



Notice of Meeting and Explanatory Memorandum

LogiCamms Limited ABN 90 127 897 689

Date: 24 June 2019
Time: 9.00am
Location: Stamford Plaza (Raffles Room),
39 Edward Street, Brisbane

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE RESOLUTIONS. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

If, after reading this document, you have any questions, please contact LCM for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

If you have recently sold all of your Shares, please disregard this document.

Disclaimer and Important Notice

General

This Notice of Meeting and Explanatory Memorandum is dated **22 May 2019**.

This document is important. The Explanatory Memorandum provides additional information on matters to be considered at the Meeting and forms part of the Notice of Meeting. You should read it in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting.

A proxy form for the Meeting is also enclosed. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Purpose of this document

This Explanatory Memorandum has been prepared for LogiCamms Limited ("LCM") shareholders ("LCM Shareholders") in connection with the Extraordinary General Meeting to be held at **9.00am on 24 June 2019**. The purpose of this Explanatory Memorandum is to provide LCM Shareholders with information that the LCM Directors believe to be material to deciding whether or not to approve the Resolutions detailed in the Notice of Meeting.

This Explanatory Memorandum does not constitute or contain an offer to LCM Shareholders or a solicitation of an offer from LCM Shareholders in any jurisdiction.

Interpretation

Capitalised terms used in the Notice of Meeting and Explanatory Memorandum are defined in the Glossary at the end of this document, or where the relevant term is first used.

Any documents reproduced in this Notice of Meeting and Explanatory Memorandum may have their own defined terms, which are sometimes different from those in the Glossary.

All numbers are rounded unless otherwise indicated. A reference to \$ and cents is to Australian currency, unless otherwise stated. All financial and operational information set out in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum, unless otherwise stated.

All times referred to in this Notice of Meeting and Explanatory Memorandum are references to the time in Brisbane, Australia, unless otherwise stated.

A reference to a section is to a section in the Explanatory Memorandum, unless otherwise stated.

Disclaimer

This Explanatory Memorandum has been prepared by LCM based on the information available to it. The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinions and conclusions contained in this Explanatory Memorandum.

The LCM historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with LCM's other periodic and continuous disclosure announcements including LCM's results for the half year ended 31 December 2018 lodged with the ASX on 28 February 2019 (available at: <https://www.asx.com.au/asxpdf/20190228/pdf/4433cy138sdf9d.pdf>) and announcements to the ASX available at: <https://www.asx.com.au>.

The pro forma financial information provided in the Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of LCM's views on its future financial condition or performance.

Responsibility for information

Except as outlined below, the information contained in this Explanatory Memorandum has been prepared by LCM and is its responsibility. Except as outlined below, neither OSD Pty Ltd ACN 058 047 046 ("OSD") nor any of its subsidiaries, Directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

OSD has prepared and provided all information relating to OSD set out in sections 9 and 10 of this document and is responsible for that information. LCM does not assume any responsibility for the accuracy or completeness of such information.

KPMG Corporate Finance has prepared the Independent Expert Report and takes responsibility for that report. None of LCM, OSD nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert Report, except, in the case of LCM and OSD, in relation to the information which they have provided to the Independent Expert. Shareholders should read the Independent Expert Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

LCM is responsible for the balance of this document but accepts no responsibility for any errors, omissions or misstatements in the Explanatory Memorandum that are attributable to errors, omissions or misstatements in publicly available information or third party sources or otherwise. Subject to the Corporations Act, LCM makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

ASIC and ASX

A copy of this Explanatory Memorandum has been provided to ASIC and ASX. None of ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Notice of Meeting and Explanatory Memorandum.

Forward looking statements

Some of the statements appearing in this document may be in the nature of forward looking statements. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

Neither LCM nor any of its officers, or any person named in this document or involved in the preparation of this document, make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document. LCM has no obligation to disseminate after the date of this document any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those

statements are based unless required under the Corporations Act to update or correct this document or pursuant to LCM's continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Supplementary information

LCM may issue a supplementary document to this Explanatory Memorandum if, between the date of this Explanatory Memorandum and the date of the Extraordinary General Meeting, it becomes aware that:

- a material statement in this Explanatory Memorandum is false or misleading;
- there is a material omission from this Explanatory Memorandum;
- there is a significant change affecting a matter in this Explanatory Memorandum; or
- a significant new matter has arisen and it would have been required to be included in this Explanatory Memorandum if known at the time of publication.

