

Lycopodium Limited and Controlled Entities

ABN 83 098 556 159

Appendix 4E - Preliminary Final Report for the year ended 30 June 2017

Lycopodium Limited and Controlled Entities ABN 83 098 556 159
Appendix 4E - Preliminary Final Report - 30 June 2017

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the
Annual report

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Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
For the year ended 30 June 2017

Results for announcement to the market

| | | | | |
|--|----|--------|----|-------------|
| | | | | \$ |
| Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i> | Up | 74.1% | to | 216,616,442 |
| Profit from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i> | Up | 225.3% | to | 10,292,083 |
| Net profit for the period attributable to members <i>(Appendix 4E item 2.3)</i> | Up | 225.3% | to | 10,292,083 |

| | | |
|---|---------------------|-----------------------------|
| | \$ | \$ |
| Dividends / distributions <i>(Appendix 4E item 2.4)</i> | Amount per security | Franked amount per security |
| Final dividend <i>(cents)</i> | 9.0 | 9.0 |

| | | |
|--|--------------|-------|
| Key ratios | 2017 | 2016 |
| | June | June |
| Basic earnings per share (cents) | 25.9 | 8.0 |
| Net tangible assets per shares (cents) | 155.5 | 142.0 |

Record date for determining entitlements to the final dividends

29 September 2017

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

| | | Consolidated | |
|--|-------|---------------------|--------------|
| | Notes | 2017 \$ | 2016 \$ |
| Revenue from operations | 3 | 216,616,442 | 124,460,218 |
| Employee benefits expense | | (61,898,213) | (57,853,816) |
| Depreciation and amortisation expense | 4 | (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 | 6 | (263,242) | (500,000) |
| Other expenses | | (9,540,001) | (7,768,302) |
| Loss on disposal of asset | | (1,634) | (1,254) |
| Finance costs | | (93,651) | (33,324) |
| Share of net profit of associate and joint ventures accounted for using the equity method | 10 | 1,019,251 | 1,191,724 |
| Profit before income tax | | 14,307,620 | 5,215,629 |
| Income tax expense | 5 | (3,934,091) | (1,889,219) |
| Profit for the year | | 10,373,529 | 3,326,410 |
| Other comprehensive (expense)/income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | 7(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 | 13(a) | 25.9 | 8.0 |
| Diluted earnings per share | 13(b) | 25.9 | 8.0 |

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

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Balance Sheet
As at 30 June 2017

| | | Consolidated | |
|---|-------|--------------------|-------------------|
| | Notes | 2017 \$ | 2016 \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 85,334,769 | 41,547,757 |
| Trade and other receivables | | 36,919,288 | 26,525,309 |
| Inventories | | 327,430 | 703,686 |
| Derivative financial assets | | 164,994 | - |
| Current tax receivables | | 1,344,040 | 1,008,816 |
| Other current assets | | 2,149,687 | 1,793,028 |
| Total current assets | | 126,240,208 | 71,578,596 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 10 | 2,227,735 | 1,768,751 |
| Available-for-sale financial assets | | 102,963 | 102,953 |
| Property, plant and equipment | | 3,174,174 | 2,343,796 |
| Intangible assets | 6 | 7,421,173 | 7,907,733 |
| Other receivables | | 442,616 | 521,898 |
| Deferred tax assets | | 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 | | 64,080,967 | 21,436,955 |
| Borrowings | | 509,731 | 89,879 |
| Current tax liabilities | | 3,978,266 | 508,544 |
| Provisions | | 4,280,795 | - |
| Total current liabilities | | 72,849,759 | 22,035,378 |
| Non-current liabilities | | | |
| Borrowings | | 832,912 | - |
| Provisions | | 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 | | 20,823,772 | 20,823,772 |
| Reserves | 7(a) | (988,042) | (840,944) |
| Retained profits | 7(b) | 46,412,369 | 41,285,494 |
| Parent entity interest | | 66,248,099 | 61,268,322 |
| Non-controlling interests | 8 | 2,975,233 | 3,062,695 |
| Total equity | | 69,223,332 | 64,331,017 |

