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31 August 2005

Dear Shareholder

COMPANY UPDATE

We are pleased to advise Lycopodium Limited has reported a profit after tax of \$5.7 million on turnover of \$69 million and that the Directors have announced a 10.5 cents per share fully franked dividend payable in November 2005. Full details of our ASX Preliminary Final Report for the year ended 30 June 2005 can be accessed through our website at www.lycopodium.com.au.

The table below compares the reported result with our December 2004 forecast.

	2005 Financial Year	
	Actual	Forecast
Shares on issue	36,770,000	36,740,000
Options on issue	1,070,000	1,100,000
Net tangible assets per Share	49 cents	32 cents
Revenue	\$69 million	\$51.3 million
Net Profit after Tax	\$5.7 million	\$4.28 million
Earnings per Share after Tax	15.4 cents	11.6 cents
Dividend per Share (fully franked)	10.5 cents	8.2 cents
Dividend yield on Issue Price	10.50%	8.20%

We believe Lycopodium's growth is a function of the Company's strategies which enable it to take advantage of the present resources boom. We strive to be the best and in our opinion the quality of clients we service and the staff we employ reflects our achievement of this aspiration.

In our June 2005 Company Update letter we advised that Lycopodium Engineering had recently been awarded three projects with a combined fee value of over \$60 million to be earned over a period of three years.

We have since announced that one of these projects was the Engineering, Procurement and Construction Management (EPCM) contract for Newmont Mining Corporation's Akyem Gold Project located in the Eastern Region of Ghana, West Africa.



We are now able to announce that one of the other two projects is the EPCM contract for LionOre Mining International Ltd's Black Swan nickel plant upgrade. This contract flows from a feasibility study Lycopodium Engineering commenced in 2004 on upgrading the existing operation to treat 2 million tonnes per annum of ore to produce around 15,000 tonnes per annum of nickel in concentrate. While this project is still subject to final approval by LionOre's board Lycopodium Engineering has at the request of the LionOre commenced early engineering and preparatory work.

We believe the awarding of both these projects is a reflection of Lycopodium Engineering's strengths in process, design and project management.

These are material contracts for Lycopodium Engineering helping to secure revenue earned by the Company for the next three years.

We shall endeavour to communicate with you on a regular basis to keep you informed of Lycopodium's activities and invite you to also visit our website at www.lycopodium.com.au. Please also feel free to call us if there is anything about the Company and its activities you would like to discuss.

Yours faithfully



MICK CARATTI
CHAIRMAN



Lycopodium Limited

ASX Preliminary final report - 30 June 2005

Lodged with the ASX under Listing Rule 4.3A

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Lycopodium Limited
For the year ended 30 June 2005
(Previous corresponding period: For the year ended 30 June 2004)

Results for announcement to the market

				\$
Revenue from ordinary activities (Appendix 4E item 2.1)	up	30%	to	68,997,378
Profit / (loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.2)	down	2%	to	5,451,116
Net profit / (loss) for the period attributable to members (Appendix 4E item 2.3)	down	2%	to	5,451,116

Dividends / distributions (Appendix 4E item 2.4)	Amount per security	Franked amount per security
Final dividend (cents)	10.50	10.50

Key Ratios	2005 June	2004 June
Basic earnings per share (cents)	16.70	20.30
Actual earnings per share on issue (cents)	14.82	20.21

Key Ratios	2005 June	2004 December
Net tangible assets per share (\$)	0.49	0.41

Record date for determining entitlements to the final dividend
(Appendix 4E item 2.5)

01-November-2005

Explanation of Revenue (Appendix 4E item 2.6)

Refer to attached Company Update

Explanation of Profit/(loss) from ordinary activities after tax (Appendix 4E item 2.6)

Refer to attached Company Update

Explanation of Net Profit/(loss) (Appendix 4E item 2.6)

Net profit attributable to outside equity interests (OEI) represents the OEI share of net profit after tax for the period from 1 July 2004 up to the date of acquisition of these interests.

