

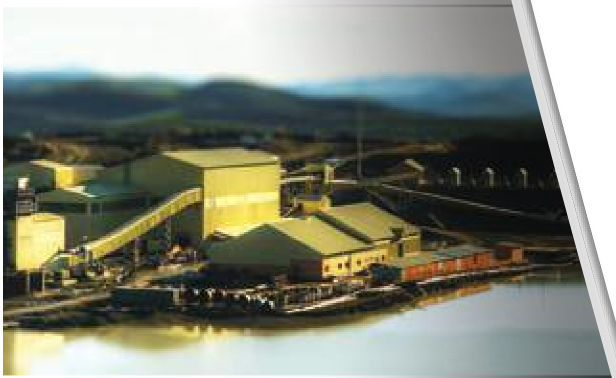


Annual Financial Report 2016

Corporate Directory

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 2016.

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

Steven John Micheil Chadwick was appointed as a Non-executive Director on 13 January 2016.

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:

	2016 **$**	2015 $
No payments of final fully franked dividend for the year ended 30 June 2015 (2014: 1.5 cents)	**-**	586,233
Interim fully franked dividend for the year ended 30 June 2016 of 1.5 cents (2015: 1.5 cents) per fully paid share paid on 15 April 2016 (2015: 17 April 2015)	**595,987**	595,986
	595,987	1,182,219

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 $1,589,295 (4.0 cents per fully paid share) to be paid on 14 October 2016 out of retained earnings at 30 June 2016 (2015: $0). This brings the total dividend declared for the year ended 30 June 2016 to 5.5 cents (2015: 1.5 cents).

Review of operations

Market conditions across the 2015/2016 financial year stabilised but continued to be challenging with uncertainty and poor forward visibility on future workload prevailing. This was particularly the case in the six months to December 2016. This period required us to continue the cost reduction and capacity downsizing efforts to match the market needs. This was a difficult exercise, testing the management and staff across the business and requiring them to maintain a strong focus on continuing to deliver high quality services to our clients, whilst at the same time rationalising many aspects of the business so as to reduce costs. Our teams rose to the challenge meeting the demands of the market and the needs of the Company in this regard. Moving into the second half of the financial year a slight but identifiable improvement was seen in the mineral resources market and signs of improvement were also seen across some of the other market sectors we service. Through tight and focused management across all subsidiaries Lycopodium returned to profit and has been able to establish a trend of steady improvement in financial performance.

Based on our high level of repeat business there is no doubt that Clients appreciate our efforts to deliver a quality outcome. What we clearly appreciate, is that due to the funding challenges in this market, cost is a major driver for clients when selecting their engineer. Key to meeting the market's cost expectations has been our ability to use a combination of our various operational centres.

Review of operations (continued)

In both the Resources and Process Industries sectors we have seen the market's preference for EPC delivery continue to grow. Whilst the majority of our work continues to be delivered on an EP or EPCM basis we have been able to respond to the market and have bid and won work which will be delivered on an EPC basis. This has in some areas required us to adopt revised approaches to certain aspects of project delivery but still firmly encapsulates our traditional strengths developed in the delivery of hundreds of projects over the past twenty four years.

Across the Infrastructure, Transport and Asset Management sectors we continue to operate primarily as a consultant with the business model based on the delivery of professional services on either a fixed price or reimbursable basis. Similarities in the delivery of services across these sectors, as well as the overlap sometimes seen by these three subsidiary businesses informed our decision to consolidate the subsidiaries, Infrastructure, Rail and Asset Management into one under the Infrastructure banner. This has provided a strengthened management team working across a broader footprint to service new geographic markets in terms of the specific sector involvement.

Our strategy and collaborative approach has seen us emerge from a period of significant uncertainty across most of our markets with first class teams, a sound financial position and a plan to tackle and achieve good outcomes in our selected markets. We continue to maintain and grow a world class capability in the provision of professional services for all phases of the project development cycle, delivering large projects for leading multi-national companies through to enabling emerging and junior companies to achieve first production.

Full Year Results

As per prior guidance, the Directors are pleased to report a return to profitability for the financial year ended 30 June 2016, with Lycopodium achieving revenues of $124.5 million and a net profit after tax of $3.3 million.

Basic earnings per share were 8.0 cents. The Directors have resolved to pay a final dividend of 4.0 cents fully franked, which aligns with our dividend policy. The total dividend for the year is 5.5 cents fully franked.

Corporate overview

We have, during the year, worked on the consolidation of the wholly owned subsidiaries Lycopodium Infrastructure Pty Ltd, Lycopodium Rail Pty Ltd and Lycopodium Asset Management Pty Ltd under the Infrastructure business banner. The changes formally came into effect on 1 July 2016. The change was made to leverage off our expertise within several of our subsidiaries, broaden our reach and access new markets to offset the impacts of the tighter economic conditions. The consolidated entity is headed up by Stuart Sutherland, formerly Managing Director of Lycopodium Rail Pty Ltd.

There were no other material changes to the operating subsidiaries.

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 (FQML) with work continuing on the world class Cobré 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 their work on the Carapateena / Prominent Hill Projects 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 70 Mtpa Mina De Cobré Panama (Cobré Panama) Project for FQML. This project involves the largest unit processing equipment in the world and Lycopodium's approach of working collaboratively with FQML has been able to support this Client's project development style to achieve industry leading capital intensity and project schedule targets.

Bouly

Construction and commissioning of the Bouly Project in Burkina Faso, West Africa was completed and handed over on time and under budget to Bissa Gold (subsidiary of Nord Gold) whilst achieving an excellent health and safety record. The Bouly Project involved a greenfield 7.5 Mtpa heap leach facility as well as brownfield upgrades to the Bissa gold treatment plant. Lycopodium was responsible for the gold processing facilities and associated services and this brief represented a continuation of the relationship with Nord Gold something which has been further extended with the award to Lycopodium of the Definitive Feasibility Study for the Montagné D'Or Project in French Guiana.

Agbaou Crusher Upgrade

Following on from its work with Endeavour on the Nzema Project in Ghana and the Agbaou Project in Côte D'Ivoire, Lycopodium was engaged to provide the delivery, on an EPCM basis, of the Agbaou Secondary and Pebble Crushing Circuit. Completion of the project is forecast for 3Q2016, five weeks ahead of schedule, below budget and with an excellent safety record and represents a continuation of our involvement with this key client, something which is set to continue beyond this latest effort with the award of the Houndé Project (EPCM) in Burkina Faso.

Fekola

Under construction for B2Gold 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. In July 2015, Lycopodium commenced detailed design, with a scope encompassing the complete process plant, site water and power distribution and building infrastructure design. Detailed design is well advanced and on schedule to be completed in July 2016. Lycopodium has also provided a small team of engineers who will integrate with B2Gold's construction team to deliver general site technical and scheduling support. This role will continue for the duration of the construction period and expand with additional engineering resources once plant commissioning commences mid 2017.

Santa Rosa

Lycopodium completed the Definitive Feasibility Study of the San Ramon Gold Project in October 2014. In March 2015 Lycopodium was awarded the EPCM contract for the development of the fully-permitted Santa Rosa Project. Early works focused on procurement of the long lead items and detailed engineering commenced in May 2015. Engineering and procurement was essentially complete in January 2016 with the main effort being carried out by the Lycopodium Toronto office with the help of a local Colombian engineering company based in Medellin. The mechanical installation is progressing well with site construction expected to be essentially complete in Q3 2016. Once completed, Santa Rosa will be one of the largest gold mines in Colombia and the first gold mine operating under modern environmental permitting legislation.

Houndé

In April 2016 Lycopodium was awarded the EPCM contract for the delivery of Endeavour Mining's Houndé Project in Burkina Faso. The project comprises the delivery of a gold processing plant and associated infrastructure capable of treating 3.0 Mtpa of gold bearing ore. Lycopodium successfully completed the feasibility study for the project before being awarded the EPCM.

Review of operations (continued)

ARDC

Having completed the Treatment Plant portions of the Pre-feasibility and Feasibility Studies for De Beers Marine, Lycopodium ADP (LADP) were awarded the contract to undertake the complete detailed engineering for the treatment (sampling plant) for the Alternative Resource Development Capability New Evaluation Vessel (ARDC NEV) Project. The Project, which is being managed by De Beers Marine (PTY) Limited (DBM), comprises of the delivery and integration of a new deep-water diamond exploration and sampling vessel called the SS Nujoma. The highly specialised and technologically advanced vessel will become the sixth ship in the Debmarine Namibia fleet. The vessel is being built in a Norwegian shipyard, Kleven Verft, and is named after Namibia's founding president, Dr Sam Nujoma. Once completed, the vessel will be delivered to Cape Town for integration of Mission Equipment comprising the sampling tool, the launch and recovery system and the LADP designed treatment plant. This work is a good example of the continued working relationship of our Cape Town based group with De Beers and its subsidiaries.

Letšeng

High in the Maloti Mountains in Lesotho, at an elevation of 3,100 m above sea level, Gem Diamonds operates the highest diamond mine in the world, the Letšeng Diamond Mine. This mine is not only recognised for its high altitude location, but has earned a reputation for producing a great number of prestigious large investment diamonds with the purest physical diamond characteristics, achieving the highest price per carat in the world. Lycopodium ADP (LADP) has done a number of diamond process improvement projects at the Letšeng Diamond Mine for Gem Diamonds and was awarded the EPCM contract for the design and implementation of the New Final Recovery Plant (NFRP) which was successfully completed and commissioned during the period.

