>
Adjustments for current tax of prior periods - under/(over) provision of prior year income tax	239,710	275,180
Difference in overseas tax rates	(267,374)	(116,586)
Previously unrecognised tax losses now recouped to reduce current tax expense	(466,812)	(154,238)
Deferred taxes not recognised	84,395	(78,374)
Share of net profit of joint ventures accounted for using the equity method	(305,775)	(57,517)
Total income tax expense/(benefit)	<u>3,934,091</u>	<u>1,889,219</u>

7 Income tax expense (continued)

(c) Amounts recognised directly in equity

	Consolidated 2017 \$	2016 \$
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax - credited directly to equity	(3)	870

(d) Tax losses

	Consolidated 2017 \$	2016 \$
Unused tax losses for which no deferred tax asset has been recognised	-	3,131,881
Potential tax benefit @ 30% (2016: 30%)	-	939,564

(e) Tax consolidation

The company and its 100% owned Australian entities formed a tax consolidated group on 1 July 2013. Members of the consolidated group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned Australian entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Lycopodium Limited.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement effective from 1 July 2013. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with the group allocation approach, which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated group head company, Lycopodium Limited. In this regard, the company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidated contributions by or distributions to participant's equity are required.

8 Current assets - Cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank and in hand	85,256,990	35,532,920
Deposits at call	77,779	6,014,837
	85,334,769	41,547,757

(a) Risk exposure

The group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Current assets - Trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	36,833,250	25,476,511
Allowance for impairment of receivables (a)	(2,342,738)	(859,424)
	34,490,512	24,617,087
 GST and other receivables	 1,593,490	 1,483,984
Cash advanced to employees	62,420	36,738
Loan to associates	772,866	387,500
	2,428,776	1,908,222
	36,919,288	26,525,309

(a) Impaired trade receivables

As at 30 June 2017, current trade receivables of the group with the value of \$2,342,738 (2016: \$ 859,424) were impaired, with the amounts being fully provided for.

The ageing of these receivables are as follows:

	Consolidated	
	2017	2016
	\$	\$
31 to 60 days	-	11,799
61 to 90 days	43,475	-
91 to 120 days	207,520	364
121 to 210 days	381,674	3,147
211 days or over	1,710,069	844,114
	2,342,738	859,424

9 Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2017	2016
	\$	\$
At 1 July	859,424	1,458,208
Provision for impairment recognised during the year	1,527,262	172,494
Receivables written off during the year as uncollectable	(288,079)	(759,339)
Unused amounts reversed	244,625	(12,672)
Exchange difference	(495)	733
At 30 June	2,342,737	859,424

The other classes within trade and other receivables do not contain impaired assets.

(b) Past due but not impaired

As of 30 June 2017, trade receivables of \$6,634,696 (2016: \$3,296,960) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2017	2016
	\$	\$
31 to 60 days	4,236,362	2,343,056
61 to 90 days	503,733	166,910
91 to 120 days	1,183,188	216,714
121 to 210 days	330,939	59,947
211 days and over	380,474	510,333
	6,634,696	3,296,960

(c) Risk exposure

Information about the group's exposure to foreign exchange risk and interest rate risk is provided in note 2.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The group does not hold any collateral as security. Refer to note 2 for more information on the risk management policy of the group.

10 Current assets - Other current assets

	Consolidated 2017	2016
	\$	\$
Other current assets (a)	569,742	597,974
Prepayments	1,579,945	1,195,054
	<u>2,149,687</u>	<u>1,793,028</u>

(a) Other current assets

Other current assets consist of deposits held with licensed banks as security/bond on the various properties leased by the group.

11 Financial assets and liabilities

(a) Categories of financial assets and liabilities

Note 1(m) provides a description of each category of financial assets and liabilities and the related accounting policies. The carrying amounts of financial assets and liabilities in each category are as follows:

Financial assets		Available for sale	Derivatives used for hedging	Loans and receivables at amortised cost	Total
Consolidated - At 30 June 2017	Note	\$	\$	\$	\$
Cash and cash equivalents	8	-	-	85,334,769	85,334,769
Trade and other receivables	9	-	-	36,919,288	36,919,288
Deposits held with banks	10	-	-	569,742	569,742
Derivative financial assets	11(c)	-	164,994	-	164,994
Available-for-sale financial assets	11(b)	102,963	-	-	102,963
Other Receivables	12	-	-	442,616	442,616
		<u>102,963</u>	<u>164,994</u>	<u>123,266,415</u>	<u>123,534,372</u>

Consolidated - At 30 June 2016

Cash and cash equivalents	8	-	-	41,547,757	41,547,757
Trade and other receivables	9	-	-	26,525,309	26,525,309
Deposits held with banks	10	-	-	597,974	597,974
Available-for-sale financial assets	11(b)	102,953	-	-	102,953
Other Receivables	12	-	-	521,898	521,898
		<u>102,953</u>	<u>-</u>	<u>69,192,938</u>	<u>69,295,891</u>

11 Financial assets and liabilities (continued)

(a) Categories of financial assets and liabilities (continued)

Financial liabilities		Liabilities at fair value through profit or loss \$	Derivatives used for hedging \$	Liabilities at armotised cost \$	Total \$
Consolidated - At 30 June 2017	Note				
Trade and other payables	17	-	-	23,401,725	23,401,725
Borrowings	11(d)	-	-	1,342,643	1,342,643
		-	-	24,744,368	24,744,368
Consolidated - At 30 June 2016					
Trade and other payables	17	-	-	12,265,983	12,265,983
Borrowings	11(d)	-	-	89,879	89,879
		-	-	12,355,862	12,355,862

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 2.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 2.