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

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Statement of Changes in Equity
For the year ended 30 June 2017

| Consolidated entity | Notes | Contributed equity \$ | Retained profits \$ | Foreign currency translation reserve \$ | Available for sale investment revaluation reserve \$ | Performance rights reserve \$ | Non-con- trolling interests \$ | Total equity \$ |
|--|-------|-----------------------------|---------------------------|---|---|-------------------------------------|---|-----------------------|
| 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 | | - | - | - | - | - | (36,966) | (36,966) |
| Dividends provided for or paid | 9 | - | (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 | | - | - | - | - | - | (168,908) | (168,908) |
| Dividends provided for or paid | 9 | - | (5,165,208) | - | - | - | - | (5,165,208) |
| Performance rights - expired | 7 | - | - | - | - | (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 preliminary statement of changes in equity should be read in conjunction with the accompanying notes.

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Statement of Cash Flows
For the year ended 30 June 2017

| | | Consolidated | |
|--|--|----------------------|---------------|
| | | 2017 | 2016 |
| Notes | | \$ | \$ |
| 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 | 49,332,729 | 10,066,670 |
| 12 | | | |
| Cash flows from investing activities | | | |
| | Dividends received from joint ventures and associate | 560,267 | 2,600,000 |
| | Payments for property, plant and equipment | (335,812) | (548,607) |
| | Proceeds from sale of property, plant and equipment | 6,311 | 21,038 |
| | Payments for intangible assets | (50,116) | (9,962) |
| | Payments for available-for-sale financial assets | - | (70,104) |
| | Payments for investment in associate | - | (387,500) |
| 10(b) | | | |
| | 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) |
| | Dividends paid to company's shareholders | (5,165,208) | (595,987) |
| 9 | | | |
| | Repayments of hire purchase and lease liabilities | (227,765) | (193,990) |
| | Loans advanced to associate | (336,000) | (387,500) |
| | 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 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 end of year | 85,334,769 | 41,547,757 |

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

1 Summary of significant accounting policies

(a) Basis of preparation

This preliminary financial report has been prepared in accordance with Australian Securities Exchange Listing Rules as they relate to the Appendix 4E and in accordance with the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2016 and with any public announcement made by Lycopodium Limited during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year.

2 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.

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.

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

2 Segment information (continued)

(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:

| 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 |

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

2 Segment information (continued)

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

| 2016 | Corporate Services | Minerals | Other | Total |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | |
| | \$ | \$ | \$ | \$ |
| Total segment revenue | 6,061,290 | 105,360,748 | 33,180,491 | 144,602,529 |
| Inter-segment revenue | <u>(5,365,437)</u> | <u>(6,886,352)</u> | <u>(7,890,522)</u> | <u>(20,142,311)</u> |
| Revenue from external customers | 695,853 | 98,474,396 | 25,289,969 | 124,460,218 |
| Profit / (Loss) before tax | <u>(501,787)</u> | <u>4,794,321</u> | <u>1,468,095</u> | <u>5,760,629</u> |
| Interest in the profit of equity accounted joint ventures | - | 1,191,724 | - | 1,191,724 |
| Depreciation and amortisation | (153) | (987,684) | (341,258) | (1,329,095) |
| Income tax benefit / (expense) | 200,936 | (1,289,504) | (800,651) | (1,889,219) |
| Total segment assets | <u>16,922,240</u> | <u>49,304,279</u> | <u>16,645,893</u> | <u>82,872,412</u> |
| 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) | - | 405,021 | 153,548 | 558,569 |
| Total segment liabilities | 5,032,115 | 14,200,393 | 6,637,715 | 25,870,223 |

(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 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 preliminary statement of profit or loss and other comprehensive income | 14,307,620 | 5,215,629 |

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

2 Segment information (continued)

(c) Other segment information (continued)

(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 per the preliminary balance sheet 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 preliminary balance sheet | 143,406,799 | 87,006,268 |

(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 per the preliminary balance sheet 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 preliminary balance sheet | 74,183,467 | 22,675,251 |