Colluli

Potash is the common term for fertiliser forms of the element potassium which is one of three key fertiliser 'macro-nutrients' essential for healthy soil and plant growth. The Danakil region of Eritrea in East Africa is an emerging potash province of significance with over 6 billion tonnes of potassium bearing salts having been identified to date. The Colluli deposit lies within this region. In November 2015, a definitive feasibility study (DFS) was completed with Lycopodium responsible for not only the coordination of the study, but also the process design and supporting infrastructure for the project.

Prominent Hill / Carapateena

OMC has been involved with the OZ Minerals' owned Carrapateena copper-gold project since the inception of the pre-feasibility study in early 2013, principally working on a complex hydrometallurgical concentrate treatment process. OZ Minerals plans to use OMC's technology (OZ Minerals term it the Hydromet Process) to leach iron from the concentrate, thereby increasing the copper content by up to 50-60% and significantly reducing the impurity content, particularly uranium. This process will open up additional markets for the concentrates as well as further de-risking concentrate export. OMC in conjunction with Lycopodium Minerals has successfully progressed efforts on study completion and the procurement process associated with long lead key equipment.

Nammuldi / Silvergrass

Pilbara EPCM, the successful joint venture group, owned equally by Lycopodium Minerals Pty Ltd and AECOM continued to provide services to Rio Tinto on their Nammuldi BWT Project as well as preparatory work on their associated Silvergrass Project.

Review of operations (continued)

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

Weak Nitric Acid

Thales issued a Construction EPC tender which Lycopodium won in January 2015. Lycopodium was responsible for all aspects of the construction and management of the upgrade to the facility as a brown field construction site in an operating facility. The project was completed on time and on budget in June 2016 and has now been commissioned and is fully operational.

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

Robinson Rd Upgrade

The town of Brookton is located 138 km from the Perth via the Brookton Highway. The Shire is intent on improving the town centre facilities with an upgraded main street, improved streetscape etc. Based on Urban Design proposals initially put forward by the Brookton Townscape Committee, Lycopodium developed concept and detailed designs for the Shire of Brookton incorporating improvements to the public domain and encouraging enhanced pedestrian movement through traffic calming initiatives.

NorthLink WA

NorthLink WA is being undertaken by Main Roads Western Australia (MRWA) to build a strategic transport link between Morley and Muchea as part of improving links between Perth and the State's north west. NorthLink WA has a long term vision to cater for the traffic volumes associated with a future Perth population of 3.5 million. NorthLink WA projects comprise three separate sections and Lycopodium has worked on all three sections. During the period Lycopodium provided MRWA with independent tender evaluation services, project management services for the procurement phase and independent tender evaluation services. Lycopodium has been retained to continue providing services on this key infrastructure initiative based on the value it continues to deliver to the MRWA.

Charles Street Bus Project

On behalf of the Public Transport Authority, Main Roads WA (MRWA) is undertaking a project that will see the construction of a new bus bridge and associated bus priority measures that will enable buses from Perth's northern and north-western suburbs to avoid congested city roads. The project includes: a dedicated busway from the existing James Street bus bridge to the Charles Street / Newcastle Street intersection, including a new 110 m long bridge over the Graham Farmer Freeway as well as other works. In September 2015, Lycopodium was engaged by MRWA to provide project management services during the procurement phase of the project. The scope included finalisation of the concept design, traffic modelling, investigation works, preparation and issue of tender documentation and tender evaluation services. At the conclusion of the procurement phase, Lycopodium was then engaged to provide design coordination services for the project.

HSE and Community

As always 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 safety and well being of our personnel wherever they may be.

In 2015/16 there were 2.04 million manhours worked across the Lycopodium managed projects with a LTIFR of 0.49 against an 8.5 construction industry average.

Review of operations (continued)

On the community side, Lycopodium continued as an active sponsor and supporter of:

- The Clontarf Foundation, a charitable not-for-profit organisation improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.
- B.A.S.I.C.S based in Accra, Ghana, an organisation committed to improving the quality of life for children living in some of the poorest areas of that city.

Additionally Lycopodium was an active participant in a number of Industry Engagement Panels and 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 including St Vincent DePaul (Vinnies) CEO Sleepout in aid of homeless people.

Outlook

Our traditional markets remain tight and this will continue to translate into tight forecast margins.

In the Resources Sector, gold as well as several other emerging minerals have seen heightened activity. On the back of our track record in gold and mineral processing generally we are now active in the development phase of seven gold projects in Africa and one gold project in South America. In addition, we continue our work on the massive Cobré Panama Copper Project in Panama for First Quantum Minerals Limited, as well as being active on projects relating to diamonds, fluorspar, graphite and an assortment of other minerals. We are also working on a reasonable number of studies for a variety of minerals and metals including those already mentioned, as well as sulfate of potash (SOP) projects.

In the Infrastructure space we are seeing an improving level of activity in the Asset Management sector with opportunities presenting in local government and industry across Australia. Similarly we believe we are well positioned to participate to a greater extent in the high level of activity being seen in Eastern Australia in both transport (predominantly rail) and urban infrastructure related work.

Geographically we will remain active during the next year in Australia, Canada, South Africa, Philippines, Ghana, Côte D'Ivoire, Burkina Faso, Columbia, Namibia, Botswana, Mali and Senegal as well as undertaking study services related to a host of other localities.

On the back of the recent award of several material contracts including the Houndé Project (EPCM), Mako Project (EPC) and Sissingué Project (EPC) we have reasonably good visibility on the first half of the 2016/2017 financial year. The second half will see activity wind down on the Cobré Panama Project. Subject to favorable conditions there is the prospect of select projects continuing from study into execution phase which can provide a forward pipeline of work to somewhat offset this, however we currently have modest visibility into the second half.

At present the Company has adopted the view that there will be an increase to the Company's financial performance from this year with forecast revenue of $200M and profit after tax of $6M for 2016/17.

Acknowledgement

As noted previously the 2015/16 financial year was both challenging and testing for the broader organisation. The Board of Directors recognises that the demands placed on our personnel during this period have been high and acknowledges 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	
	2016	2015	**2016**	2015
	$	$	**$**	$
Corporate services	**6,061,290**	13,159,204	**(501,787)**	(346,920)
Minerals	**105,360,748**	105,917,216	**4,794,321**	(5,844,746)
Other	**33,180,491**	27,182,790	**1,468,095**	4,616,598
Intersegment eliminations	**(20,142,311)**	(23,447,888)	**-**	-
Goodwill impairment	**-**	-	**(500,000)**	-
Unallocated revenue less unallocated expenses	**-**	-	**(45,000)**	(45,000)
Total	**124,460,218**	122,811,322	**5,215,629**	(1,620,068)
Income tax (expense)/benefit			**(1,889,219)**	604,655
Profit/(Loss) for the year			**3,326,410**	(1,015,413)
Loss attributable to non-controlling interest			**(162,932)**	97,336
Profit/(Loss) attributable to owners of Lycopodium Ltd			**3,163,478**	(918,077)

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 2016 financial year. The total amount of dividend is $1,589,295 which represents a fully franked dividend of 4.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 30 June 2016 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 66.

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.

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 50.

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 director of Pilbara EPCM 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.
50,000 performance rights over ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years
None.

Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Executive Director. Age 55.

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
2,612,332 ordinary shares of Lycopodium Limited.
167,000 performance rights over 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 60.

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 the former president of Lycopodium Minerals Canada Limited.

Special responsibilities
Member of the Corporate Governance Committee.

Interests in shares and options
2,058,148 ordinary shares of Lycopodium Limited.
67,000 performance rights over ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years
None.

Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 63.

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.

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust. Non-executive Director. Age 52.

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 non-executive director of Lycopodium Minerals Pty Ltd.

Special responsibilities
Member of the Corporate Governance Committee.

Interests in shares and options
3,167,332 ordinary shares in Lycopodium Limited.
67,000 performance rights over ordinary shares of Lycopodium Limited.

Former directorships in the last 3 years
None.

Information on Directors (continued)
Steven Chadwick BASc (Metallurgy). Non-executive Director. Age 62.

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.

Former directorships in the last 3 years
Coventry Resources.

Company secretary
The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 63.

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 2016, 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	12	12	-	-	**	-	-	-	1	***
Peter De Leo	12	12	*	-	2	2	-	-	1	***
Rodney Leonard	10	12	*	-	2	2	-	-	1	***
Robert Osmetti	12	12	*	-	**	-	-	-	1	***
Lawrence Marshall	11	12	-	-	2	2	-	-	1	***
Bruno Ruggiero	10	12	-	-	**	-	-	-	1	***
Steven Chadwick	7	7	-	-	**	-	-	-	-	-

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 Director missed full meetings of the Board because of absence on company business.

Name	Number of meetings
Bruno Ruggiero	2

Remuneration report - audited

The Directors are pleased to present your Company's 2016 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
Lawrence Marshall	Non-executive Director
Bruno Ruggiero	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 2015. 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 15 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 2015 Annual General Meeting
The remuneration report for the 2015 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:

	2016	2015	2014	2013	2012
Revenue ($)	124,460,218	122,811,332	154,765,985	245,940,092	232,286,982
Profit/(Loss) before income tax ($)	5,215,629	(1,620,068)	7,682,592	28,534,189	31,771,777
Income tax expense/(benefit) ($)	1,889,219	(604,655)	3,973,206	5,993,750	9,416,678
Profit/(Loss) after income tax ($)	3,326,410	(1,015,413)	3,709,386	22,540,439	22,355,099
Basic EPS (cents)	8.0	(2.3)	10.0	56.5	57.3
Basic EPS growth, year on year (%)	447.8%	(123.0%)	(82.3%)	(1.4%)	29.1%
Fully franked dividends per share (cents)	5.5	1.5	6.5	36.0	33.0
Change in share price * ($)	0.84	(0.84)	(2.17)	(2.40)	0.92
Return on equity (%)	5.22%	(1.61%)	5.61%	34.86%	40.81%

*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.