(b) Available for sale financial assets

The details and carrying amounts of AFS financial assets are as follows:

	Consolidated	
	2017	2016
	\$	\$
Balance at the beginning of the year	102,953	35,750
Revaluation deficit transferred to equity	10	(2,900)
Equity securities	-	70,103
Balance at end of year	102,963	102,953

(c) Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

	Consolidated	
	2017	2016
	\$	\$
Current assets		
Other hedging instruments	164,994	-
Total current derivative financial instrument assets	164,994	-

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising predominantly from forecast sales in US dollars. All forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The Group's US-dollar forward contracts relate to cash flows that have been forecasted for July 2017 to October 2017. All forecast transactions are expected to occur.

11 Financial assets and liabilities (continued)

(c) Derivative financial instruments (continued)

During 2017 a loss of \$257,091 (2016:Nil) was recognised in profit and loss as a result of fair-valuing the derivative instrument at year end.

(d) Borrowings

Borrowings include the following financial liabilities:

Carrying amount at amortised costs:	Consolidated					
	Current \$	2017 Non- current \$	Total \$	Current \$	2016 Non- current \$	Total \$
Secured						
Lease liabilities	388,484	832,912	1,221,396	-	-	-
Total secured borrowings	388,484	832,912	1,221,396	-	-	-
Unsecured						
Other loans	121,247	-	121,247	89,879	-	89,879
Total unsecured borrowings	121,247	-	121,247	89,879	-	89,879
Total borrowings	509,731	832,912	1,342,643	89,879	-	89,879

All borrowings are denominated in AUD.

Bank borrowings are secured by plant and equipment owned by the Group (see Note "FAR") Current interest rates are variable and average 7.22% (2016: 0%). The carrying amount of bank borrowings is considered to be a reasonable approximation of fair value.

(e) Fair value measurement

Financial assets and liabilities measured at fair value in the Balance Sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2017 and 30 June 2016.

Consolidated - At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Listed Securities	102,963	-	-	102,963
Foreign currency forward contracts	-	164,994	-	164,994
Net fair value	102,963	164,994	-	267,957

11 Financial assets and liabilities (continued)

(e) Fair value measurement (continued)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated - At 30 June 2016				
Financial assets				
Listed Securities	102,953	-	-	102,953
Foreign currency forward contracts	-	-	-	-
Net fair value	102,953	-	-	102,953

There were no transfers between Level 1 and Level 2 in 2017 and 2016.

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The financial team reports directly to the Chief Financial Officer and to the audit committee.

The valuation techniques used for instruments categorised in Level 2 are described below:

Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

12 Non-current assets - Other receivables

		Consolidated	
	Notes	2017	2016
		\$	\$
Loans under senior management share acquisition plan	33(b)	442,616	521,898

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

13 Non-current assets - Investments accounted for using the equity method

	Consolidated 2017 \$	2016 \$
Investment in joint ventures	857,856	1,015,900
Investment in associates	1,369,879	752,851
	2,227,735	1,768,751

(a) Investment in joint ventures

The group has one material joint venture, Pilbara EPCM Pty Ltd ("PEPL").

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2017	2016
Pilbara EPCM Pty Ltd	Australia	Engineering, procurement, construction management services	50%	50%

The investment in PEPL is accounted for using the equity method in accordance with AASB 128.

Summarised financial information for PEPL is set out below:

	2017 \$	2016 \$
Current assets (a)	2,661,470	3,851,858
Non-current assets	-	-
Total assets	2,661,470	3,851,858
Current liabilities (b)	333,855	1,052,756
Non-current liabilities (c)	611,908	767,306
Total liabilities	945,763	1,820,062
a. Includes cash and cash equivalents	2,653,672	2,210,810
b. Includes current financial liabilities (excluding trade and other payables and provisions)	-	-
c. Includes non-current financial liabilities (excluding trade and other payables and provisions)	-	-

**13 Non-current assets - Investments accounted for using the equity method
(continued)**

	2017 \$	2016 \$
Revenue	1,605,130	9,372,882
Profit for the year	183,912	1,652,743
Depreciation and amortisation	-	-
Interest income	30,973	106,980
Interest expense	-	-
Tax expense	66,784	689,519

A reconciliation of the above summarised financial information to the carrying amount of the investment in PEPL is set out below:

	2017 \$	2016 \$
Total net assets of PEPL	1,715,707	2,031,796
Proportion of ownership interest held by the Group	50%	50%
Carrying amount of the investment in PEPL	857,854	1,015,900

Dividends received during the year from PEPL amounted to \$250,000 (2016: \$2,600,000).

PEPL is a Private Company; therefore no quoted market prices are available for its shares.

During the period, Lycopodium (40%) and Monadelphous Group Ltd (60%) formed an incorporated joint venture, Mondium Pty Ltd ("Mondium").

Mondium's purpose is to target and deliver engineering, procurement and construction (EPC) projects in the minerals processing sector, domestically and within selected international markets.

Mondium is a private company, with no quoted market prices available for its shares. The investment is currently carried at a nil value at year end.

13 Non-current assets - Investments accounted for using the equity method (continued)

(b) Investment in associates

The Group has one material investment in associate, ECG Engineering Pty Ltd, an electrical engineering consultancy based in Perth, Australia.