Explanation of Dividends (Appendix 4E item 2.6)

Refer to attached Company Update

Lycopodium Limited
Preliminary statement of financial performance
for the year ended 30 June 2005

	Notes	2005 \$	2004 \$
Revenue from ordinary activities	4	68,997,378	53,077,215
Equipment and materials		(1,143,693)	(1,066,704)
Employee benefits expense		(27,143,379)	(17,102,508)
Depreciation and amortisation	5	(1,113,278)	(701,514)
Contractors		(22,962,898)	(19,798,926)
Other project expenses		(3,715,689)	(2,149,659)
Carrying amount on sale of non-current assets		(66,306)	(33,035)
Administration and management costs		(4,929,723)	(4,519,229)
Borrowing costs expense	5	<u>(190,259)</u>	<u>(145,335)</u>
Profit from ordinary activities before related income tax expense	5	7,732,153	7,560,305
Income tax expense		<u>(2,055,237)</u>	<u>(1,775,116)</u>
Profit from ordinary activities after related income tax expense		5,676,916	5,785,189
Net profit		5,676,916	5,785,189
Net profit attributable to outside equity interest		<u>(225,800)</u>	<u>(204,434)</u>
Net profit attributable to members of Lycopodium Limited	6	<u>5,451,116</u>	<u>5,580,755</u>
Total changes in equity attributable to members of Lycopodium Limited other than those resulting from transactions with owners as owners		<u>5,451,116</u>	<u>5,580,755</u>
		Cents	Cents
Basic earnings per share	9	16.7	20.3
Diluted earnings per share	9	16.6	20.3

The above preliminary statement of financial performance should be read in conjunction with the accompanying notes.

Lycopodium Limited
Preliminary statement of financial position
As at 30 June 2005

	Notes	2005 \$	2004 \$
Current assets			
Cash assets		11,435,442	4,854,790
Receivables		12,202,461	12,661,232
Other		1,780,194	595,514
Current tax assets		<u>154,516</u>	<u>-</u>
Total current assets		<u>25,572,613</u>	<u>18,111,536</u>
Non-current assets			
Receivables		-	51,466
Other financial assets		120,001	76,000
Property, plant and equipment		4,146,747	3,548,691
Deferred tax assets		972,146	828,220
Intangible assets		<u>4,077,902</u>	<u>2,239,775</u>
Total non-current assets		<u>9,316,796</u>	<u>6,744,152</u>
Total assets		<u>34,889,409</u>	<u>24,855,688</u>
Current liabilities			
Payables		6,796,861	5,571,185
Interest bearing liabilities		837,242	473,822
Current tax liabilities		-	972,749
Provisions		<u>2,795,890</u>	<u>1,745,944</u>
Total current liabilities		<u>10,429,993</u>	<u>8,763,700</u>
Non-current liabilities			
Interest bearing liabilities		1,754,050	1,779,057
Deferred tax liabilities		317,851	391,224
Provisions		<u>410,083</u>	<u>241,466</u>
Total non-current liabilities		<u>2,481,984</u>	<u>2,411,747</u>
Total liabilities		<u>12,911,977</u>	<u>11,175,447</u>
Net assets		<u>21,977,432</u>	<u>13,680,241</u>
Equity			
Contributed equity		16,444,549	7,820,432
Retained profits	6	<u>5,532,883</u>	<u>5,081,767</u>
Total parent entity interest		21,977,432	12,902,199
Outside equity interest in controlled entities		<u>-</u>	<u>778,042</u>
Total equity		<u>21,977,432</u>	<u>13,680,241</u>

The above preliminary statement of financial position should be read in conjunction with the accompanying notes.