Depending on the nature and the timing of the changed circumstances and subject to obtaining any relevant approvals, LCM may circulate and publish any supplementary document by:

- placing an advertisement in a prominently placed newspaper which is circulated generally throughout Australia;
- releasing the supplementary documents on ASX and posting it on LCM's website, www.logicamms.com.au/investor-relations; or
- posting the supplementary document to LCM Shareholders.

Foreign jurisdictions

This Explanatory Memorandum has been prepared in accordance with the laws currently in force within Australia and the information contained in this Explanatory Memorandum may vary from the disclosure obligations applicable had this Explanatory Memorandum been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

The publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions. Any person residing outside Australia who comes into possession of this Explanatory Memorandum should seek advice in respect of, and comply with, any such restrictions. Any failure to comply with such restrictions of a foreign jurisdiction may constitute a violation of applicable laws or regulations.

Financial amounts

All financial amounts in this Explanatory Memorandum are expressed in Australian currency unless otherwise stated.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

All financial and operational information set out in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum, unless otherwise stated.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables are based on information available as at the date of this Explanatory Memorandum.

Privacy and personal information

LCM is required to collect personal information about you to implement the Transaction. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Meeting. The collection of some of this information is required or authorised to be collected under the Corporations Act.

Information may be disclosed to LCM and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Transaction. If the information outlined above is not collected, LCM may be hindered in, or prevented from, conducting the Meeting or implementing the Transaction effectively, or at all. If you appoint an individual as your proxy, corporate representative or attorney to vote at the Meeting you should inform that individual of the matters outlined above and that LCM has collected their personal information from you.

If you are an individual, you have certain rights to access or correct the personal information collected about you. You may also contact the Share Registry if you wish to exercise those rights or to update your personal information held by the Share Registry. LCM will otherwise collect, hold, use and disclose your personal information in accordance with our Privacy Statement (available at <http://www.logicamms.com.au/privacy-statement/>), which sets out how you can access and correct the personal information that LCM holds about you and how to lodge a complaint relating to LCM's treatment of your personal information (and how LCM will deal with your complaint).

No financial product or investment advice

This document is not a financial product or investment advice nor is it a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders and other persons should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation, financial and other advice appropriate to their jurisdiction and circumstances. LCM is not licensed to provide financial product advice in respect of the Shares.

Financial information presentation

Investors should be aware that certain financial data included in this Notice of Meeting and Explanatory Memorandum is 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. LCM believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of Merged LCM. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Notice of Meeting and Explanatory Memorandum.

* Or emailing, where relevant LCM Shareholders have previously consented to receive such communications electronically.

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Key dates

22 May 2019	Date of this Notice of Meeting and Explanatory Memorandum
22 June 2019 at 7.00pm	Time and date for determining eligibility to vote at the Meeting
22 June 2019 at 9.00am	Last date and time for receipt of proxy form by LCM
24 June 2019 at 9.00am	Time and date of the Meeting
28 June 2019	Completion of Transaction

All times referred to above are references to the time in Brisbane, Australia. The above dates are indicative only and are subject to change. Any changes to the above timetable will be announced through the ASX companies announcement platform and LCM's website at <http://www.logicamms.com.au>.

Letter from the Chairperson

22 May 2019

Dear Shareholder,

I am pleased to introduce the Transaction which, subject to Shareholder approval, will see LogiCamms Limited¹ (“**LCM**”) acquire OSD Pty Ltd² (“**OSD**”) to create a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with specialist offerings across a range of industries throughout Australia, New Zealand and the Pacific.

The LCM Directors unanimously consider that the Transaction is in the best interests of LCM Shareholders and unanimously recommend that you vote in favour of the Resolutions, in the absence of a superior proposal.