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2017	2016
ECG Engineering Pty Ltd	Australia	Electrical engineering	31%	31%

Summarised financial information of the Group's share in the associates:

	2017 \$	2016 \$
Profit from continuing operations	927,295	365,352
Other comprehensive income	-	-
Total comprehensive income	927,295	365,352
Carrying amount of the Group's interest in associates	1,369,880	752,851

14 Non-current assets - Property, plant and equipment

	Fixtures and fittings \$	Motor vehicles \$	Leasehold improvements \$	Leased plant and equipment \$	Total \$
At 1 July 2015					
Cost or fair value	6,798,826	226,148	1,399,709	366,257	8,790,940
Accumulated depreciation	(4,842,650)	(146,746)	(769,587)	(255,692)	(6,014,675)
Net book amount	1,956,176	79,402	630,122	110,565	2,776,265
Year ended 30 June 2016					
Opening net book amount	1,956,176	79,402	630,122	110,565	2,776,265
Additions	522,904	13,593	12,110	-	548,607
Disposals	(190)	(4,245)	(3,973)	(13,884)	(22,292)
Depreciation charge	(655,534)	(17,056)	(121,698)	(77,907)	(872,195)
Transfers	18,774	-	-	(18,774)	-
Exchange differences	(78,376)	(2,648)	(5,565)	-	(86,589)
Closing net book amount	1,763,754	69,046	510,996	-	2,343,796
At 30 June 2016					
Cost or fair value	6,798,763	212,142	783,485	-	7,794,390
Accumulated depreciation	(5,035,009)	(143,096)	(272,489)	-	(5,450,594)
Net book amount	1,763,754	69,046	510,996	-	2,343,796
Year ended 30 June 2017					
Opening net book amount	1,763,754	69,046	510,996	-	2,343,796
Additions	297,450	-	38,362	1,379,663	1,715,475
Disposals	(4,180)	(4,904)	-	-	(9,084)
Depreciation charge	(649,407)	(18,826)	(60,331)	(160,172)	(888,736)
Transfers to intangible assets	(9,650)	-	-	-	(9,650)
Exchange differences	29,477	1,800	(8,904)	-	22,373
Closing net book amount	1,427,444	47,116	480,123	1,219,491	3,174,174
At 30 June 2017					
Cost	6,935,104	186,962	798,331	1,379,663	9,300,060
Accumulated depreciation	(5,507,660)	(139,846)	(318,208)	(160,172)	(6,125,886)
Net book amount	1,427,444	47,116	480,123	1,219,491	3,174,174

14 Non-current assets - Property, plant and equipment (continued)

(a) Leased assets

Plant and equipment under a finance lease is disclosed as a separate category in the property, plant and equipment movements detailed above. In addition, leasehold improvements include the following amounts where the group is a lessee under a finance lease:

	Consolidated	
	2017	2016
	\$	\$
Leasehold improvements		
Cost	-	529,706
Accumulation depreciation	-	(529,706)
Net book amount	-	-

15 Non-current assets - Deferred tax assets

	Consolidated	
	2017	2016
	\$	\$
The balance comprises temporary differences attributable to:		
Unused tax losses	37,422	969,026
Employee benefits	2,177,976	2,089,752
Doubtful debts	408,877	142,442
Accrued expenses	110,965	174,696
Deferred revenue	209,886	160,935
Other provisions	1,516,930	(4,610)
Depreciation	(700)	310
Finance leases	366,419	-
	4,827,775	3,532,551
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(1,029,845)	(750,010)
Net deferred tax assets	3,797,930	2,782,541
Deferred tax assets expected to be recovered within 12 months	4,108,718	2,843,786
Deferred tax assets expected to be recovered after more than 12 months	719,057	688,765
	4,827,775	3,532,551

15 Non-current assets - Deferred tax assets (continued)

Movements	Doubtful debts \$	Employee Benefits \$	Deferred revenue \$	Accrued expenses \$	Other provisions \$	Depn & Amort \$	Finance Leases \$	Unused tax losses \$	Total \$
At 1 July 2015	226,475	2,322,848	381,406	134,107	137,694	310	56,650	3,163,352	6,422,842
Credited/(charged)									
- to profit or loss	(84,033)	(233,096)	(220,471)	40,589	(143,173)	-	(56,650)	(2,138,445)	(2,835,279)
- directly to equity	-	-	-	-	870	-	-	-	870
Exchange rate differences	-	-	-	-	-	-	-	(55,882)	(55,882)
At 30 June 2016	142,442	2,089,752	160,935	174,696	(4,609)	310	-	969,025	3,532,551
At 1 July 2016	142,442	2,089,752	160,935	174,696	(4,609)	310	-	969,025	3,532,551
(Charged)/credited									
- to profit or loss	266,435	88,224	48,951	(63,731)	1,520,842	(310)	366,419	(762,016)	1,464,814
- directly to equity	-	-	-	-	(3)	-	-	-	(3)
Utilisation of recognised losses	-	-	-	-	-	-	-	(161,657)	(161,657)
Exchange rate differences	-	-	-	-	-	-	-	(7,930)	(7,930)
At 30 June 2017	408,877	2,177,976	209,886	110,965	1,516,230	-	366,419	37,422	4,827,775

16 Non-current assets - Intangible assets

	Goodwill \$	Software \$	Customer contracts \$	Total \$
At 1 July 2015				
Cost	8,885,406	2,043,090	315,000	11,243,496
Accumulation amortisation and impairment	(819,842)	(1,295,346)	(270,000)	(2,385,188)
Net book amount	8,065,564	747,744	45,000	8,858,308
Year ended 30 June 2016				
Opening net book amount	8,065,564	747,744	45,000	8,858,308
Additions	-	9,962	-	9,962
Amortisation charge *	-	(411,900)	(45,000)	(456,900)
Impairment loss recognised	(500,000)	-	-	(500,000)
Exchange differences	-	(3,637)	-	(3,637)
Closing net book amount	7,565,564	342,169	-	7,907,733
Cost	8,385,406	1,934,790	315,000	10,635,196
Accumulation amortisation and impairment	(819,842)	(1,592,621)	(315,000)	(2,727,463)
Net book amount	7,565,564	342,169	-	7,907,733
	Goodwill \$	Software \$	Customer contracts \$	Total \$
Year ended 30 June 2017				
Opening net book amount	7,565,564	342,169	-	7,907,733
Additions	-	50,116	-	50,116
Amortisation charge *	-	(283,028)	-	(283,028)
Impairment loss recognised	(263,242)	-	-	(263,242)
Transfers from property, plant and equipment	-	9,650	-	9,650
Exchange differences	-	(56)	-	(56)
Closing net book amount	7,302,322	118,851	-	7,421,173
At 30 June 2017				
Cost	8,122,164	1,878,728	315,000	10,315,892
Accumulated amortisation	(819,842)	(1,759,877)	(315,000)	(2,894,719)
Net book amount	7,302,322	118,851	-	7,421,173

* Group amortisation of \$283,028 (2016: \$456,900) is included in depreciation and amortisation expense in the statement of comprehensive income.