Lycopodium Limited
Preliminary statement of cash flows
for the year ended 30 June 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		71,480,284	48,796,697
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(61,087,377)</u>	<u>(44,614,511)</u>
		10,392,907	4,182,186
Interest received		423,238	195,795
Borrowing costs		(190,259)	(145,835)
Income taxes paid		<u>(3,399,801)</u>	<u>(1,441,072)</u>
Net cash inflow (outflow) from operating activities	8	<u>7,226,085</u>	<u>2,791,074</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(834,898)	(630,784)
Loans to controlled entities - payments made		-	-
Loans to controlled entities - proceeds from repayments		-	-
Loans to related parties - proceeds from repayments		48,891	1,197
Proceeds from sale of property, plant and equipment		24,464	23,944
Dividends received		-	-
Net cash inflow (outflow) from investing activities		<u>(761,543)</u>	<u>(605,643)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		6,030,000	310,796
Share issue and buy-back transaction costs		(530,334)	-
Proceeds from borrowings		867,758	338,980
Repayment of borrowings		(1,060,428)	(342,872)
Dividends paid by parent entity	7	(5,000,000)	(1,000,000)
Dividends paid to outside equity interests in controlled entities		<u>(190,723)</u>	<u>(84,612)</u>
Net cash inflow (outflow) from financing activities		<u>116,273</u>	<u>(777,708)</u>
Net increase (decrease) in cash held		6,580,815	1,407,723
Cash at the beginning of the financial year		4,854,790	3,456,024
Effects of exchange rate changes on cash		<u>(163)</u>	<u>(8,957)</u>
Cash at the end of the financial year		<u>11,435,442</u>	<u>4,854,790</u>

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

Note 1. Material factors affecting the assets, liabilities and equity of the economic entity for the current period

The company listed on the Australian Stock Exchange on 17 December 2004.

Note 2. Material factors affecting the cash flows of the economic entity for the current period

\$6 million was raised by an IPO in December 2004.

Note 3. Segment information

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Engineering, Procurement and Construction Management (EPCM)

This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either an hourly rates or fixed fee basis.

Design and Construct (Lump Sum)

This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.

Study Services

This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either an hourly rates or fixed fee basis.

Project Services

This industry segment comprises the delivery of selected project delivery services required to assist others with the delivery of a project. These project services range from providing superintendent services through to preparation of complete design packages and therefore comprise selected EPCM services. Project services are provided on either an hourly rates or fixed fee basis.

Geographical segments

Although the consolidated entity's divisions are managed on a global basis, they operate in two main geographical areas.

Australia

The home country of the parent entity and four of its subsidiaries.

Africa

Comprises operations carried on in Ghana.

Note 3. Segment information (continued)

Primary reporting - business segments

	EPCM \$	Design and Construct (Lump Sum) \$	Study Services \$	Project Services \$	Inter-segment eliminations/ unallocated \$	Consolidated \$
2005						
Sales to external customers	49,550,052	2,631,062	9,614,474	8,061,373	(1,715,322)	68,141,639
Total sales revenue	49,550,052	2,631,062	9,614,474	8,061,373	(1,715,322)	68,141,639
Other revenue	-	-	-	-	855,739	855,739
Total segment revenue	49,550,052	2,631,062	9,614,474	8,061,373	(859,583)	68,997,378
Segment result	9,768,174	434,600	1,635,857	1,606,246	(94,577)	13,350,300
Unallocated revenue less unallocated expenses						(5,618,127)
Profit from ordinary activities before income tax expense						7,732,173
Income tax expense						(2,055,237)
Profit from ordinary activities after income tax expense						5,676,936
Segment assets	13,144,984	770,966	2,429,361	1,969,030	(1,139,022)	17,175,319
Unallocated assets						17,714,090
Total assets						34,889,409
Segment liabilities	6,582,150	168,786	1,572,417	416,074	(1,164,498)	7,574,929
Unallocated liabilities						5,337,048
Total liabilities						12,911,977
Investments in associates and joint venture partnership	-	-	-	1	-	1
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	569,845	8,526	135,327	35,809	221,737	971,244
Depreciation and amortisation expense	621,184	9,403	149,253	39,494	293,944	1,113,278

Note 3. Segment information (continued)

Primary reporting - business segments (continued)