2016	**Short-term employee benefits**				**Post-employment benefits**	**Share-based payments**		
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Other**	**Super-annuation**	**Rights**	**Total**	**Perfor-mance related**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive Directors								
Michael Caratti	54,794	-	11,014	-	5,206	-	71,014	-
Lawrence Marshall	138,274	-	11,014	-	35,000	-	184,288	-
Bruno Ruggiero	389,453	-	11,014	-	35,000	-	435,467	-
Steven Chadwick	27,500	-	-	-	-	-	27,500	-
Sub-total non-executive directors	**610,021**	**-**	**33,042**	**-**	**75,206**	**-**	**718,269**	**-**
Executive Directors								
Peter De Leo	504,538	-	11,014	-	35,000	-	550,552	-
Rodney Leonard	492,371	-	11,014	-	35,000	-	538,385	-
Robert Osmetti	514,067	-	-	31,251	-	-	545,318	-
Other key management personnel								
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.

2015	Short-term employee benefits				Post-employment benefits	Share-based payments		
Name	Cash salary and fees $	Cash bonus* $	Non-monetary benefits $	Other $	Super-annuation $	Rights $	Total $	Perfor-mance related %
Non-executive Directors								
Michael Caratti	54,794	-	10,730	-	5,206	-	70,730	-
Lawrence Marshall	186,432	-	10,730	-	35,000	-	232,162	-
Bruno Ruggiero	288,148	-	10,730	-	35,000	-	333,878	-
Sub-total non-executive directors	**529,374**	**-**	**32,190**	**-**	**75,206**	**-**	**636,770**	**-**
Executive Directors								
Peter De Leo	568,840	-	10,730	-	30,000	-	609,570	-
Rodney Leonard	488,570	-	10,730	-	35,000	-	534,300	-
Robert Osmetti	471,840	-	-	30,853	-	-	502,693	-
Other key management personnel								
Keith Bakker	322,008	-	12,535	-	35,000	-	369,543	-
Total key management personnel compensation (group)	**2,380,632**	**-**	**66,185**	**30,853**	**175,206**	**-**	**2,652,876**	**-**

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, *Chairman and Non-executive Director*	No fixed term	Directors fee of $60,000 p.a.
Peter De Leo, *Managing Director*	No fixed term	$525,000 p.a.
Rodney Leonard, *Executive Director*	No fixed term	$450,000 p.a.
Robert Osmetti, *Executive Director*	No fixed term	$450,000 p.a.
Lawrence Marshall, *Non-executive Director*	No fixed term	Fixed hourly rate of $203.13 Directors fee of $60,000 p.a.
Bruno Ruggiero, *Non-executive Director*	No fixed term	Fixed hourly rate of $203.13 Directors fee of $60,000 p.a.
Steven Chadwick, *Non-executive Director*	No fixed term	Directors fee of $60,000 p.a.
Keith Bakker, *Company Secretary and Chief Financial Officer*	No fixed term	$352,175 p.a.

* Fixed remuneration payable from 1 July 2015 and reviewed annually by the Remuneration Committee.

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 34 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.

	Shared-based compensation benefits (Options)				
Name	**Year granted**	**Vested %**	**Forfeited %**	**Financial years in which options may vest**	**Maximum total value of grant yet to 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 34 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.

2016 Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Lycopodium Limited							
Peter De Leo	50,000	-	-	-	50,000	50,000	-
Rodney Leonard	167,000	-	-	-	167,000	167,000	-
Robert Osmetti	67,000	-	-	-	67,000	67,000	-
Bruno Ruggiero	67,000	-	-	-	67,000	67,000	-

All vested rights are exercisable at the end of the year.

(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.

2016 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	-	-	2,612,332
Robert Osmetti	2,058,148	-	-	2,058,148
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	-	-	49,281

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
2016	**44,232**	**-**	**-**	**49,134**	**3**
2015	46,434	-	-	44,232	1

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

Unissued ordinary shares of Lycopodium Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
24 December 2008*	24 December 2016	$-	351,000

* Details of options granted to key management personnel are disclosed on pages 15 to 16.

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	
	2016 **$**	2015 $
Taxation services		
Firm related to Grant Thornton Audit Pty Ltd:		
Tax compliance services (including income tax returns)	**146,400**	30,000
Tax consolidation and valuation services	**-**	311,168
Network firm of Grant Thornton:		
Tax compliance services (including income tax returns)	**25,995**	25,429
Non-Grant Thornton Audit Pty Ltd audit firms:		
Tax compliance services (including income tax returns)	**100,102**	55,926
International tax advice	**-**	45,747
Total remuneration for taxation services	**272,497**	468,270
Other services		
Grant Thornton Audit Pty Ltd Australian firm:		
Other services	**9,500**	19,205
Non-Grant Thornton Audit Pty Ltd audit firms:		
Other services	**-**	14,200
Total remuneration for other services	**9,500**	33,405
Total remuneration for non-audit services	**281,997**	501,675

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 22.

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

Peter De Leo
Managing Director

Perth
15 September 2016

Grant Thornton

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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 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 15 September 2016

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 access 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.

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. The Board intends to reconsider the formation of a separate Nomination Committee as the Company's operations evolve.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Revenue from operations	5	**124,460,218**	122,811,322
Employee benefits expense		**(57,853,816)**	(65,367,325)
Depreciation and amortisation expense	6	**(1,329,095)**	(1,753,905)
Project expenses		**(4,370,898)**	(4,630,594)
Equipment and materials		**(12,080,173)**	(16,875,139)
Contractors		**(28,417,150)**	(22,665,053)
Occupancy expense		**(8,082,301)**	(8,060,711)
Impairment of goodwill	16	**(500,000)**	-
Other expenses		**(7,768,302)**	(7,537,899)
Loss on disposal of asset		**(1,254)**	(323,251)
Finance costs	6	**(33,324)**	(57,836)
Share of net profit of associate and joint venture accounted for using the equity method		**1,191,724**	2,840,323
Profit/(Loss) before income tax		**5,215,629**	(1,620,068)
Income tax (expense)/benefit	7	**(1,889,219)**	604,655
Profit/(Loss) for the year		**3,326,410**	(1,015,413)
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	22(a)	**(1,593,336)**	605,183
Total comprehensive income/(expense) for the year		**1,733,074**	(410,230)
Profit/(Loss) for the year is attributable to:			
Owners of Lycopodium Limited		**3,163,478**	(918,077)
Non-controlling interests		**162,932**	(97,336)
		3,326,410	(1,015,413)
Total comprehensive income/(expense) for the year is attributable to:			
Owners of Lycopodium Limited		**1,570,142**	(312,894)
Non-controlling interests		**162,932**	(97,336)
		1,733,074	(410,230)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	33	**8.0**	(2.3)
Diluted earnings per share	33	**8.0**	(2.3)

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

Consolidated Balance Sheet
For the year ended 30 June 2016

	Notes	Consolidated 2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**41,547,757**	32,440,938
Trade and other receivables	9	**26,525,309**	24,573,180
Inventories		**703,686**	255,211
Current tax receivables		**1,008,816**	4,561,762
Other current assets	10	**1,793,028**	1,708,221
Total current assets		**71,578,596**	63,539,312
Non-current assets			
Investments accounted for using the equity method	12	**1,768,751**	2,789,527
Available-for-sale financial assets	13	**102,953**	35,750
Property, plant and equipment	14	**2,343,796**	2,776,265
Intangible assets	16	**7,907,733**	8,858,308
Other receivables	11	**521,898**	703,291
Deferred tax assets	15	**2,782,541**	5,331,787
Total non-current assets		**15,427,672**	20,494,928
Total assets		**87,006,268**	84,034,240
LIABILITIES			
Current liabilities			
Trade and other payables	17	**21,436,955**	19,854,442
Borrowings	18	**89,879**	288,513
Current tax liabilities		**508,544**	89,725
Total current liabilities		**22,035,378**	20,232,680
Non-current liabilities			
Provisions	20	**639,873**	568,634
Total non-current liabilities		**639,873**	568,634
Total liabilities		**22,675,251**	20,801,314
Net assets		**64,331,017**	63,232,926
EQUITY			
Contributed equity	21	**20,823,772**	20,823,772
Reserves	22(a)	**(840,944)**	754,422
Retained earnings	22(b)	**41,285,494**	38,718,003
Parent entity interest		**61,268,322**	60,296,197
Non-controlling interests		**3,062,695**	2,936,729
Total equity		**64,331,017**	63,232,926