16 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the group cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below.

	Australia \$	Other countries \$	Total \$
2017			
Minerals	3,622,991	2,465,026	6,088,017
Infrastructure (previously Maintenance)	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	4,837,296	2,465,026	7,302,322
2016			
Minerals	3,622,991	2,465,026	6,088,017
Process industries	263,242	-	263,242
Maintenance	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	5,100,538	2,465,026	7,565,564

(b) Key assumptions used for value-in-use calculations

The recoverable amount of each CGU within the business segment is determined on the basis of value-in-use ('VIU'). The following describes the assumptions on which management has based its cash flow projections when determining value in use:

	Growth rates		Discount rates	
	2017 %	2016 %	2017 %	2016 %
Minerals	2.5	2.5	4.0	6.0
Process Industries	-	1.0	4.0	6.0
Infrastructure	2.5	2.5	4.0	6.0
Metallurgical	2.5	2.5	4.0	6.0

Growth rate

The growth rate represents a steady indexation rate which does not exceed management's expectations of the long term average growth rate for the business in which each CGU operates.

Discount rate

The base discount rate applied to cash flow projections is 4.0% (2016: 7.8%). The discount rate is a pre-tax rate that reflects the current assessment of the time value of money and the overall perceived risk profile of the group.

Cash flows

VIU calculations use cash flow projections from approved budgets based on past performance and its expectations for the future covering a three year period.

16 Non-current assets - Intangible assets (continued)

(b) Key assumptions used for value-in-use calculations (continued)

Revenue

Value-in-use model is based on budget approved by the Board. The forecast budget process was developed based on revenue expectations for the year built around existing customer contracts along with the potential to develop new markets and sustain growth.

(c) Cash flow assumptions

Minerals, Infrastructure and Metallurgical

The forecast was adjusted to reflect the challenging conditions seen in these segments over the past year as the industry in general tightened. As a result, the Board expects minimal growth for these segments.

Efficiency improvements were factored into the forecasts on the back of the strategic plans put in place to counter the effects of the tightening market. These include savings in fixed overhead costs and other process efficiencies.

Process Industries

The forecast was adjusted in 2017 for the decline in services in the Process Industries segment due to the decline in Australia's manufacturing industry. As a result, the Board expects lower growth and declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in a reduction in goodwill in 2017 of \$263,242. The related goodwill impairment loss of \$263,242 (2016: \$500,000) was included within impairment of non-financial assets.

Apart from the consideration described in determining the value-in-use of the cash-generating units described above, the Board is not currently aware of any other probable changes that would necessitate changes in its key estimates.

17 Current liabilities - Trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	10,225,530	3,587,538
Revenue received in advance	32,659,785	2,449,507
Goods and services tax (GST) payable	708,415	84,681
Sundry creditors and accrued expenses	13,176,195	8,678,445
Employee benefit obligations (a)	7,311,042	6,636,784
	64,080,967	21,436,955

Included in the above are financial liabilities of \$23,401,725 (2016: \$12,265,983).

17 Current liabilities - Trade and other payables (continued)

(a) Amounts not expected to be settled within the next 12 months

Employee benefit obligations include accruals for annual leave and unconditional entitlements of long service leave. The entire obligation is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2017	2016
	\$	\$
Annual leave obligation expected to be settled after 12 months	922,499	732,859
Long service leave obligation expected to be settled after 12 months	973,563	923,151
	1,896,062	1,656,010

(b) Risk exposure

Information about the group exposure to foreign exchange risk is provided in note 2.

18 Current liabilities - Provisions

	Consolidated	
	2017	2016
	\$	\$
Service warranties	4,280,795	-

(a) Movements in provisions

Provision for warranty and defects liability:

2017	Service warranties	Total
	\$	\$
Carrying amount at beginning of year	-	-
Provisions recognised	4,280,795	4,280,795
Carrying amount at end of year	4,280,795	4,280,795

19 Non-current liabilities - Deferred tax liabilities

	Consolidated 2017 \$	2016 \$
The balance comprises temporary differences attributable to:		
Accrued income - contractors	318,275	321,126
Other provisions	145,049	169,388
Depreciation	525,882	235,475
Prepaid expenses	40,639	24,021
	1,029,845	750,010
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	(1,029,845)	(750,010)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	503,963	514,535
Deferred tax liabilities expected to be settled after more than 12 months	525,882	235,475
	1,029,845	750,010

Movements	Depreciation & amortisation \$	Accrued income \$	Other provisions \$	Prepaid expenses \$	Total \$
At 1 July 2015	377,743	292,169	347,126	74,017	1,091,055
Charged/(credited) - profit or loss	(142,268)	28,957	(177,738)	(49,996)	(341,045)
At 30 June 2016	235,475	321,126	169,388	24,021	750,010
At 1 July 2016	235,475	321,126	169,388	24,021	750,010
Charged/(credited) - profit or loss	290,407	(2,851)	(24,339)	16,618	279,835
At 30 June 2017	525,882	318,275	145,049	40,639	1,029,845

20 Non-current liabilities - Provisions

	Consolidated 2017 \$	2016 \$
Employee benefits - long service leave	500,796	639,873

21 Contributed equity

(a) Share capital

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares				
Fully paid	39,732,373	39,732,373	20,823,772	20,823,772

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2015	Opening balance	39,732,373		20,823,772
	No movements during the year	-		-
30 June 2016	Closing balance	<u>39,732,373</u>		<u>20,823,772</u>
1 July 2016	Opening balance	39,732,373		20,823,772
	No movements during the year	-		-
30 June 2017	Closing balance	<u>39,732,373</u>		<u>20,823,772</u>

(c) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet (including non-controlling interests) plus net debt.