The Independent Expert has formed the opinion that the Transaction is fair and reasonable to non-associated Shareholders.

Context

Toward the end of FY18 LCM’s Directors determined that there was a need to repair the balance sheet. This was initially communicated as part of LCM’s FY18 results. The Directors undertook a strategic review of funding options which included various alternative debt refinancing and recapitalisation options. The Directors also considered a number of potential merger transactions.

The Directors assessed the options available and formed the view that a merger with OSD was the most attractive for LCM shareholders. The Transaction addresses the balance sheet position as well as delivering strategic and operational benefits which are detailed below.

The Transaction

The Transaction involves the acquisition of OSD by LCM. LCM will acquire control of each of OSD’s wholly owned subsidiaries and OSD’s 30% interest in KEG Software Pty Ltd (“**KEGS**”).

In consideration for the acquisition of all of the shares in OSD, the OSD Shareholders will be issued with 118,469,070 fully paid ordinary shares in LCM.

LCM will also issue 4,780,229 share options to prescribed OSD executives (and former executives) who currently hold unexercised share options pursuant to OSD’s Employee Share Option Plan. The LCM Options will not be quoted securities. The OSD Option Holders will have their existing OSD Options cancelled and will receive their LCM Options issued as a part of the Transaction. The strike prices and the terms of the LCM Options have been calculated to ensure that each OSD Option holder will remain as at completion in a financial position in respect of the LCM Options which is as near as possible to that

which existed in respect of the OSD Options, just prior to completion occurring. Merged LCM will receive cash proceeds of \$526,500 if all of the LCM Options were to be exercised.

Benefits of the Transaction

The Transaction is supported by a compelling financial and strategic rationale:

- with combined pro forma forecast FY19 revenue of approximately \$120 million and aggregate work in hand as of January 2019 of more than \$57 million, Merged LCM will have increased scale and a complementary services offering across multiple jurisdictions and industries;
- substantial initial low risk synergies of approximately \$3 million per annum, resulting from eliminating duplication in central and local operations, the majority of which should be achieved in the first 12 months after completion of the Transaction;
- additional cost synergies are expected over time from further streamlining of processes and more effective utilisation of Merged LCM’s assets (systems, sites and human resources);
- a significantly strengthened balance sheet and expected net cash position after completion of the Transaction and payment of transaction costs. As a result, the proposal removes the need to address LCM’s balance sheet position and capital requirement by undertaking a refinancing and/or recapitalisation of LCM. The LCM Directors formed the view that the Transaction was superior to the likely outcome under a refinancing and/or recapitalisation proposal that may include: (i) potential for Shareholder dilution; (ii) a higher cost of capital; (iii) the absence of synergies; and (iv) higher risk relating to a turnaround of LCM as a stand-alone business;
- a refinancing and/or recapitalisation of LCM may take longer to deliver revenue and profitability growth, a strengthened balance sheet and a return to the payment of dividends relative to the Transaction;
- lower overhead costs per billable hour, strengthening LCM’s competitive position and increasing the potential to win a higher proportion of future tendered work;
- potential additional revenue from cross-selling of OSD’s and LCM’s services to their respective client bases;
- improved operating cash flow;

¹ LogiCamms Limited ACN 127 897 689

² OSD Pty Ltd ACN 058 047 046

- complementary skill sets of the SD and LCM workforces;
- the Transaction will align the interests of key management personnel through share ownership;
- LCM and OSD have complementary expertise and aligned cultures and operating methods which underpin a detailed transition plan to ensure the integration successfully delivers benefits to customers, employees and shareholders;
- additional management capability, scale and momentum to accelerate LCM's turnaround by allowing the Merged LCM to compete for larger contracts than is currently possible; and
- Merged LCM is positioned to be a leading mid-tier engineering services business with a greater breadth and depth of technical capability and correspondingly more diverse client base and revenue stream than either of the existing standalone businesses.