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

Consolidated	Notes	Contributed equity $	Retained earnings $	Foreign currency translation reserve $	Available for sale investment revaluation reserve $	Performance rights reserve $	Non-controlling interests $	Total equity $
		Attributable to members of Lycopodium Limited						
Balance at 1 July 2014		18,999,317	42,390,395	(27,898)	(81,900)	1,021,535	577,904	62,879,353
(Loss)/Profit for the year		-	(918,077)	-	-	-	(97,336)	(1,015,413)
Other comprehensive income / (expense)		-	-	605,183	-	-	-	605,183
Total comprehensive income for the year		**-**	**(918,077)**	**605,183**	**-**	**-**	**(97,336)**	**(410,230)**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	21	824,455	-	-	-	-	-	824,455
Non-controlling interests on acquisition of subsidiary	23	1,000,000	(1,572,096)	-	-	-	(577,904)	(1,150,000)
Foreign currency translation with non-controlling interest	23	-	-	-	-	-	25,715	25,715
Dividends provided for or paid	24	-	(1,182,219)	-	-	-	-	(1,182,219)
Performance rights - value of rights	22	-	-	-	-	61,957	-	61,957
Performance rights - transfer on exercise	22	-	-	-	-	(824,455)	-	(824,455)
Newly consolidated operations		-	-	-	-	-	3,008,350	3,008,350
		1,824,455	(2,754,315)	-	-	(762,498)	2,456,161	763,803
Balance at 30 June 2015		**20,823,772**	**38,718,003**	**577,285**	**(81,900)**	**259,037**	**2,936,729**	**63,232,926**
Balance at 1 July 2015		20,823,772	38,718,003	577,285	(81,900)	259,037	2,936,729	63,232,926
(Loss)/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**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**123,507,881**	127,101,357
Payments to suppliers and employees (inclusive of goods and services tax)		**(119,223,061)**	(125,121,138)
		4,284,820	1,980,219
Interest received		**1,149,187**	939,293
Income taxes received/(paid)		**4,632,663**	(1,445,116)
Net cash inflow from operating activities	32	**10,066,670**	1,474,396
Cash flows from investing activities			
Dividends received from joint venture		**2,600,000**	4,400,000
Payments for purchase of business, net of cash received	29	**-**	(4,141,003)
Payments for acquisition of non-controlling interests		**-**	(1,150,000)
Payments for property, plant and equipment	14	**(548,607)**	(221,335)
Proceeds from sale of property, plant and equipment		**21,038**	55,212
Payments for available-for-sale financial assets		**(70,104)**	(32,750)
Payments for intangible assets	16	**(9,962)**	(38,236)
Payments for investment in associate	12(b)	**(387,500)**	-
Net cash inflow/(outflow) from investing activities		**1,604,865**	(1,128,112)
Cash flows from financing activities			
Proceeds from borrowings		**804,015**	895,027
Repayments of borrowings		**(832,572)**	(817,128)
Repayments of hire purchase and lease liabilities		**(193,990)**	(751,727)
Loans advanced to associate		**(387,500)**	-
Dividends paid to company's shareholders		**(595,987)**	(1,182,219)
Proceeds from repayment of loans under the senior manager share acquisition plan		**181,393**	169,362
Net cash outflow from financing activities		**(1,024,641)**	(1,686,685)
Net increase/(decrease) in cash and cash equivalents		**10,646,894**	(1,340,401)
Cash and cash equivalents at the beginning of the financial year		**32,440,938**	33,302,348
Effects of exchange rate changes on cash and cash equivalents		**(1,540,075)**	478,991
Cash and cash equivalents at the end of financial year	8	**41,547,757**	32,440,938

Contents of the notes to the consolidated financial statements

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 2015:

- AASB 2015-3 - *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality.*
- AASB 2015-4 Amendments to Australian Accounting Standards - *Financial Reporting Requirements for Australian Groups with a Foreign Parent.*

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 2015.

(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.

(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)).

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)
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.

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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(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:

- 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.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Consolidated entities (continued)

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.

(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.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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) 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.

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

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

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.

(o) 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.

(p) 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.

(q) 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.

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.

(r) 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.

1 Summary of significant accounting policies (continued)

(s) 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.

(t) 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.

(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.

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(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 34.

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.

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.

1 Summary of significant accounting policies (continued)

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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.

1 Summary of significant accounting policies (continued)

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

(i) (continued)
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 14 *Regulatory Deferral Accounts*
AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.

(iii) 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.

When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(iv) AASB 2014-3 Amendments to Australian Accounting Standards - *Accounting for Acquisitions of Interests in Joint Operations*

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

(v) AASB 2014-4 Amendments to Australian Accounting Standards - *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

1 Summary of significant accounting policies (continued)

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

(vi) AASB 2014-9 Amendments to Australian Accounting Standards - *Equity Method in Separate Financial Statements*

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

(vii) AASB 2014-10 Amendments to Australian Accounting Standards - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

(viii) 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 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 2020.

(z) Parent entity financial information

The financial information for the parent entity, Lycopodium Limited, disclosed in note 35 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.

1 Summary of significant accounting policies (continued)

(z) Parent entity financial information (continued)

(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.

(i) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 "Fair Value Measurement" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date (level 1). The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the group for similar financial instruments.

2 Financial risk management (continued)

(ii) Summary of financial instruments

The group holds the following financial instruments:

	Consolidated 2016 $	2015 $
Financial assets		
Cash and cash equivalents	**41,547,757**	32,440,938
Trade and other receivables	**26,525,309**	24,573,180
Deposits held with banks	**595,463**	631,107
Available-for-sale financial assets	**102,953**	35,750
Other receivables	**521,898**	703,291
	69,293,380	58,384,266
Financial liabilities		
Trade and other payables	**12,265,983**	10,427,474
Borrowings	**89,879**	288,513
	12,355,862	10,715,987

(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), Ghanaian Cedi (GHS) and Philippine Peso (PHP).

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 Board considers that while the group's foreign exchange risk to be minimal at this stage some form of risk management policy will be necessary to mitigate this exposure in the future.

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

	30 June 2016			30 June 2015		
	USD $	**GHS $**	**PHP $**	USD $	GHS $	PHP $
Cash and cash equivalents	**3,507,010**	**8,984**	**106,943**	3,077,791	77,597	22,415
Trade and other receivables	**134**	**9,831**	**36,583**	-	7,290	21,482
Other current assets	**-**	**11,084**	**389,479**	-	940	407,327
Trade and other payables	**(16,732)**	**(10,603)**	**(183,142)**	(39,001)	(15,241)	(209,013)
Net exposure	**3,490,412**	**19,296**	**349,863**	3,038,790	70,586	242,211

Group sensitivity

Based on the financial instruments held at 30 June 2016, 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 $349,041 higher/$349,041 lower (2015: $303,879 higher/$303,879 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 2016 than 2015 because of the higher amount of US dollar denominated cash and cash equivalents.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)
Based on the financial instruments held at 30 June 2016, had the Australian dollar weakened/strengthened by 10% against the Ghanaian Cedi with all other variables held constant, the group's post-tax profit and equity for the year would have been $1,930 higher/$1,930 lower (2015: $7,059 higher/$7,059 lower), mainly as a result of foreign exchange gains/losses on translation of Ghanaian Cedi denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/Ghanaian Cedi exchange rates in 2016 than 2015 because of the lower amount of Ghanaian Cedi denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2016, 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 $34,986 higher/$34,986 lower (2015: $24,221 higher/$24,221 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 2016 than 2015 mainly because of the higher amount of Philippine Peso denominated cash and cash equivalents.

(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.

The group is not directly exposed to commodity price risk.

(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 2016, 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 $141,327 lower/higher (2015: -/+50 basis points: $113,811 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(t)).

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	
	2016	2015
	$	$
Cash and cash equivalents	**41,547,757**	32,440,938
Trade and other receivables	**26,525,309**	24,573,180
Deposits held with banks (note 10)	**597,974**	637,693
	68,671,040	57,651,811

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	
	2016	2015
	$	$
Leasing facility	**881,870**	3,873,058
Standby credit facility	**-**	11,060,654
Insurance bonds	**15,000,000**	-
	15,881,870	14,933,712

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. The group had no derivative financial instruments.

Consolidated - At 30 June 2016	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contrac-tual cash flows**	**Carrying amount liabilities**
	$	$	$	$	$	$
Non-derivatives						
Trade payables	12,265,985	-	-	-	12,265,985	12,265,985
Insurance premium funding	89,879	-	-	-	89,879	89,879
Total non-derivatives	**12,355,864**	**-**	**-**	**-**	**12,355,864**	**12,355,864**

Consolidated - At 30 June 2015	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contrac-tual cash flows**	**Carrying amount liabilities**
	$	**$**	**$**	**$**	**$**	**$**
Non-derivatives						
Trade payables	17,501,858	-	-	-	17,501,858	17,501,858
Insurance premium funding	99,679	-	-	-	99,679	99,679
Finance lease liabilities	193,989	-	-	-	193,989	193,989
Total non-derivatives	**17,795,526**	**-**	**-**	**-**	**17,795,526**	**17,795,526**

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) 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 two (2015: two) are reportable in accordance with the requirements of AASB 8.

The Corporate Services segment consists of managerial, legal and technical 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, and building works, control systems, services and infrastructure to small skid-mounted pilot plants.

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:

Process Industries: engineering and related services provided to the manufacturing and renewable energy facilities throughout Australia and South East Asia.

4 Segment information (continued)

(a) Description of segments (continued)

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.

Project Services Africa: project management construction management and commissioning services provided to the extractive mining industry in Africa.