21 Contributed equity (continued)

(d) Capital risk management (continued)

During 2017, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

	Consolidated 2017 \$	2016 \$
Total borrowings (including payables)	65,423,613	21,526,836
Less: cash and cash equivalents	<u>(85,334,768)</u>	<u>(41,547,756)</u>
Net debt	(19,911,155)	(20,020,920)
 Total equity	 66,248,097	 61,268,322
Total capital	<u>46,336,942</u>	<u>41,247,402</u>
 Gearing ratio	 (30.1)%	 (32.7)%

22 Reserves and retained earnings

(a) Other reserves

	Consolidated 2017 \$	2016 \$
Available-for-sale investment revaluation reserve	(83,923)	(83,930)
Performance rights reserve	-	259,037
Foreign currency translation reserve	<u>(904,119)</u>	<u>(1,016,051)</u>
	(988,042)	(840,944)

	Consolidated 2017 \$	2016 \$
Movements:		
<i>Available-for-sale investment revaluation reserve</i>		
Balance 1 July	(83,930)	(81,900)
Revaluation - gross	10	(2,900)
Deferred tax	(3)	870
Balance 30 June	<u>(83,923)</u>	<u>(83,930)</u>
<i>Performance rights reserve</i>		
Balance 1 July	259,037	259,037
Expiry of performance rights	<u>(259,037)</u>	<u>-</u>
Balance 30 June	-	259,037
<i>Foreign currency translation reserve</i>		
Balance 1 July	(1,016,051)	577,285
Currency translation differences arising during the year	<u>111,932</u>	<u>(1,593,336)</u>
Balance 30 June	(904,119)	(1,016,051)

22 Reserves and retained earnings (continued)

(b) Retained earnings

	Consolidated	
	2017	2016
	\$	\$
Balance 1 July	41,285,494	38,718,003
Profit for the year	10,292,083	3,163,478
Dividends paid or payable	(5,165,208)	(595,987)
Balance 30 June	46,412,369	41,285,494

(c) Nature and purpose of other reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Performance rights reserve

The performance rights reserve is used to recognise the fair value of rights issued to certain Directors or employees during the year.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

23 Non-controlling interests

	Consolidated	
	2017	2016
	\$	\$
Share capital	14,937	14,937
Reserves	4,230	23,986
Non-controlling interest on acquisition	2,833,808	2,833,808
Retained earnings	122,258	189,964
	2,975,233	3,062,695

24 Dividends

(a) Ordinary shares

Parent entity	
2017	2016
\$	\$

Interim dividend for the year ended 30 June 2017 of 9.0 cents (2016: 1.5 cents) per fully paid share paid on 13 April 2017 (2016: 13 April 2016)

Fully franked based on tax paid @ 30% (2016: 30%)

Total dividends provided for or paid

3,575,914	595,987
3,575,914	595,987

(b) Dividends not recognised at the end of the reporting period

Parent entity	
2017	2016
\$	\$

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 9.0 cents per fully paid ordinary share (2016: 4.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at year end, is

3,575,914	1,589,295
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(c) Franked dividends

Consolidated	
2017	2016
\$	\$

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)

10,713,752	12,687,298
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1,532,534 (2016: \$681,126).

25 Remuneration of auditors

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:

(a) Grant Thornton Audit Pty Ltd

	Consolidated	
	2017	2016
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	190,000	190,000
<i>Taxation services - Paid to a related entity of Grant Thornton Audit Pty Ltd</i>		
Tax compliance services (including income tax returns)	32,300	146,400
Total remuneration for taxation services	32,300	146,400
<i>Other services</i>		
Other services	15,183	9,500
Total remuneration	237,483	345,900

(b) Network firms of Grant Thornton Audit Pty Ltd

	Consolidated	
	2017	2016
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	106,687	115,079
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	56,926	25,995
<i>Other services</i>		
Total remuneration of network firms of Grant Thornton Audit Pty Ltd	163,613	141,074

25 Remuneration of auditors (continued)

(c) Non-Grant Thornton Audit Pty Ltd

	Consolidated	
	2017 \$	2016 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	48,804	52,367
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	33,951	100,102
Total remuneration for taxation services	33,951	100,102
<i>Other services</i>		
Other services	24,536	-
Total remuneration of non-Grant Thornton Audit Pty Ltd audit firms	107,291	152,469
Total auditors' remuneration	508,387	639,443

It is the group's policy to employ Grant Thornton Audit Pty Ltd on assignments additional to their statutory audit duties where Grant Thornton Audit Pty Ltd expertise and experience with the group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where Grant Thornton Audit Pty Ltd is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

26 Contingencies

The group had contingent liabilities at 30 June 2017 and 30 June 2016 in respect of:

(a) Contingent liabilities

(i) Guarantees

Guarantees are given in respect of rental bonds for \$1,910,888 (2016: \$1,935,610).

These guarantees may give rise to liabilities in the event that the group defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth, 153-163 Leichhardt Street, Spring Hill, 253-269 Wellington Road, Mulgrave, 138-140 Beaumont Street, Hamilton and Centennial Place, Century Boulevard, Century City, Cape Town, South Africa.