	EPCM \$	Design and Construct (Lump Sum) \$	Study Services \$	Project Services \$	Inter-segment eliminations/ unallocated \$	Consolidated \$
2004						
Sales to external customers	27,275,386	1,605,202	10,427,748	15,154,749	(1,687,696)	52,775,389
Total sales revenue	27,275,386	1,605,202	10,427,748	15,154,749	(1,687,696)	52,775,389
Other revenue	-	-	-	-	301,826	301,826
Total segment revenue	27,275,386	1,605,202	10,427,748	15,154,749	(1,385,870)	53,077,215
Segment result	3,829,127	294,806	1,348,294	3,367,873	(115,034)	8,725,066
Unallocated revenue less unallocated expenses						(1,164,761)
Profit from ordinary activities before income tax expense						7,560,305
Income tax expense						(1,775,116)
Profit from ordinary activities after income tax expense						5,785,189
Net profit						5,785,189
Segment assets	11,598,750	504,039	1,571,418	2,538,586	(413,121)	15,799,672
Unallocated assets						9,056,016
Total assets						24,855,688
Segment liabilities	4,923,137	936,114	972,019	419,170	(354,766)	6,895,674
Unallocated liabilities						4,279,773
Total liabilities						11,175,447
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	361,301	29,422	65,728	28,345	73,239	558,035
Depreciation and amortisation expense	417,535	36,056	80,549	34,736	132,639	701,515

Lycopodium Limited
Notes to the preliminary consolidated financial statements
30 June 2005
(continued)

Note 4. Revenue

	2005 \$	2004 \$
Revenue from operating activities		
Contract revenue	<u>68,141,639</u>	<u>52,775,389</u>
	<u>68,141,639</u>	<u>52,775,389</u>
 Revenue from outside the operating activities		
Interest from director related parties	1,459	1,966
Interest from wholly owned entities	-	-
Bank Interest	421,779	195,796
Dividends from wholly owned entities	-	-
Rental income	97,417	-
Foreign currency gains	24,138	235
Management Fees	-	-
Other revenue	286,482	79,885
Proceeds on sale of non-current assets	<u>24,464</u>	<u>23,944</u>
	<u>855,739</u>	<u>301,826</u>
 Revenue from ordinary activities	<u><u>68,997,378</u></u>	<u><u>53,077,215</u></u>

Note 5. Profit from ordinary activities

	2005 \$	2004 \$
(a) Net gains and expenses		
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Net Gains		
Net gain on disposal		
Property, plant and equipment	<u>6,089</u>	<u>7,638</u>
	<u>6,089</u>	<u>7,638</u>
Foreign exchange gains and losses		
Other net foreign exchange gains	<u>24,138</u>	<u>235</u>
Expenses		
Depreciation		
Buildings	38,633	38,478
Plant and equipment	356,203	222,465
Motor Vehicles	<u>44,548</u>	<u>56,724</u>
Total depreciation	<u>439,384</u>	<u>317,667</u>
Amortisation		
Plant and equipment under finance leases	198,769	78,021
Goodwill	431,217	305,661
Leasehold Improvements	<u>43,907</u>	<u>166</u>
Total amortisation	<u>673,894</u>	<u>383,848</u>
Other charges against assets		
Bad and doubtful debts - debtors retention	-	965,781
Bad and doubtful debts - trade debtors	47,675	111,651
Borrowing costs		
Borrowing costs	190,259	145,335
Total borrowing costs	<u>190,259</u>	<u>145,335</u>
Net loss on disposal of property, plant and equipment	<u>47,931</u>	<u>16,729</u>

Note 6. Retained profits

	2005	2004
Retained profits at the beginning of the financial year	5,081,767	501,012
Net profit attributable to members of Lycopodium Limited	5,451,116	5,580,755
Dividends provided for or paid	<u>(5,000,000)</u>	<u>(1,000,000)</u>
Retained profits at the end of the financial year	<u><u>5,532,883</u></u>	<u><u>5,081,767</u></u>