(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 2016 and 30 June 2015 are as follows:

2016	Corporate Services	Minerals	Other	Total
	$	$	$	$
Total segment revenue	6,061,290	105,360,748	33,180,491	144,602,529
Inter-segment revenue	(5,365,437)	(6,886,352)	(7,890,522)	(20,142,311)
Revenue from external customers	**695,853**	**98,474,396**	**25,289,969**	**124,460,218**
Profit / (loss) before tax	**(501,787)**	**4,794,321**	**1,468,095**	**5,760,629**
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 expense/(benefit)	200,936	(1,289,504)	(800,651)	(1,889,219)
Total segment assets	**16,922,240**	**49,304,279**	**16,645,893**	**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)	-	405,021	153,548	558,569
Total segment liabilities	**5,032,115**	**14,200,393**	**6,637,715**	**25,870,223**

4 Segment information (continued)

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

2015	Corporate Services	Minerals	Other	Total
	$	$	$	$
Total segment revenue	13,159,204	105,917,216	27,182,790	146,259,210
Inter-segment revenue	(12,251,193)	(4,048,200)	(7,148,495)	(23,447,888)
Revenue from external customers	**908,011**	**101,869,016**	**20,034,295**	**122,811,322**
Profit / (loss) before tax	**(346,920)**	**(3,004,423)**	**1,776,275**	**(1,575,068)**
Interest in the profit of equity accounted joint ventures	-	2,840,323	-	2,840,323
Depreciation and amortisation	(96,331)	(1,171,040)	(486,535)	(1,753,906)
Income tax expense/(benefit)	614,615	(340,978)	331,018	604,655
Total segment assets	**12,792,739**	**48,187,752**	**14,533,319**	**75,513,810**
Total assets includes:				
Investment in joint ventures	-	2,789,527	-	2,789,527
Additions to non-current assets (other than financial assets and deferred tax)	-	193,649	65,922	259,571
Total segment liabilities	**2,655,777**	**12,595,290**	**4,890,135**	**20,141,202**

(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. Revenue from external customers in Australia was $20,800,010 (2015: $57,126,431), and the total of revenue from external customers from other countries is $103,660,208 (2015: $65,684,89). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately $36,973,772 (2015: $42,454,871) 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	
	2016	2015
	$	$
Segment profit before tax	**5,760,629**	(1,575,068)
Goodwill impairment	**(500,000)**	-
Amortisation of customer relationships	**(45,000)**	(45,000)
Profit before income tax as per statement of comprehensive income	**5,215,629**	(1,620,068)

4 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 follows:

	Consolidated	
	2016	2015
	$	$
Segment assets	**82,872,412**	75,513,810
Intersegment eliminations	**(3,350,662)**	504,412
Intangibles arising on consolidation	**7,484,518**	8,029,518
Deferred tax arising on consolidation	**-**	(13,500)
Total assets as per the consolidated balance sheet	**87,006,268**	84,034,240

The total of non-current assets other than financial instruments and deferred tax assets in Australia is $8,964,665 (2015: $11,281,689), and other countries is $3,680,467 (2015: $3,881,452).

(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	
	2016	2015
	$	$
Segment liabilities	**25,870,223**	20,141,202
Intersegment eliminations	**(3,194,972)**	660,112
Total liabilities as per the consolidated balance sheet	**22,675,251**	20,801,314

5 Revenue

	Consolidated	
	2016	2015
	$	$
From operations		
Sales revenue		
Contract revenue	**122,992,053**	121,138,662
Other revenue		
Rents and sub-lease rentals	**84,070**	102,770
Bank interest	**1,209,245**	927,383
Other revenue	**174,850**	642,507
	1,468,165	1,672,660
Total revenue from operations	**124,460,218**	122,811,322

6 Expenses

	Consolidated 2016 $	2015 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	**655,534**	739,147
Leasehold improvements	**121,698**	174,740
Leased plant and equipment	**77,907**	295,296
Motor vehicles	**17,056**	25,587
Total depreciation	**872,195**	1,234,770
Amortisation		
Computer software	**411,900**	474,135
Customer contracts	**45,000**	45,000
Total amortisation	**456,900**	519,135
Total depreciation and amortisation	**1,329,095**	1,753,905
Finance costs		
Interest and finance charges paid/payable	**33,324**	57,836
Net foreign exchange (gains)/losses	**30,893**	(1,180,146)
Net loss on disposal of property, plant and equipment	**1,254**	323,251
Rental expense relating to operating leases		
Minimum lease payments	**8,082,300**	7,541,941
Defined contribution superannuation expense	**2,481,745**	3,236,874

7 Income tax expense

(a) Income tax expense

	Consolidated 2016 $	2015 $
Current tax	**1,062,835**	175,493
Deferred tax	**2,494,234**	(197,069)
Adjustments for current tax of prior periods	**(1,667,850)**	(583,079)
	1,889,219	(604,655)
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	**2,835,279**	(600,912)
(Decrease)/increase in deferred tax liabilities (note 19)	**(341,045)**	403,844
	2,494,234	(197,068)

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

	Consolidated 2016 $	2015 $
Profit/(Loss) before income tax expense	**5,215,629**	(1,620,068)
Tax at the Australian tax rate of 30% (2015: 30%)	**1,564,689**	(486,020)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**150,000**	-
Share-based payment	**-**	18,587
Sundry items	**306,065**	129,215
	2,020,754	(338,218)
Adjustments for current tax of prior periods - under provision of prior year income tax	**275,180**	(583,079)
Difference in overseas tax rates	**(116,586)**	73,102
Previously unrecognised tax losses now recouped to reduce current tax expense	**(154,238)**	(91,489)
Deferred taxes not recognised	**(78,374)**	1,187,126
Share of net profit of joint ventures accounted for using the equity method	**(57,517)**	(852,097)
Total income tax expense/(benefit)	**1,889,219**	(604,655)

7 Income tax expense (continued)

(c) Amounts recognised directly in equity

	Consolidated	
	2016	2015
	$	$
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	**870**	-

(d) Tax losses

	Consolidated	
	2016	2015
	$	$
Unused tax losses for which no deferred tax asset has been recognised	**3,131,881**	3,886,249
Potential tax benefit @ 30% (2015: 30%)	**939,564**	1,165,875

(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 2016 $	2015 $
Cash at bank and in hand	**35,532,920**	26,602,119
Deposits at call	**6,014,837**	5,838,819
	41,547,757	32,440,938

(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 2016 $	2015 $
Trade receivables	**25,476,511**	24,198,282
Allowance for impairment of receivables (a)	**(859,424)**	(1,458,208)
	24,617,087	22,740,074
GST and other receivables	**1,483,984**	1,829,250
Cash advanced to employees	**36,738**	3,856
Loans to associate	**387,500**	-
	1,908,222	1,833,106
	26,525,309	24,573,180

(a) Impaired trade receivables

As at 30 June 2016, current trade receivables of the group with the value of $859,425 (2015: $1,458,208) were impaired, with the amounts being fully provided for.

The ageing of these receivables are as follows:

	Consolidated 2016 $	2015 $
31 to 60 days	**11,799**	12,672
61 to 90 days	**-**	827
91 to 120 days	**364**	258,109
121 to 210 days	**3,147**	513,507
211 days or over	**844,115**	673,093
	859,425	1,458,208

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	
	2016	2015
	$	$
At 1 July	**1,458,208**	110,023
Provision for impairment recognised during the year	**172,494**	1,450,248
Receivables written off during the year as uncollectable	**(759,339)**	(74,043)
Unused amounts reversed	**(12,672)**	(27,127)
Exchange difference	**734**	(893)
At 30 June	**859,425**	1,458,208

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

(b) Past due but not impaired

As of 30 June 2016, trade receivables of $3,296,960 (2015: $5,235,219) 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	
	2016	2015
	$	$
31 to 60 days	**2,343,056**	1,866,816
61 to 90 days	**166,910**	1,228,257
91 to 120 days	**216,714**	744,283
121 to 210 days	**59,947**	607,046
211 days and over	**510,333**	788,817
	3,296,960	5,235,219

(c) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables 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	
	2016	2015
	$	$
Other current assets (a)	**597,974**	637,693
Prepayments	**1,195,054**	1,070,528
	1,793,028	1,708,221

(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 Non-current assets - Other receivables

	Consolidated	
	2016	2015
	$	$
Other receivables	**521,898**	703,291

(a) Impaired receivables and receivables past due

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

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

	Consolidated	
	2016	2015
	$	$
Investment in joint venture	**1,015,900**	2,789,527
Investment in associate	**752,851**	-
	1,768,751	2,789,527

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

(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	
			2016	2015
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:

	2016 $	2015 $
Current assets (a)	**3,851,858**	10,382,283
Non-current assets	-	-
Total assets	**3,851,858**	10,382,283
Current liabilities (b)	**1,052,756**	2,061,118
Non-current liabilities (c)	**767,306**	2,742,114
Total liabilities	**1,820,062**	4,803,232
a. Includes cash and cash equivalents	**2,210,810**	6,263,407
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)	**-**	-

	2016 $	2015 $
Revenue	**9,372,882**	36,198,303
Profit for the year	**1,652,743**	5,680,646
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**-**	-
Depreciation and amortisation	**-**	-
Interest income	**106,980**	199,199
Interest expense	**-**	-
Tax expense	**689,519**	1,766,556

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

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

	2016 $	2015 $
Total net assets of PEPL	**2,031,796**	5,579,052
Proportion of ownership interest held by the Group	**50%**	50%
Carrying amount of the investment in PEPL	**1,015,900**	2,789,526

Dividends received during the year from PEPL amounted to $2,600,000 (2015: $4,400,000).