Risks and Disadvantages

While the LCM Directors unanimously consider that the Transaction is in the best interests of LCM Shareholders and unanimously recommend that you vote in favour of the Resolutions, there are a number of potential disadvantages and risks associated with the merger, which are summarised below and set out in detail in section 12. The most significant risks and potential disadvantages include:

- Risks and disadvantages specific to the Transaction including:
 - › risks associated with achieving completion of the Transaction;
 - › risks of reliance on information related to and provided by OSD;
 - › risks of acquiring OSD;
 - › dilution of current Shareholders;
 - › risks that counterparties to LCM and OSD material contracts may not consent to (or support in the future) the Transaction; and
 - › disclosure risks and warranty and indemnity insurance risk.
- Risks and disadvantages to Merged LCM post-completion of the Transaction including risks relating to:
 - › failure to achieve expected synergies;
 - › recruitment, retention and motivation of key personnel;
 - › the Board and proposed management team of Merged LCM potentially not having the right skills, experience or ability to improve the performance of Merged LCM;
 - › a potential culture mismatch between LCM and OSD;
 - › risks associated with competitors in the engineering consulting market;
 - › the regulatory landscape of the engineering consulting industry;
 - › one party acquiring a Relevant Interest in Merged LCM of 38.40%, including that:
 - » the presence of a significant shareholder may reduce the attractiveness of Merged LCM's Shares to any potential takeover bidder and Mr O'Sullivan's interests will be able to block or otherwise deter any future control transactions, thereby reducing the likelihood Shareholders will receive a future premium for control;
 - » Mr O'Sullivan alone will have sufficient voting power to prevent the passing of all special resolutions of Merged LCM requiring approval of 75% of Shareholders;
 - » depending upon voter turnout, Mr O'Sullivan may have the ability alone to pass and/or prevent general resolutions of Merged LCM; and
 - » there may be an adverse impact on the liquidity in trading Merged LCM Shares;
 - › the risk of claims or other forms of litigation or dispute;
 - › increased foreign jurisdiction exposure;
 - › an inability to carry forward LCM's tax losses; and
 - › an inability to achieve value accretion, which will depend on the ability of Merged LCM to generate sufficient earnings through the achievement of the synergies and realisation of other benefits of the Transaction to compensate for the dilutive effect of the Transaction to existing Shareholders.
- General risks affecting LCM regardless of whether the Transaction proceeds or not include risks relating to:
 - › the market and engineering consulting industry; and
 - › financial and regulatory risks.

Board Changes

Subject to completion of the Transaction, a number of changes will be made to LCM's Board of Directors. Upon completion of the Transaction:

- I will step down and cease to be Chairperson and Mr Charles Rottier will be appointed as independent Chairperson of the Board; and
- Mr Brian O'Sullivan AM and Mr Linton Burns (current Executive Directors of OSD) will be appointed as Executive Directors of Merged LCM.

The current intention is that an additional independent Director will be selected for appointment after completion of the Transaction, to provide complementary capabilities, experience and diversity to the Board.

Conditions of the Transaction

Shareholders are being asked to approve certain Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transaction to proceed.

Completion of the Transaction is conditional on, among other things, Shareholders approving Resolution 1 set out in this Notice of Meeting, no Material Adverse Change occurring in respect of the business of either LCM or OSD, certain change of control consents under material contracts being granted and other conditions common for a transaction of this nature. The Transaction may still proceed if Resolution 2 is not passed.

Independent Expert

LCM has engaged KPMG Corporate Finance pursuant to section 611 of the Corporations Act, for the purposes of preparing an Independent Expert Report that opines on whether the Independent Expert considers that the Transaction is fair and reasonable to non-associated LCM Shareholders.

The Independent Expert has formed the opinion that the Transaction is fair and reasonable to the non-associated LCM Shareholders, in the absence of a superior proposal. A copy of the Independent Expert Report on the fairness and reasonableness of the Transaction is attached to this Notice of Meeting and Explanatory Memorandum.

Further Information

Further detailed information about the Resolutions and the Transaction is set out in the enclosed Explanatory Memorandum.

