

## ASX RELEASE

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### GUIDANCE UPDATE

Lycopodium has previously communicated the strong headwinds in our sector and a forecast reduction in the demands for our services. Over the past few months the reduction in demand has been more rapid and more pronounced than previously anticipated. As a result Lycopodium is now forecasting a material reduction in the annual net profit after tax to \$4M from our previous forecast of \$9.5M, reflecting a second half loss of \$2.3M. The reduction in profit can be attributed to the following key factors:

- A slower than planned ramp up in both committed and new work.
- Deferral, scaling back and reassessment of a number of studies and projects by clients.
- Ongoing difficulties for junior miners to raise equity for studies and projects.
- Ongoing austerity measures by the major mining companies, including commitments to sustaining capital projects.
- A highly competitive landscape against a diminished number of opportunities in the minerals sector, both domestically and internationally. This has translated into a slow down in conversions of tenders to new work, as well as a reduction in margins as new work is secured.
- A continued reduction in opportunities within the Australian manufacturing sector.
- Redundancy costs of \$3.6M associated with the required downsizing of the business to better align the available workload.

Lycopodium will continue to focus on the successful execution of committed work and to identify new opportunities. We have previously advised that subdued conditions are anticipated for 12 -18 months and we will continue to adjust our business in order to remain competitive through this period. Our balance sheet remains in a strong position and our debt position remains very low.

For further information:

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