No material losses are anticipated in respect of any of the above contingent liabilities (2016: Nil).

27 Commitments

(a) Capital commitments

There were no capital expenditures contracted for at the reporting date which have not been recognised as liabilities (2016: Nil).

27 Commitments (continued)

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

The property under operating lease by Lycopodium Minerals Pty Ltd is a non cancellable lease with a 120 month term ending 31 January 2021. Minimum lease payments are contingent upon both 4% fixed annual increases and market-based reviews during the term of the lease. The lease allows for sub letting of all lease areas, subject to the consent of the landlord.

The property under operating lease by Lycopodium Process Industries Pty Ltd is a non cancellable lease with a 36 month term ending 15 September 2018, with an option to renew the lease at the end of the term for a further 36 months. The agreement provides for an annual increase in the rental payments of 3.5% over the previous year's rental.

The property under operating lease by Lycopodium (Philippines) Pty Ltd is a non cancellable lease with a 36 month term ending 30 June 2018. The agreement provides for an increase in the rental payments of 5% per annum and an increase in the general leasing expenses of 5% per annum.

The property under operating lease by Lycopodium Minerals Pty Ltd is a non-cancellable lease with a 72 month term ending 28 February 2018, with no option to renew. The lease agreement provides for annual increase in the rental payments of 4% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

The property under operating lease by Lycopodium Infrastructure Pty Ltd is a non cancellable lease with a 96 month term ending 31 January 2021, with an option to renew a further 60 month term. Minimum lease payments are contingent upon a 4.5% fixed annual increase. The lease allows for sub letting of all lease areas, subject to the consent of the landlord.

The property under lease by Lycopodium Minerals Canada Ltd is a non-cancellable lease with a 60 month term ending 31 July 2017. Renewed for a further period of 63 months expiring on 31 October 2022. No provision for increase in base rental.

The property under operating lease by Lycopodium Infrastructure Pty Ltd is a non-cancellable lease with a 36 months term ending 19 January 2018, with an option to renew the lease at the end of its term for a further 36 months. Minimum lease payments are contingent upon annual CPI movements during the terms of its lease.

The property under lease by ADP Holdings (Pty) Limited is a non-cancellable lease with a 60 month term ending 30 April 2018. The agreement provides for an annual increase in the rental payments of 8% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

	Consolidated	
	2017	2016
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	7,807,360	8,354,181
Later than one year but not later than five years	17,492,391	23,387,362
	25,299,751	31,741,543

(ii) Finance leases and hire purchase commitments

The group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of \$1,219,491 (2016: Nil). These lease contracts expire within 1 to 5 years. Under the terms of the leases, the group has the option to acquire the leased assets.

27 Commitments (continued)

(b) Lease commitments: group as lessee (continued)

(ii) Finance leases and hire purchase commitments (continued)

	2017 \$	2016 \$
Commitments in relation to finance leases are payable as follows:		
Within one year	450,053	-
Later than one year but not later than five years	889,772	-
Minimum lease payments	<u>1,339,825</u>	-
Future finance charges	(118,429)	-
Total lease liabilities	<u>1,221,396</u>	-
Representing lease liabilities:		
Current (note 11(d))	388,484	-
Non-current (note 11(d))	<u>832,912</u>	-
	<u>1,221,396</u>	-

The weighted average interest rate implicit in the leases and hire purchases is 7.22% (2016: 0%).

28 Related party transactions

(a) Parent entities

The parent entity within the group is Lycopodium Limited, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are set out in note 29.

(c) Key management personnel

	Consolidated 2017 \$	2016 \$
Short-term employee benefits	2,480,164	2,538,536
Post-employment benefits	214,206	180,206
	<u>2,694,370</u>	<u>2,718,742</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 19.

(d) Transactions with other related parties

The following transactions occurred with related parties:

28 Related party transactions (continued)

(d) Transactions with other related parties (continued)

	Consolidated	
	2017	2016
	\$	\$
Purchases of goods and services		
Purchases from joint ventures	-	26,183
Purchases from associates	4,927,903	2,682,375
Sale of goods and services		
Sales to joint ventures	337,291	856,568

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2017	2016
	\$	\$
<i>Current receivables</i>		
Joint ventures	-	126,402
<i>Current payables</i>		
Joint ventures	-	6,283
Associates	278,393	251,307

(f) Loans to/from related parties

	Consolidated	
	2017	2016
	\$	\$
<i>Loans to associates</i>		
Beginning of the year	387,500	-
Loans advanced	336,000	387,500
Repayments made	-	-
End of year	723,500	387,500

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(g) Terms and conditions

Purchases and sales of goods and services with statutory joint ventures are made at cost.

Purchases and sales of goods and services with the associate are made at arms-length.

Loans advanced to the joint venture and associate are interest-free and repayable within 12 months.

Outstanding balances are unsecured and are repayable in cash.

29 Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial report incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation / Principal activity	Class of shares	Equity holding	
			2017 %	2016 %
Lycopodium Minerals Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Process Industries Pty Ltd	Australia (1)	Ordinary	100	100
Orway Mineral Consultants (WA) Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Ghana Ltd	Ghana (2)	Ordinary	100	100
Lycopodium Asset Management Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Burkina Faso SARL	Burkina Faso (2)	Ordinary	100	100
Lycopodium Infrastructure Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Minerals Canada Ltd	Canada (1)	Ordinary	100	100
Lycopodium Mauritius	Mauritius (2)	Ordinary	100	100
Lycopodium Philippines Pty Ltd	Australia (1)	Ordinary	100	100
Metco Global Limited	Angola (2)	Ordinary	74	74
Orway Mineral Consultants (Canada) Ltd	Canada (1)	Ordinary	100	100
Lycopodium Rail Pty Ltd	Australia (1)	Ordinary	100	100
ADP Holdings (Pty) Limited	South Africa (1)	Ordinary	74	74

(1) Engineering, procurement, construction management services

(2) Offshore project support services

30 Events occurring after the reporting period

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is \$3,575,914 (2016: \$1,589,295), which represents a fully franked dividend of 9.0 (2016: 4.0) cents per fully paid ordinary share.