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

(b) Investment in associate

During the year, the Group acquired a 31% equity interest in ECG Engineering Pty Ltd, a start up electrical engineering consultancy based in Perth, Australia.

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

	2016 $	2015 $
Profit from continuing operations	**365,352**	-
Other comprehensive income	**-**	-
Total comprehensive income	**365,352**	-
Carrying amount of the Group's interest in associate	**752,851**	-

13 Non-current assets - Available-for-sale financial assets

	Consolidated	
	2016 $	2015 $
Balance at the beginning of the year	**35,750**	3,000
Revaluation deficit transferred to equity	**(2,900)**	-
Equity securities	**70,103**	32,750
Balance at end of year	**102,953**	35,750

14 Non-current assets - Property, plant and equipment

	Fixtures and fittings $	Motor vehicles $	Leasehold improvements $	Leased plant and equipment $	Total $
At 1 July 2014					
Cost or fair value	6,263,090	215,679	1,848,815	1,572,008	9,899,592
Accumulated depreciation	(4,363,169)	(108,032)	(820,782)	(1,121,798)	(6,413,781)
Net book amount	**1,899,921**	**107,647**	**1,028,033**	**450,210**	**3,485,811**
Year ended 30 June 2015					
Opening net book amount	1,899,921	107,647	1,028,033	450,210	3,485,811
Acquisition of subsidiary	540,136	28,570	11,429	-	580,135
Additions	166,735	34,231	20,369	-	221,335
Disposals	(26,434)	(65,309)	(297,812)	-	(389,555)
Depreciation charge	(739,147)	(25,587)	(174,740)	(295,298)	(1,234,772)
Transfers	39,501	-	-	(44,347)	(4,846)
Exchange differences	75,464	(150)	42,843	-	118,157
Closing net book amount	**1,956,176**	**79,402**	**630,122**	**110,565**	**2,776,265**
At 30 June 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	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**

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	
	2016	2015
	$	$
Leasehold equipment		
Cost	**529,706**	529,706
Accumulation depreciation	**(529,706)**	(472,762)
Net book amount	**-**	56,944

15 Non-current assets - Deferred tax assets

	Consolidated	
	2016	2015
	$	$
The balance comprises temporary differences attributable to:		
Unused tax losses	**969,026**	3,163,352
Employee benefits	**2,089,752**	2,322,848
Doubtful debts	**142,442**	226,475
Accrued expenses	**174,696**	134,107
Deferred revenue	**160,935**	381,406
Other provisions	**(4,610)**	137,694
Depreciation	**310**	310
Finance leases	**-**	56,650
	3,532,551	6,422,842
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	**(750,010)**	(1,091,055)
Net deferred tax assets	**2,782,541**	5,331,787
Deferred tax assets expected to be recovered within 12 months	**2,843,786**	5,651,807
Deferred tax assets expected to be recovered after more than 12 months	**688,765**	771,035
	3,532,551	6,422,842

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 2014	31,055	2,435,970	18,651	295,507	72,209	33,474	162,006	2,028,483	5,077,355
Credited/(charged)									
- to profit or loss	204,940	(320,622)	85,419	(180,461)	50,671	(33,164)	(105,356)	899,486	600,913
Acquisition of subsidiary	(9,520)	207,500	277,336	19,061	14,814	-	-	227,712	736,903
Exchange rate differences	-	-	-	-	-	-	-	7,671	7,671
At 30 June 2015	**226,475**	**2,322,848**	**381,406**	**134,107**	**137,694**	**310**	**56,650**	**3,163,352**	**6,422,842**
At 1 July 2015	226,475	2,322,848	381,406	134,107	137,694	310	56,650	3,163,352	6,422,842
(Charged)/credited									
- 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**

16 Non-current assets - Intangible assets

	Goodwill $	Software $	Customer contracts $	Total $
At 1 July 2014				
Cost	6,420,380	4,543,272	315,000	11,278,652
Accumulation amortisation and impairment	(819,842)	(3,372,509)	(225,000)	(4,417,351)
Net book amount	**5,600,538**	**1,170,763**	**90,000**	**6,861,301**
Year ended 30 June 2015				
Opening net book amount	5,600,538	1,170,763	90,000	6,861,301
Additions	2,465,026	38,236	-	2,503,262
Amortisation charge *	-	(474,135)	(45,000)	(519,135)
Transfers from property, plant and equipment	-	4,846	-	4,846
Exchange differences	-	8,034	-	8,034
Closing net book amount	**8,065,564**	**747,744**	**45,000**	**8,858,308**
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**

	Goodwill $	Software $	Customer contracts $	Total $
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**
At 30 June 2016				
Cost	8,385,406	1,934,790	315,000	10,635,196
Accumulated amortisation	(819,842)	(1,592,621)	(315,000)	(2,727,463)
Net book amount	**7,565,564**	**342,169**	**-**	**7,907,733**

* Group amortisation of $456,900 (2015: $519,135) 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.

2016	Australia $	Other countries $	Total $
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**

2015	Australia $	Other countries $	Total $
Minerals	3,622,991	2,465,026	6,088,017
Process industries	763,242	-	763,242
Maintenance	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	5,600,538	**2,465,026**	**8,065,564**

16 Non-current assets - Intangible assets (continued)

(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	
	2016 %	2015 %	**2016 %**	2015 %
Minerals	**2.5**	2.5	**6.0**	11.7
Process Industries	**1.0**	2.5	**6.0**	11.7
Maintenance	**2.5**	2.0	**6.0**	11.7
Metallurgical	**2.5**	2.5	**6.0**	11.7

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 7.8% (2015: 11.7%). 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.

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, Maintenance 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 rate and moderately declining profit margins for this segment.

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 2016 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 2016 of $500,000. The related goodwill impairment loss of $500,000 (2015: nil) was included within impairment of non-financial assets.

16 Non-current assets - Intangible assets (continued)

(c) Cash flow assumptions (continued)

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	
	2016	2015
	$	$
Trade payables	**3,587,538**	2,708,897
Revenue received in advance	**2,449,507**	1,883,634
Goods and services tax (GST) payable	**84,681**	468,950
Sundry creditors and accrued expenses	**8,678,445**	7,718,577
Employee benefit obligations (a)	**6,636,784**	7,074,384
	21,436,955	19,854,442

Included in the above are financial liabilities of $18,902,767 (2015: $17,501,858).

(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	
	2016	2015
	$	$
Annual leave obligation expected to be settled after 12 months	**732,859**	695,866
Long service leave obligation expected to be settled after 12 months	**923,151**	1,305,616
	1,656,010	2,001,482

(b) Risk exposure

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

18 Current liabilities - Borrowings

	Consolidated	
	2016	2015
	$	$
Secured		
Lease liabilities (note 27)	**-**	188,834
Total secured current borrowings	**-**	188,834
Unsecured		
Other loans	**89,879**	99,679
Total unsecured current borrowings	**89,879**	99,679
Total current borrowings	**89,879**	288,513

(a) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 2.

19 Non-current liabilities - Deferred tax liabilities

	Consolidated 2016 $	Consolidated 2015 $
The balance comprises temporary differences attributable to:		
Accrued income - contractors	**321,126**	292,169
Other provisions	**169,388**	347,126
Depreciation	**235,475**	377,743
Prepaid expenses	**24,021**	74,017
	750,010	1,091,055
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(750,010)**	(1,091,055)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities expected to be settled within 12 months	**750,010**	713,312
Deferred tax liabilities expected to be settled after more than 12 months	**-**	377,743
	750,010	1,091,055

Movements	**Depreciation & amortisation $**	**Accrued income $**	**Other provisions $**	**Prepaid expenses $**	**Total $**
At 1 July 2014	199,329	78,073	62,204	44,387	383,993
Charged/(credited)					
- profit or loss	178,414	(41,778)	251,584	15,624	403,844
Acquisition of subsidiary	-	255,874	33,338	14,006	303,218
At 30 June 2015	**377,743**	**292,169**	**347,126**	**74,017**	**1,091,055**
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**

20 Non-current liabilities - Provisions

	Consolidated 2016 $	Consolidated 2015 $
Employee benefits - long service leave	**639,873**	568,634

21 Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	**2016 $**	2015 $
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 2014	Opening balance	38,965,103		18,999,317
1 September 2014	Exercise of Director performance rights	117,000	$0.74	86,346
6 October 2014	Shares issued for Acquisition of Lycopodium Rail Pty Ltd Outside Interests	247,635	$2.02	500,000
6 October 2014	Shares issued for Acquisition of Lycopodium Americas Pty Ltd Outside Interests	247,635	$2.02	500,000
25 November 2014	Exercise of Employee performance rights	155,000	$4.76	738,109
30 June 2015	Closing balance	39,732,373		20,823,772
1 July 2015	Opening balance	39,732,373		20,823,772
	No movements during the year	-		-
30 June 2016	Closing balance	39,732,373		20,823,772

(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 2016, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2016 and 30 June 2015 were as follows:

	Consolidated	
	2016	2015
	$	$
Total borrowings (including payables)	**21,526,836**	20,142,956
Less: cash and cash equivalents	**(41,547,756)**	(32,440,938)
Net debt	**(20,020,920)**	(12,297,982)
Total equity	**61,268,322**	60,296,197
Total capital	**41,247,402**	47,998,215
Gearing ratio	**(32.7)%**	(20.4)%