The LCM Directors encourage all eligible LCM shareholders to participate in the vote. You can vote in person at the Extraordinary General Meeting on 24 June 2019 or, if you cannot attend in person, you can vote by proxy or through an assigned power of attorney or corporate representative using the Proxy Form included with this Explanatory Memorandum.

If you have any questions about this Notice of Meeting and Explanatory Memorandum or the Transaction, please contact LCM at +61 7 3058 7000, for more information or alternatively seek independent professional advice on any aspect of which you are not certain.

If you have any queries regarding your shareholding in LCM or other LCM Share Registry matters, please contact Link Market Services Limited on 1300 544 474 (for callers within Australia) or +61 1300 554 474 (for callers outside Australia).

Your LCM Directors consider that the merger represents a compelling opportunity and unanimously recommend that you vote to support the merger. If you support the merger, it is important that you vote in favour of all the Resolutions.

Yours sincerely



Peter Watson
Chairperson

LogiCamms Limited

What to do now

1. Carefully read this document

Shareholders are being asked to pass certain Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transaction to proceed.

This document sets out information about the Transaction and provides Shareholders with the necessary information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This information is important.

You should read this document carefully, and in its entirety, before making a decision as to how to vote at the Meeting.

2. Seek further information if required

If you have any queries about any matter contained in this document please contact LCM for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

How to vote

1. Vote in person

To vote in person, attend the Meeting at 9.00am, 24 June 2019 at the Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane.

2. Vote by proxy

If you are not able to attend the Meeting, please lodge your vote online or complete and sign the proxy form enclosed with the Notice of Meeting as soon as possible.

To vote online, go to www.investorvote.com.au or scan the QR Code on the proxy form with your mobile device, and follow the instructions on the secure website to vote.

To complete the proxy form, record your vote on the proxy form in relation to each Resolution to be considered at the Meeting as follows:

- if you wish to approve the Resolution, place a cross (X) in the space provided under the word **'FOR'** in respect of that Resolution;
- if you do not wish to approve the Resolution, place a cross (X), in the space provided under the word **'AGAINST'** in respect of that Resolution; and
- if you do not wish to vote in respect of the Resolution, place a cross (X) in the space provided under the word **'ABSTAIN'** in respect of that Resolution.

Once you have completed and signed the proxy form, then you may lodge it, together with the power of attorney or other authority (if any) under which it is signed or authenticated (or a certified copy thereof) ("**Authentication Documents**") by post to Computershare Investor Services Pty Limited (GPO Box 242 Melbourne, Victoria 3001). Alternatively you may fax the proxy form to +61 3 9473 2555 (outside Australia) or 1800 783 447 (within Australia). Proxy forms must be received by LCM together with any Authentication Documents prior to 22 June 2019 at 9.00am in order to be valid.

3. Vote by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an Appointment of Corporate Representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by LCM before the start or resumption of the meeting at which the representative is to vote, in person or by post in the reply paid envelope provided.

4. Vote through broker or nominees

If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.

Section 1

Directors' Recommendations and the Independent Expert Report

This section 1 sets out the Directors' recommendation and Independent Expert's opinion on whether the Transaction is fair and reasonable.

1.1 LogiCamms Directors' Recommendation

The LCM Directors, in the absence of a superior proposal:

- (1) unanimously consider that the Transaction is in the best interests of LCM Shareholders;
- (2) unanimously recommend that eligible LCM Shareholders vote in favour of the Resolutions; and
- (3) to the extent they are eligible to vote, intend to vote each of their respective LCM Shares in favour of the Resolutions.

In making this recommendation, the LCM Directors have considered:

- the reasons for and the reasons against the Transaction;
- the risks associated with implementation of the Transaction;
- alternatives to the Transaction; and
- the finding of the Independent Expert, as set out in the Independent Expert Report.

The LCM Directors as at the date of this Explanatory Memorandum are:

- Peter Lawrence Watson;
- Richard George Robinson; and
- Charles Louis Rottier.

1.2 Independent Expert's Opinion

The Independent Expert has concluded that the Transaction is fair and reasonable.