Note 7. Dividends

	2005 \$	2004 \$
Ordinary shares		
Final fully franked dividend for the year ended 30 June 2004 of \$40 (2004 - \$10) per fully paid share paid on 25 Jan 2005 (2004 - 8 August 2003) franked at the tax rate of 30% (2004: 30%)	4,000,000	1,000,000
Interim fully franked dividend for the year ended 30 June 2004 of \$10 (2004 - nil) per fully paid share paid 13 July 2004 (2004 - nil) franked at the tax rate of 30% (2004: 30%)	<u>1,000,000</u>	<u>-</u>
Total dividends provided for or paid	<u><u>5,000,000</u></u>	<u><u>1,000,000</u></u>
	2005 \$	2004 \$

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10.5 cents (2004 - \$10) per fully paid ordinary share, franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 November 2005 (2004 - 13 July 2004) out of retained profits at 30 June 2005, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (note 1) (Based on current shareholdings at the date of this report) is:

<u><u>3,898,650</u></u>	<u><u>1,000,000</u></u>
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Note 8. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2005 \$	2004 \$
Profit from ordinary activities after income tax	5,676,916	5,785,189
Depreciation and amortisation	1,113,278	701,514
Dividends received	-	-
Net (gain) loss on disposal of property, plant and equipment	41,842	9,091
Non-cash operating expenses	42,607	84,801
Net exchange differences	163	8,957
	<u>6,874,806</u>	<u>6,589,552</u>
Decrease (increase) in trade debtors and bills of exchange	1,207,686	(4,691,797)
Decrease (increase) in future income tax benefit	(143,926)	(439,087)
Decrease (increase) in other operating assets	(1,958,658)	(391,207)
Increase (decrease) in trade creditors	(99,528)	654,329
Increase (decrease) in other operating liabilities	1,327,780	(275,285)
Increase (decrease) in provision for income taxes payable	(1,127,265)	508,834
Increase (decrease) in provision for deferred income tax	(73,373)	287,269
Increase (decrease) in other provisions	<u>1,218,563</u>	<u>548,466</u>
Net cash inflow from operating activities	<u>7,226,085</u>	<u>2,791,074</u>

Note 9. Earnings per share

	2005 Cents	2004 Cents
Basic earnings per share	16.7	20.3
Diluted earnings per share	<u>16.6</u>	<u>20.3</u>

Note 10. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained profits as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports quarterly to the audit committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule.

The project team has identified the key accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are discussed below, outlining the numeric differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may require adjustment.

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Arising from recognition of tax losses and timing differences not previously tax effected, the initial adoption of AASB 112 is expected to increase opening consolidated retained earnings by approximately \$550,000 with a corresponding increase in deferred tax assets as at the date of transition. The consolidated tax expense for the year ended 30 June 2005 will increase by approximately \$519,000 with an equivalent decrease in the deferred tax asset due to the reversal of the deferred tax asset on the tax losses and timing differences not previously booked.

In addition, the tax effect of transaction costs on raising capital would have been recognised directly in equity, resulting in an increase in tax expense and an increase in contributed equity of approximately \$159,000 in the consolidated entity's financial statements for the year ended 30 June 2005.

Note 10. Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

(b) Investment properties

Under AASB 140 *Investment Property*, investment properties can be measured using either the fair value model or the cost model.

The cost model used must be the same as that used in AASB 116 *Property, Plant and Equipment* which measures the property after initial measurement at depreciated cost (less any accumulated impairment losses) under the cost model. Under the cost mode the fair value of the investment property must be disclosed in the accounts. Lycopodium Limited opts to use the cost model as opposed to using the fair value model when accounting for investment properties under AIFRS.

This accounting policy change will not impact on consolidated retained profits at 30 June 2005, but has the capacity to impact on future years where impairment of investment properties may occur.

(c) Intangible assets – goodwill

Under AASB 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 10 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, the carrying amount of consolidated goodwill at 30 June 2005 would have been \$431,218 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been \$431,218 lower. There would have been no impact on the parent entity's financial statements.