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

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

31 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2017	2016
	\$	\$
Profit for the year	10,373,528	3,326,410
Depreciation and amortisation	1,171,764	1,329,095
Impairment of goodwill	263,242	500,000
Loans advanced to associate (included at cash flows from financing activities)	336,000	387,500
Non-cash employee benefits expense - share-based payments	(259,037)	-
Dividend and interest income	-	(9,413)
Net loss on sale of non-current assets	1,634	1,254
Share of net profit of associate and joint venture accounted for using the equity method	(1,019,251)	(1,191,724)
Interest relating to financing activities	56,377	33,324
Finance lease expense	43,011	-
Change in operating assets and liabilities:		
Increase in trade debtors and other receivables	(10,393,981)	(1,952,129)
Decrease/(increase) in inventories	376,256	(448,475)
(Increase)/decrease in deferred tax assets	(866,965)	2,550,116
Increase in other operating assets	(356,658)	(84,808)
Increase in trade creditors	42,644,013	1,582,515
Increase in provision for income taxes payable	2,986,072	3,971,765
Increase in other provisions	4,141,718	71,240
Increase in derivative financial assets	(164,994)	-
Net cash inflow from operating activities	49,332,729	10,066,670

32 Earnings per share

(a) Basic earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	25.9	8.0

(b) Diluted earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	25.9	8.0

32 Earnings per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2017	2016
	\$	\$
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	10,291,620	3,163,478
<i>Diluted earnings per share</i>		
Used in calculating diluted earnings per share	10,291,620	3,163,478

(d) Weighted average number of shares used as denominator

	Consolidated	
	2017	2016
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>		
	39,732,373	39,732,373

33 Share-based payments

(a) Executive director performance rights plan

Performance rights were granted to certain executive directors as disclosed in the Notice of Annual General Meeting dated 16 October 2008. The performance 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.

The performance rights vest subject to the following performance hurdles being met.

- (i) Tranche 1 - On 1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
- (ii) Tranche 2 - On 1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
- (iii) Tranche 3 - On 1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
- (iv) Tranche 4 - On 1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
- (v) Tranche 5 - On 1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

Where EPS does not exceed 10%, the performance rights will vest proportionally for each period from 0% where EPS is 5% to 100% where EPS is 10%.

The rights expired on 24 December 2016 and were granted under the plan for no consideration.

Fair value of rights granted

The assessed fair value at grant date of rights granted during the year ended 30 June 2009 was \$0.74 cents per right. 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 rate for the term of the rights.

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

- (i) exercise price: \$Nil
- (ii) grant date: 27 November 2008
- (iii) expiry date: 24 December 2016
- (iv) share price at grant date: \$1.95
- (v) expected price volatility of the company's shares: 45.6%
- (vi) expected dividend yield: 12.8%
- (vii) risk-free interest rate: 5.25%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total number of rights issued under this plan to participating directors for the financial year ended 30 June 2017 was Nil (2016: Nil).

(b) Senior manager share acquisition plan

The senior manager share acquisition plan was introduced in November 2009. Under the plan eligible senior managers are provided with an interest free limited recourse loan for a period of 3 years to acquire shares in Lycopodium Limited. The purchase of the shares will be done via the employee share trust. The loan will be interest free if the participating senior manager stays with the group for more than 3 years. In the event the participating senior manager leaves within 3 years, interest will be charged equal to market rate of interest that would have accrued on the loan from the date of advance of the funds to the repayment date. Eligibility will be decided by the board of Directors.

33 Share-based payments (continued)

(b) Senior manager share acquisition plan (continued)

The value of the loan to each participating senior manager is based on the value of the shares allocated to the respective senior manager. The shares are allocated at a 1 cent discount to the volume weighted average of the prices at which the shares were traded on the ASX during the one week period up to and including the date of allocation. During the financial year ended 30 June 2010, 607,500 shares were acquired on and off market.

The difference between the price of the shares acquired and the value of shares allocated to the participating senior managers was expensed in the financial year ended 30 June 2010. This amounted to \$125,855.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were nil.

34 Parent entity financial information

(a) Summary financial information

The individual financial report for the parent entity show the following aggregate amounts:

	2017 \$	2016 \$
Balance sheet		
Current assets	20,757,301	14,956,881
Non-current assets	<u>29,956,945</u>	<u>30,547,721</u>
Total assets	<u>50,714,246</u>	<u>45,504,602</u>
Current liabilities	3,705,820	5,000,827
Non-current liabilities	<u>44,102</u>	<u>31,288</u>
Total liabilities	<u>3,749,922</u>	<u>5,032,115</u>
Net assets	<u>46,964,324</u>	<u>40,472,487</u>
<i>Shareholders' equity</i>		
Contributed equity	20,823,772	20,823,772
Share-based payments	-	259,037
Retained earnings	<u>26,140,552</u>	<u>19,389,678</u>
	<u>46,964,324</u>	<u>40,472,487</u>
Profit for the year	<u>11,916,083</u>	<u>1,983,798</u>
Total comprehensive income	<u>11,916,083</u>	<u>1,983,798</u>

(b) Guarantees entered into by the parent entity

In 2016, the parent entity entered into an arrangement with a insurer for a standby insurance bonding facility of \$15.0m. In return, the parent entity and Lycopodium Minerals Pty Ltd jointly executed a cross guarantee and indemnity as security for the facility.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2017 or 30 June 2016.