The LCM Directors appointed KPMG Corporate Finance as the Independent Expert to prepare an independent assessment, analysis and opinion as to whether the Transaction is fair and reasonable. KPMG Corporate Finance is independent of LCM and OSD and has no interest in the outcome of the Transaction other than the preparation of the Independent Expert Report. The Independent Expert has concluded that the Transaction is fair and reasonable to the non-associated LCM Shareholders.

In forming this opinion, the Independent Expert has assessed whether the proposal is “fair” by determining if the value of the offer price or consideration, being the value of the LCM Shares post completion of the Transaction, on a minority basis, is equal to or greater than the value of the securities the subject of the offer, being the LCM shares pre-completion of the Transaction, on a controlling interest basis.

The Independent Expert has assessed the value of a LCM share, inclusive of a premium for control, to lie in the value range of \$0.18 to \$0.21 per share, which compares, to the Independent Expert's assessed value for Merged LCM of between \$0.21 to \$0.26 per Merged LCM share, on a minority and fully diluted basis. As the assessed value of a Merged LCM share, on a minority and fully diluted basis, lies at or above the assessed value range for a LCM share inclusive of a premium for control, the Independent Expert considers the Transaction to be fair.

Regulatory Guide (RG) 111 “Content of expert reports”, issued by the Australian Securities and Investments Commission (ASIC) indicates that an offer is reasonable if it is fair. Notwithstanding this ASIC guidance, the Independent Expert has also considered various benefits and disadvantages that will accrue to the non-associated LCM shareholders as a result of the Transaction, as well as compared to maintaining the status quo.

Eligible LCM Shareholders should read the Independent Expert Report in its entirety before making a decision as to whether or not to vote in favour of Resolutions 1 and 2.

Section 2

Important information about the Transaction

This section 2 provides a summary only of important information about the Transaction and proposed Resolutions, as well as information on how to vote at the Meeting. This section also highlights key information about LCM, OSD and Merged LCM, and explains where you can find more detailed information about Merged LCM. This section should be read in conjunction with the entire Notice of Meeting and Explanatory Memorandum before you decide how to vote on the Resolutions.

Information about the Transaction

What is the Transaction?

The Transaction involves, subject to shareholder approval, the acquisition of OSD by LCM. Accordingly, LCM will acquire control of each of OSD's wholly owned subsidiaries and OSD's 30% interest in KEG Software Pty Ltd ACN 164 548 921 ("**KEGS**"). In consideration for the acquisition of all of the shares in OSD, LCM will issue 118,469,070 fully paid ordinary Shares in LCM to the existing OSD Shareholders.

Subject to completion of the Transaction, the shareholdings of Merged LCM will comprise a total of 200,795,034 ordinary shares, of which 82,325,964 ordinary shares (being 41% of the total shareholding) will be held by the current LCM Shareholders and 118,469,070 Shares (being 59% of the total shareholding) will be held by the OSD Shareholders.

Additionally, as part of the Transaction, OSD must cancel each existing issued OSD Option and must terminate the existing OSD Option Plan. On completion of the Transaction, LCM must issue 4,780,229 LCM Options to those OSD Option Holders who have had their options cancelled, on the terms and at the strike price set out in the Share Sale and Purchase Agreement (and as outlined in section 13.2 of this Explanatory Memorandum). The Option holders include prescribed OSD executives (and former executives) who currently hold unexercised share options pursuant to the OSD Option Plan. Merged LCM will receive cash proceeds of \$526,500 if all of the LCM Options were to be exercised.

The LCM Options will not be quoted securities.

The Transaction will create a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with approximately 550 employees and specialist offerings across a range of industries and locations in Australia, New Zealand and the Pacific.

Information about the Transaction (continued)

What is the consideration LCM has agreed to pay under the Transaction?

LCM has agreed to issue 118,469,070 Shares to the OSD Shareholders, as consideration for the acquisition of OSD, constituting an aggregate of 59% of the total shareholding of Merged LCM.