3 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 |

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
 (continued)

4 Expenses

| | 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 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 |

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
 (continued)

5 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) |
| | 3,934,091 | 1,889,219 |
| Deferred income tax included in income tax expense comprises: | | |
| (Increase)/decrease in deferred tax assets | (1,295,224) | 2,835,279 |
| Increase/(decrease) in deferred tax liabilities | 279,835 | (341,045) |
| | (1,015,389) | 2,494,234 |

(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 |
| | 4,649,947 | 2,020,754 |
| 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) |
| Income tax expense | 3,934,091 | 1,889,219 |

Lycopodium Limited and Controlled Entities
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Preliminary Selected Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

6 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 |
| 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.

6 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 |
| Maintenance | 1,095,048 | - | 1,095,048 |
| Metallurgical | 119,257 | - | 119,257 |
| | 4,837,296 | 2,465,026 | 7,302,322 |
| | | | |
| | Australia \$ | Other countries \$ | Total \$ |
| 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 |

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.

7 Reserves and retained profits

(a) Reserves

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

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7 Reserves and retained profits (continued)

(a) Reserves (continued)

| | 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 | (83,923) | (83,930) |
| <i>Performance rights reserve</i> | | |
| Balance 1 July | 259,037 | 259,037 |
| Expiry of performance rights | (259,037) | - |
| 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 | 111,932 | (1,593,336) |
| Balance 30 June | (904,119) | (1,016,051) |

(b) Retained profits

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

8 Non-controlling interests

| | Consolidated | |
|------------------|--------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Interest in: | | |
| Share capital | 14,937 | 14,937 |
| Reserves | 4,230 | 23,986 |
| Retained profits | 2,956,066 | 3,023,772 |
| | 2,975,233 | 3,062,695 |

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 (continued)

9 Dividends

(a) Ordinary shares

| Parent entity | |
|----------------------|-------------|
| 2017 | 2016 |
| \$ | \$ |

Interim dividend for the year ended 30 June 2017 of 9 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 |
| <u>3,575,914</u> | <u>595,987</u> |

(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 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 |
|------------------|-----------|

10 Investments accounted for using the equity method

| | Consolidated | |
|-----------------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Investment in joint venture | 857,856 | 1,015,900 |
| Investment in associate | 1,369,879 | 752,851 |
| | 2,227,735 | 1,768,751 |

(a) Investment in joint venture

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.

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(continued)

10 Investments accounted for using the equity method (continued)

(a) Investment in joint venture (continued)

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) | 945,763 | 1,052,756 |
| Non-current liabilities (c) | - | 767,306 |
| Total liabilities | 945,763 | 1,820,063 |
| | | |
| 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) | - | - |
| | | |
| | 2017 \$ | 2016 \$ |
| Revenue | 1,605,130 | 9,372,882 |
| Profit for the year | 183,912 | 1,652,743 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income 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 | 1,715,708 | 2,031,796 |
| Proportion of ownership interest held by the Group | 50% | 50% |
| Carrying amount of the investment in PEPL | 857,855 | 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.

10 Investments accounted for using the equity method (continued)

(a) Investment in joint venture (continued)

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.

(b) Investment in associate

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

Summarised financial information of the Group's share in this associate:

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

11 Events occurring after the reporting period

With the exception of the dividends as noted in note 9(b), no other matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

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

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(continued)

12 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 |

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13 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 |

(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 |

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Supplementary Appendix 4E information
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Additional dividend/distribution information (Appendix 4E item 6)

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2017 are as follows:

| Record date | Payment date | Type | Amount per security | Total dividend | Franked amount per security |
|-------------------|-----------------|---------|---------------------|----------------|-----------------------------|
| 31 March 2017 | 13 April 2017 | Interim | 9.0 cents | 3,575,914 | 9.0 cents |
| 29 September 2017 | 13 October 2017 | Final | 9.0 cents | 3,575,914 | 9.0 cents |

Audit Alert (Appendix 4E items 15 - 17)

This report is based on accounts which are in the process of being audited.