The analysis of the impact on goodwill as a result of applying AASB 127 Consolidated and Separate Financial Statements is yet to be finalised.

(d) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, Share-based compensation forms part of the remuneration of employees of the economic entity (including executives) as disclosed in the notes to the financial statements. The economic entity does not recognise an expense for any share-based compensation granted under AGAAP. Under AASB 2: Share-Based Payment the economic entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the equity instrument determined at grant date and recognised over the expected vesting period.

AASB 1 states that on initial adoption of AIFRS an entity is encouraged, but not required, to apply AASB 2 Share-Based Payment to equity instruments that were granted on or before 7 November 2002. A first-time adopter is also encouraged, but not required, to apply AASB 2 to equity instruments that were granted after 7 November 2002 that vested before the later of (a) the date of transition to Australian equivalents to IFRSs and (b) 1 January 2005. This guidance has been used in determining the share based payments recognised in the financial statements.

Lycopodium Limited granted 1,100,000 options on 14 December 2004 and due to the fact that these options were granted and vested prior to 1 January 2005, have opted for non-application of AASB 2 pursuant to paragraph 25B of AASB 1. Accordingly, for the financial year ended 30 June 2005, employee benefits expense and contributed equity are not expected to increase.

Note 10. Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

(e) Non-Current investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into one of four categories, which determine the accounting treatment of the asset. The categories and related accounting treatments are:

- held to maturity, measured at amortised cost
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss
- loans and receivables, measured at amortised cost
- available for sale, measured at fair value with unrealised gains or losses taken to equity.

The consolidated entity's and the parent entity's financial assets include loans and receivables. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of loans and receivables at amortised cost differs to current accounting policy which measures such assets at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value. Under AASB 139 loans and receivables are subject to regular impairment testing. The impact of the changes is not expected to be material.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The consolidated entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 year.

(f) Impairment of assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The consolidated entity is testing all assets for impairment at 1 July 2004 and 30 June 2005. The impact of the change as a result of AASB 136 is yet to be finalised.

(g) Revenue disclosures in relation to the sale of non-current assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference under AIFRS is nil.

Lycopodium Limited
Supplementary Appendix 4E information

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

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2005 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
13 July 2004	13 July 2004	Interim	\$10.00	\$ 1,000,000	\$10.00	-
10 October 2004	25 January 2005	Final	\$40.00	\$ 4,000,000	\$40.00	-
1 November 2005	15 November 2005	Final	10.5 cents	\$ 3,867,150	10.5 cents	-

Retained Earnings (*Appendix 4E item 8*)

	2005 \$	2004 \$
Retained earnings at the beginning of the financial year	5,081,767	501,012
Adjustment resulting from change in accounting policy for providing for dividends	-	-
Adjustment resulting from change in accounting policy for profit sharing bonus plans	-	-
Net profit attributable to members of Lycopodium Limited	5,451,116	5,580,755
Transfer from share capital on buy-back of preference shares	-	-
Dividends provided for or paid	<u>(5,000,000)</u>	<u>(1,000,000)</u>
Retained profits at the end of the financial year	<u>5,532,883</u>	<u>5,081,767</u>

NTA Backing (*Appendix 4E item 9*)

	2005	2004
Net tangible asset backing per ordinary share (\$)	0.49	0.41

Associates and Joint Venture entities (*Appendix 4E item 11*)

Name	Ownership interest	
	2005 %	2004 %
MLH Management Pty Ltd	33	33

Other significant information (*Appendix 4E item 12*)

Refer to attached Company Update

Commentary on results (*Appendix 4E items 14*)

Earnings per share

	2005	2004
Actual Earnings per share on issue (cents)	14.82	20.21

Basic earnings per share is derived from using a weighted average of shares issued as the denominator, while actual earnings per share on issue uses total shares on issue at balance date as the denominator.

Audit Alert (*Appendix 4E items 15 - 17*)

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