The value of this consideration and the number of Consideration Shares to be issued to the OSD Shareholders, was determined based upon an analysis of the financial position and performances of OSD and LCM respectively; this included the financial accounts for both LCM and OSD for FY18 and between 1 July 2018 and 30 November 2018 and the anticipated future financial position and performance of OSD and LCM.

Based on an analysis of this financial information, the parties determined and calculated a share exchange ratio that was based upon LCM and OSD's:

- EBITDA and revenue;
- total work in hand;
- net working capital; and
- net debt levels.

No cash consideration will be exchanged as part of the Transaction.

What is LCM acquiring under the Transaction?

LCM is acquiring the entire OSD Group by way of acquiring all of the OSD shares. Therefore, OSD will become a wholly-owned subsidiary of LCM and LCM will effectively own all of the assets and trading liabilities of OSD and its subsidiaries.

What are the conditions to the Transaction being completed?

Completion of the Transaction is conditional on ("**Conditions**"):

- Shareholders approving the Resolutions as set out in this Notice of Meeting;
- the Independent Expert issuing a final report stating that the Transaction is fair and reasonable or not fair but reasonable;
- OSD and LCM receiving a binding refinancing package for Merged LCM on acceptable terms; obtaining key third party consents to the Transaction from material contract counterparties, landlords and financiers;
- ASX approving official quotation of the Consideration Shares to be issued to the OSD Shareholders;
- the absence of any Material Adverse change in either the LCM Group or OSD Group;
- a warranty and indemnity insurance policy being issued to LCM on terms satisfactory to LCM; and
- an amended or replacement executive services agreement being entered into by Chris O'Neill as CEO and Dan Drewe as CFO, on terms acceptable to the OSD Shareholders.

See section 13.1 for a summary of the key terms and conditions of the Share Sale and Purchase Agreement, including the Conditions.

What will happen to my Shares if the Transaction proceeds?

Nothing will happen to the Shares held by existing Shareholders under the Transaction, except that their proportionate ownership of LCM will be diluted by the issue of the Consideration Shares under the Transaction.

Information about the Transaction (continued)

How will the structure of LCM's ownership change if the Transaction proceeds?

No single Shareholder will control LCM as a result of the Transaction, although Mr Brian O'Sullivan will hold an aggregate of 38.4% of all Shares and will have a right to nominate a Director to the Board (being himself or such other person that he nominates from time to time) for so long as he retains at least 15% of the total Shares on issue in Merged LCM. Mr Brian O'Sullivan's first nomination pursuant to this right will be himself.

Upon completion of the Transaction:

- 59% of the Shares will be held by OSD's Shareholders; and
- 41% of the Shares will be held by LCM's existing Shareholders.

The following parties will represent the expected major shareholders in Merged LCM:

- Brian O'Sullivan will have a Relevant Interest in aggregate of **38.4%** of all Shares, including 21.31% in his personal capacity and 17.09% through his controlled entity BOS Holdings;
- Gregory Bartley and Fiona Bartley will have a Relevant Interest in **9.09%** of all Shares;
- Thorney Investments will hold **7.34%** of all Shares;
- Forager Funds Management will hold **5.36%** of all Shares;
- Andrew Horstmann and Jenny Horstmann will have a Relevant Interest in **5.34%** of all Shares; and
- Candyblossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act) will hold **5.33%** of all Shares.

See section 13.11 and the definition of Associated Parties for further information about the parties who will acquire a Relevant Interest and the voting power of parties in LCM resulting from the Transaction.

Will LCM remain listed on ASX if the Transaction proceeds?

Yes, LCM will remain listed on ASX after completion of the Transaction.

Following completion of the Transaction the company will retain the name "LogiCamms Limited" and the ASX ticker LCM.

Will the Shares issued under the Transaction be escrowed?

Escrow arrangements will not be required of the OSD Shareholders to whom Shares are issued and LCM has received in-principle advice from the ASX confirming that ASX will not exercise its discretion to require escrow arrangements in respect of the issue of new Shares in LCM under the Transaction.

What will happen if the Transaction does not proceed?

If Resolution 1 is not passed by Shareholders, or the other conditions precedent to the Transaction are not satisfied or waived, the Transaction will not proceed. The Transaction may still proceed if Resolution 2 is not passed.