22 Reserves and retained earnings

(a) Other reserves

	Consolidated	
	2016	2015
	$	$
Available-for-sale investment revaluation reserve	**(83,930)**	(81,900)
Performance rights reserve	**259,037**	259,037
Foreign currency translation reserve	**(1,016,051)**	577,285
	(840,944)	754,422

	Consolidated	
	2016	2015
	$	$
Movements:		
Available-for-sale investment revaluation reserve		
Balance 1 July	**(81,900)**	(81,900)
Revaluation - gross	**(2,900)**	-
Deferred tax	**870**	-
Balance 30 June	**(83,930)**	(81,900)
Performance rights reserve		
Balance 1 July	**259,037**	1,021,535
Performance rights plan expense	**-**	61,957
Transfer to share capital - exercise of rights	**-**	(824,455)
Balance 30 June	**259,037**	259,037
Foreign currency translation reserve		
Balance 1 July	**577,285**	(27,898)
Currency translation differences arising during the year	**(1,593,336)**	605,183
Balance 30 June	**(1,016,051)**	577,285

22 Reserves and retained earnings (continued)

(b) Retained earnings

	Consolidated	
	2016	2015
	$	$
Balance 1 July	**38,718,003**	42,390,395
Profit/(Loss) for the year	**3,163,478**	(918,077)
Dividends paid or payable	**(595,987)**	(1,182,219)
Acquisition of non-controlling interests (i)	**-**	(2,150,000)
Transfer from non-controlling interests	**-**	577,904
Balance 30 June	**41,285,494**	38,718,003

(i) During the prior year, the group purchased the remaining non-controlling interest of Lycopodium Americas Pty Ltd, Lycopodium Rail Pty Ltd and Orway Mineral Consultants Americas Pty Ltd.

(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 recognised 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 2016 $	2015 $
Share capital	**14,937**	14,937
Reserves	**23,986**	2,100
Non-controlling interest on acquisition	**2,833,808**	2,833,808
Retained earnings	**189,964**	663,788
Transfer to retained earnings	**-**	(577,904)
	3,062,695	2,936,729

24 Dividends

(a) Ordinary shares

	Parent entity 2016 $	2015 $
No payments of final dividend for the year ended 30 June 2015 (2014: 1.5 cents) Fully franked based on tax paid @ 30% (2015: 30%)	**-**	586,233
Interim dividend for the year ended 30 June 2016 of 1.5 cents (2015: 1.5 cents) per fully paid share paid on 13 April 2016 (2015: 17 April 2015) Fully franked based on tax paid @ 30% (2015: 30%)	**595,987**	595,986
Total dividends provided for or paid	**595,987**	1,182,219

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

	Parent entity 2016 $	2015 $
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 4.0 cents per fully paid ordinary share (2015: 0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 14 October 2016 out of retained earnings at 30 June 2016, but not recognised as a liability at year end, is	**1,589,295**	-

(c) Franked dividends

	Consolidated 2016 $	2015 $
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015: 30%)	**12,687,298**	10,535,474

24 Dividends (continued)

(c) Franked dividends (continued)

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 $681,126 (2015: $0).

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	
	2016 $	2015 $
Audit and other assurance services		
Audit and review of financial reports	**190,000**	190,000
Taxation services - Paid to a related entity of Grant Thornton Audit Pty Ltd		
Tax compliance services (including income tax returns)	**146,400**	30,000
Tax consolidation and valuation services	**-**	311,168
Total remuneration for taxation services	**146,400**	341,168
Other services		
Other services	**9,500**	19,205
Total remuneration	**345,900**	550,373

(b) Network firms of Grant Thornton Audit Pty Ltd

	Consolidated	
	2016 $	2015 $
Audit and other assurance services		
Audit and review of financial statements	**115,079**	96,597
Taxation services		
Tax compliance services (including income tax returns)	**25,995**	25,429
Other services		
Other services	**-**	1,633
Total remuneration of network firms of Grant Thornton Audit Pty Ltd	**141,074**	123,659

25 Remuneration of auditors (continued)

(c) Non-Grant Thornton Audit Pty Ltd

	Consolidated	
	2016 $	2015 $
Audit and other assurance services		
Audit and review of financial statements	**52,367**	31,597
Taxation services		
Tax compliance services (including income tax returns)	**100,102**	55,926
International tax advice	**-**	45,747
Total remuneration for taxation services	**100,102**	101,673
Other services		
Other services	**-**	14,200
Total remuneration of non-Grant Thornton Audit Pty Ltd audit firms	**152,469**	147,470
Total auditors' remuneration	**639,443**	821,502

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 2016 and 30 June 2015 in respect of:

(a) Contingent liabilities

(i) Guarantees
Guarantees are given in respect of rental bonds for $1,935,610 (2015: $1,664,122).

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 (2015: Nil).

27 Commitments

(a) Capital commitments

There were no capital expenditures contracted for at the reporting date which have not been recognised as liabilities (2015: 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 QLD 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 Asset Management 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, with an option to renew for a further 60 months term. The agreement fixes rental from 1 August 2014 to expiry date.

The property under operating lease by Lycopodium Rail 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	
	2016	2015
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**8,354,181**	7,805,187
Later than one year but not later than five years	**23,387,362**	29,592,524
Later than five years	**-**	1,327,000
	31,741,543	38,724,711

(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 $0 (2015: $167,508). 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)

	Consolidated 2016 $	2015 $
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	193,990
Future finance charges	**-**	(5,155)
Total lease liabilities	**-**	188,835
Representing lease liabilities:		
Current (note 18)	**-**	188,834

The weighted average interest rate implicit in the leases and hire purchases is 0% (2015: 7.10%).

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 30.

(c) Key management personnel

	Consolidated 2016 $	2015 $
Short-term employee benefits	**2,538,536**	2,477,670
Post-employment benefits	**180,206**	175,206
	2,718,742	2,652,876

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 18.

28 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2016 **$**	2015 $
Purchases of goods and services		
Purchases from joint venture	**26,183**	45,354
Purchases from associate	**2,682,375**	-
Sale of goods and services		
Sales to joint venture	**856,568**	2,504,724
Other revenue		
Management fees to joint venture	**-**	450,000

(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	
	2016 **$**	2015 $
Current receivables		
Joint venture	**126,402**	116,668
Current payables		
Joint venture	**6,283**	176,233
Associate	**251,307**	-

(f) Loans to/from related parties

	Consolidated	
	2016 **$**	2015 $
Loans to associate		
Beginning of the year	**-**	-
Loans advanced	**387,500**	-
Repayments made	**-**	-
End of year	**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 the joint venture are made at cost.

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

28 Related party transactions (continued)

(g) Terms and conditions (continued)

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 Business combination

(a) Acquisition of ADP Holdings (Pty) Ltd and Metco Global Ltd

On 30 September 2014, Lycopodium acquired 74% of the issued share capital of ADP Holdings (Pty) Ltd (“ADP”). The company is based in South Africa, with operations relating to supplying engineering, procurement, construction and management (“EPCM”) services and engineering, procurement and construction (“EPC”) projects to the mining industry.

On 30 September 2014, Lycopodium acquired 74 % of the issued share capital of Metco Global Ltd ("Metco"). The company is based in Angola with operations relating to the supply of alluvial and kimberlite diamond processing equipment for prospection and medium sized production modules.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration (refer to (iv) below):	
Cash paid	**10,530,478**

The fair values of the identifiable net assets at 30 June 2015 recognised as a result of the acquisition are as follows:

	ADP	Metco	Total
	$	$	$
Cash	6,203,095	186,380	6,389,475
Trade and other receivables (net of provision for doubtful debts)	11,284,006	1,712,083	12,996,089
Inventories	1,753,299	-	1,753,299
Plant and equipment	564,825	15,310	580,135
Trade and other payables	(6,239,482)	(28,656)	(6,268,138)
Deferred income	(2,868,669)		(2,868,669)
Provisions	(81,165)	(18,387)	(99,552)
Borrowings	(46,178)	(1,537,201)	(1,583,379)
Net identifiable assets acquired	**10,569,731**	**329,529**	**10,899,260**
Less: non-controlling interests	(2,748,130)	(85,677)	(2,833,807)
Add: Goodwill	2,465,025	-	2,465,025
Net assets acquired	**10,286,626**	**243,852**	**10,530,478**

The goodwill is attributable to the workforce and the profitability of the acquired business.

(i) Acquired receivables

The fair value of acquired trade receivables for ADP and Metco are $9,790,446 and $1,703,573 respectively. ADP's gross contractual amount for trade receivables due is $9,853,238 of which $62,792 is expected to be uncollectible. Metco's gross contractual amount for trade receivables due is $2,348,025 of which $644,452 is expected to be uncollectible.

29 Business combination (continued)

(a) Acquisition of ADP Holdings (Pty) Ltd and Metco Global Ltd (continued)

(ii) Non-controlling interests

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest in ADP and Metco, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The ADP business contributed revenues of $34,084,342 and net profit of $265,096 to the group for the period from 30 September 2014 to 30 June 2015. The Metco business contributed revenues of $351,103 and net loss of $521,662 to the group for the period from 30 September 2014 to 30 June 2015.

If the acquisition had occurred on 1 July 2014, ADP's revenues and net profit for the full-year ended 30 June 2015 would be $50,076,617 and $416,619 respectively. Metco's revenues and net loss for the full-year ended 30 June 2015 would be $1,396,012 and $651,362 respectively.