In the Directors' opinion:

- (a) the financial report and notes set out on pages 31 to 95 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Peter De Leo
Managing Director

Perth
28 September 2017

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Independent Auditor's Report to the Directors of Lycopodium Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lycopodium Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated statement statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying consolidated financial report of Lycopodium Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated statement report of the current period. These matters were addressed in the context of our audit of the consolidated statement report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Note 1(e)(i) and Note 5 <p>For the year ended 30 June 2017, the Group recognised \$214,817,550 in revenues from its contracts.</p> <p>The Group recognises revenues from contracts in accordance with AASB 111 <i>Construction Contracts</i>, which includes the use of the percentage-of-completion accounting method.</p> <p>There is heightened risk around the application of percentage-of-completion accounting as it requires management to estimate margins and contract progress which impact revenue recognised.</p> <p>This area is a key audit matter due to the degree of management estimation and judgement required with regard to revenue recognised under the percentage-of-completion method.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> obtaining an understanding of the revenue recognition policies applied and assess their compliance with AASB 111 <i>Construction Contracts</i>; testing the operating effectiveness of controls over the recording of revenues from contracts; testing a sample of contracts by reading contracts for key terms to assess for compliance AASB 111 and evaluate the accuracy of management's schedule of contracts; testing a sample of costs incurred by tracing to underlying support such as payroll records and vendor invoices in order to understand the nature of the item and whether the expenditure was attributable to the related contract.; assessing management's ability to estimate expected costs to completion and the related contract margins by: <ul style="list-style-type: none"> inquiring with contract management oversight to gain an understanding of the progress and remaining costs for a sample of contracts; evaluating corroborating evidence; and reviewed details of contracts post year-end to assess the accuracy of management's forecasts of cost to complete; performing analytical procedures to assess the budgeting accuracy and corroborated results through discussions with employees outside of the finance team; and assessing the appropriateness of financial statement disclosures.

Key audit matter	How our audit addressed the key audit matter
Goodwill valuation Note 16 <p>As at 30 June 2017, the Group has \$7,302,322 in Goodwill across various cash-generating units.</p> <p>Goodwill is required to be assessed for impairment annually by management as required by <i>AASB 138 – Intangible Assets</i> and <i>AASB 136 – Impairment of Assets</i>.</p> <p>The Group estimates the fair value of its cash-generating units by employing a discounted cash flow model and, in doing so, must determine the following key inputs and assumptions:</p> <ul style="list-style-type: none"> • forecasted cash flows from operations • working capital adjustments • capital expenditure estimates • discount and growth rates • a terminal value <p>This area is a key audit matter due to the significance of related balances and the management estimation and judgement involved in the assessment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining management's discounted cash flow model and assessed and challenged: <ul style="list-style-type: none"> ○ the FY18 budget by comparing the budget to the FY17 actuals; ○ the assumptions used for the growth rate by comparing the historical average growth rate from FY13 to FY17 to the growth rate adopted in the impairment model; ○ the key assumptions for long term growth in the forecast cash flows by comparing them to historical results; and ○ the discount rate applied by reference to the cost of capital of the Group. • testing the mathematical accuracy of the cash flow model; • agreeing the inputs in the cash flow models to relevant data including approved budgets and latest forecasts; • performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value; and • assessing the adequacy of the Group's related disclosures within the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Lycopodium Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner – Audit & Assurance
28 September, 2017

The shareholder information set out below was applicable as at 6 September 2017.

A. Distribution of equity securities

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

Holding	Total Holders
1 - 1000	352
1,001 - 5,000	452
5,001 - 10,000	136
10,001 - 100,000	150
100,001 and over	25
	<hr/> 1,115

There were 80 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 below:

Name	Ordinary shares	
	Number held	Percentage of Units
1 Reesh Pty	9,104,367	22.91
2 HSBC Custody Nominees (Australia) Limited	7,504,153	18.89
3 Luala Pty Ltd	3,167,332	7.97
4 JP Morgan Nominees Australia Limited	2,496,478	6.28
5 Caddy Fox Pty Ltd	2,354,215	5.93
6 Selso Pty Ltd	1,808,148	4.55
7 Accede Pty Ltd	1,272,332	3.20
8 Citicorp Nominees Pty Ltd	844,000	2.12
9 Monadelphous Group Limited	603,511	1.52
10 Mr David James Taylor	447,635	1.13
11 De Leo Nominees Pty Ltd (The De Leo Investment A/C)	407,900	1.03
12 Mr Peter De Leo & Mrs Tiana De Leo	401,390	1.01
13 De Leo Nominees Pty Ltd (The De Leo Family A/C)	354,481	0.89
14 Botech Pty Ltd	305,405	0.77
15 Lycopodium Share Plan Pty Ltd	272,500	0.69
16 RBC Investor Services Australia Nominees Pty Ltd	252,484	0.64
17 Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	246,390	0.62
18 Mr Timothy & Mrs Lisa Kelly (The Kelly Superannuation Fund A/C)	180,000	0.45
19 Nancris Pty Ltd	175,000	0.44
20 Rubi Holdings Pty Ltd	175,000	0.44
	<hr/> 32,372,721	<hr/> 81.48

Lycopodium Limited
Shareholder information
30 June 2017
(continued)

C. Substantial holders

Substantial holders in the company are set out below:

Name	Number held	Percentage of Units
1 Reesh Pty Ltd	9,104,367	22.91
2 HSBC Custody Nominees (Australia) Limited	7,504,153	18.89
3 Luala Pty Ltd	3,167,332	7.97
4 J P Morgan Nomineed Australia Limited	2,496,478	6.28
5 Caddy Fox Pty Ltd	2,354,215	5.93

D. Voting rights

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

- (a) 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.

Directors

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

Company Secretary

Keith John Bakker

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Lawyers to the Company

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