(iv) Purchase consideration - cash outflow

	2015 $
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	10,530,478
Less: balances acquired	
Cash	(6,389,475)
Outflow of cash - investing activities	4,141,003

Acquisition-related costs

Acquisition related costs totalled $311,917 of which $265,881 was incurred in the financial period ended 30 June 2014 and $46,036 in the current reporting period. These costs are included in other expenses in consolidated statement of profit or loss and other comprehensive income.

(b) Acquisition of non-controlling interests in Lycopodium Americas Pty Ltd, Lycopodium Rail Pty Ltd and Orway Mineral Consultants Americas Pty Ltd

On 6 October 2014, Lycopodium Limited completed the acquisition of the non-controlling interests' shares in its subsidiary Lycopodium Americas Pty Ltd and Lycopodium Rail Pty Ltd pursuant to the exercise of an existing option for a total consideration of $2,000,000.

On 17 April 2015, Orway Minerals Consultants (WA) Pty Ltd completed the acqusition of the non-controlling interest shares in its subsidiary Orway Mineral Consultants Americas Pty Ltd for total cash consideration of $150,000.

	2015 $
Cash paid	1,150,000
Fully paid shares in Lycopodium Limited	1,000,000
Total purchase consideration	2,150,000

30 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 2016 %	Equity holding 2015 %
ADP Holdings (Pty) Limited	South Africa (1)	Ordinary	**74**	74
Lycopodium Asset Management Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Burkina Faso SARL	Burkina Faso (2)	Ordinary	**100**	100
Lycopodium Ghana Ltd	Ghana (2)	Ordinary	**100**	100
Lycopodium Infrastructure Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Mauritius	Mauritius (2)	Ordinary	**100**	100
Lycopodium Minerals Canada Ltd	Canada (1)	Ordinary	**100**	100
Lycopodium Minerals Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Philippines Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Process Industries Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Rail 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
Orway Mineral Consultants (WA) Pty Ltd	Australia (1)	Ordinary	**100**	100

(1) Engineering, procurement, construction management services
(2) Offshore project support services

31 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 2016 financial year. The total amount of the dividend is $1,589,295 (2015: $0), which represents a fully franked dividend of 4.0 (2015: 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.

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

	Consolidated 2016 $	2015 $
Profit/(Loss) for the year	**3,326,410**	(1,015,413)
Depreciation and amortisation	**1,329,095**	1,753,905
Impairment of goodwill	**500,000**	-
Loans advanced to associate (included at cash flows from financing activities)	**387,500**	-
Non-cash employee benefits expense - share-based payments	**-**	61,958
Dividend and interest income	**(9,413)**	(946)
Net loss on sale of non-current assets	**1,254**	323,251
Share of net profit of associate and joint venture accounted for using the equity method	**(1,191,724)**	(2,840,323)
Interest relating to financing activities	**33,324**	57,836
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and other receivables	**(1,952,129)**	1,637,241
Increase in inventories	**(448,475)**	(255,211)
Decrease/(increase) in deferred tax assets	**2,550,116**	(638,425)
(Increase)/decrease in other operating assets	**(84,808)**	282,071
Increase in trade creditors	**1,582,515**	3,940,087
Increase/(decrease) in provision for income taxes payable	**3,971,765**	(1,411,346)
Increase/(decrease) in other provisions	**71,240**	(420,289)
Net cash inflow from operating activities	**10,066,670**	1,474,396

33 Earnings per share

(a) Basic earnings per share

	Consolidated 2016 Cents	2015 Cents
Basic earnings per share attributable to the ordinary equity holders of the company	**8.0**	(2.3)

(b) Diluted earnings per share

	Consolidated 2016 Cents	2015 Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	**8.0**	(2.3)

33 Earnings per share (continued)

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

	Consolidated	
	2016	2015
	$	$
Basic earnings per share		
Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**3,163,478**	(918,077)
Diluted earnings per share		
Used in calculating diluted earnings per share	**3,163,478**	(918,077)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**39,732,373**	39,537,055
Adjustments for calculation of diluted earnings per share:		
Performance rights	**-**	303,126
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**39,732,373**	39,840,181

34 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 expire on 24 December 2016 and are 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 2016 was Nil (2015: Nil).

(b) Employee performance rights plan

Performance rights were granted to certain employees during the year under the Lycopodium Group Performance Plan as approved by the Board on 3 October 2011. The rights were designed to give incentive to the employees to provide dedicated and ongoing commitment and effort to the company and aligning the interest of both employees and shareholders. None of the directors of Lycopodium Limited are eligible to participate in this plan.

34 Share-based payments (continued)

(b) Employee performance rights plan (continued)

Fair value of rights granted

The assessed fair value at grant date of the rights granted during the year ended 30 June 2012 was $4.76 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 2012 included:

(i) exercise price: $Nil
(ii) grant date: 1 October 2011
(iii) expiry date: 30 September 2014
(iv) share price at grant date: $5.60
(v) expected price volatility of the company's shares: 35.5%
(vi) expected dividend yield: 5.4%
(vii) risk-free interest rate: 4.75%

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 eligible participating employees for the financial year ended 30 June 2014 was Nil (2013: Nil).

All rights issued under this plan have been exercised during the financial year ended 30 June 2015.

(c) 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.

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.

(d) 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 as follows:

	Consolidated	
	2016 $	2015 $
Rights issued under the Employee Performance Rights Plan	**-**	61,958

35 Parent entity financial information

(a) Summary financial information

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

	2016 $	2015 $
Balance sheet		
Current assets	**14,956,881**	11,100,144
Non-current assets	**30,547,721**	30,640,308
Total assets	**45,504,602**	41,740,452
Current liabilities	**5,000,827**	2,615,285
Non-current liabilities	**31,288**	40,492
Total liabilities	**5,032,115**	2,655,777
Net assets	**40,472,487**	39,084,675
Shareholders' equity		
Contributed equity	**20,823,772**	20,823,772
Share-based payments	**259,037**	259,037
Retained earnings	**19,389,678**	18,001,866
	40,472,487	39,084,675
Profit for the year	**1,983,798**	9,502,165
Total comprehensive income	**1,983,798**	9,502,165

(b) Guarantees entered into by the parent entity

In 2013, the parent entity entered into an arrangement with a financier for a standby credit facility of $12.5m. In return, the parent entity and Lycopodium Minerals Pty Ltd jointly executed a cross guarantee and indemnity as security for the facility. As at balance date, this facility has been withdrawn.

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 2016 or 30 June 2015.

(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 2016 or 30 June 2015.

Directors Declaration

In the Directors' opinion:

(a) the financial report and notes set out on pages 30 to 94 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 2016 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
15 September 2016

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LYCOPODIUM LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Lycopodium Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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*. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion:

a the financial report of Lycopodium Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2016. 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.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Lycopodium Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 15 September 2016

Shareholder Information

The shareholder information set out below was applicable as at 2 September 2016.

A. Distribution of equity securities

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

Holding	Total Holders
1 - 1000	376
1,001 - 5,000	493
5,001 - 10,000	143
10,001 - 100,000	151
100,001 and over	25
	1,188

There were 167 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:

	Ordinary shares	
Name	**Number held**	**Percentage of Units**
1 Reesh Pty	9,104,637	22.91
2 HSBC Custody Nominees (Australia) Limited	7,367,649	18.55
3 Luala Pty Ltd	3,167,332	7.97
4 Caddy Fox Pty Ltd	2,612,332	6.58
5 Selso Pty Ltd	2,058,148	5.18
6 Accede Pty Ltd	1,942,332	4.89
7 JP Morgan Nominees Australia Limited	1,223,191	3.08
8 Citicorp Nominees Pty Ltd	846,258	2.13
9 De Leo Nominees Pty Ltd	780,366	1.96
10 Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	687,068	1.73
11 Mr David James Taylor	484,389	1.22
12 Mr Peter De Leo & Mrs Tiana De Leo	383,405	0.96
13 Botech Pty Ltd	305,405	0.77
14 Lycopodium Share Plan Pty Ltd	297,500	0.75
15 Kensington House Nominees	247,635	0.62
16 Dr Gregory O'Neil	195,174	0.49
17 Rubi Holdings Pty Ltd	175,000	0.44
18 Nancris Pty Ltd	175,000	0.44
19 Tobaka Pty Ltd	142,291	0.36
20 Mr Timothy & Mrs Lisa Kelly (The Kelly Superannuation Fund)	139,737	0.35
	32,334,849	81.38

C. Substantial holders

Substantial holders in the company are set out below:

Name	Number held	Percentage of Units
1 Reesh Pty Ltd	9,104,637	22.91
2 HSBC Custody Nominees (Australia) Limited	7,367,649	18.55
3 Luala Pty Ltd	3,167,332	7.97
4 Caddy Fox Pty Ltd	2,612,332	6.58
5 Selso Pty Ltd	2,058,148	5.18

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.

Corporate Directory

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
Registered and Principal Office	Level 5, 1 Adelaide Terrace East Perth WA 6004 Australia T: +61 (0)8 6210 5222 www.lycopodium.com.au
Share Registry	Computershare Investor Services Pty Limited Level 11, 172 St George's Terrace Perth WA 6000 T: +61 (0)8 9323 2000 www.computershare.com.au
Lawyers to the Company	DLA Piper Australia Level 31, 152-158 St George's Terrace Perth WA 6000 T: +61 (0)8 6467 6000 www.dlapiper.com
Auditor	Grant Thornton Audit Pty Ltd Level 1, 10 Kings Park Road West Perth WA 6005 T: +61 (0)8 9480 2000 www.grantthornton.com.au


Lycopodium

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