If the Transaction does not proceed, LCM will not acquire OSD and no new Shares will be issued pursuant to the Transaction to OSD Shareholders. LCM will also incur transaction costs estimated to be \$745,000.

In those circumstances, the Board will continue to focus on LCM's core business. LCM's management have investigated options to address LCM's balance sheet position should the Transaction not proceed, including undertaking a refinancing and/or recapitalisation (these options are considered less attractive for LCM shareholders than the Transaction). Should the Transaction not proceed, LCM will negotiate with financiers and shareholders to secure a suitable debt refinancing and/or recapitalisation for the LCM Group to ensure that it can continue to operate effectively.

If appropriate, LCM will also continue to explore other refinancing, merger or acquisition opportunities that are aligned with its strategy in the medium to long term.

Highlights of the Transaction

Reasons to vote in favour of the Transaction

The LCM Directors unanimously recommend that you vote in favour of the Transaction, in the absence of a superior proposal.

The Independent Expert has concluded that the Transaction is fair and reasonable.

The reasons why you might vote in favour of the Transaction include:

- the Transaction creates a mid-tier engineering, project delivery, technology, asset services and training group with specialist offerings across a range of industries and locations in Australia, New Zealand and the Pacific;
- OSD offers benefits to Merged LCM, including:
 - › recent history of solid high single digit EBITDA margins on revenues circa \$40M per annum;
 - › a recent revenue and EBITDA profile built on strong client relationships and a strong work in hand and future opportunity profile, including a leading role on a number of large-scale greenfield hydro-transport pipeline (and associated facility) projects;
 - › an experienced senior management team with a track record of delivering strong performance; and
 - › OSD Asset Services contracts that underpin long-term revenues;
- initial identified annual overhead savings in excess of \$3M per annum, with further cost synergies and operational revenue potential identified but not yet quantified;
- the Transaction will align the interests of key management personnel if a new share ownership scheme is implemented following completion of the Transaction;
- OSD management systems to replace LCM systems approaching end of useful life, avoiding systems replacement costs and disruption;
- strengthened complementary capabilities and expanded client base in Pipelines and Facilities Engineering, Asset Services/Asset Performance and Training;
- lower overhead costs per billable hour, strengthening LCM's competitive position;
- potential revenue synergies from introducing OSD Pipeline Engineering and LCM Controls and Automation & Electrical and Instrumentation strengths to existing clients;
- greater scale and a stronger balance sheet allowing Merged LCM to undertake larger contracts than either LCM or OSD independently could fulfil, resulting in faster growth rates;
- OSD financial resources and cash flow to support restructuring;
- with combined pro forma forecast FY19 revenue of approximately \$120M and estimated mid-single digit EBITDA, Merged LCM is expected to be able to secure appropriate long-term financing facilities;
- Merged LCM is expected to commence trading with a net cash position;
- LCM Technology and Innovation Group brings technology developments. OSD brings certain project development opportunities;

Highlights of the Transaction (continued)

- the stronger balance sheet will enable LCM to invest in the commercialisation of current technology and innovation initiatives;
- with a stronger balance sheet and greater scale, the combined business is anticipated to be in a position to bid for larger projects at more competitive pricing without sacrificing margin;
- by providing additional cash on completion of the Transaction and an anticipated improvement in future operating cash flow generation, the Transaction restores Merged LCM to an appropriate gearing level and removes the need that would otherwise exist to undertake an alternative refinancing and/or recapitalisation transaction; and
- if the Transaction does not proceed, the LCM share price may in the short term revert to the share price prior to the announcement of the Transaction.

Toward the end of FY18 LCM's Directors determined that there was a need to repair the balance sheet.

The Directors assessed the options available and formed the view that a merger with OSD was the most attractive for LCM shareholders.

The LCM Directors have formed the view that the Transaction was superior to the likely outcome under a refinancing and/or recapitalisation proposal that may include: (i) potential for Shareholder dilution; (ii) a higher cost of capital; (iii) the absence of synergies; and (iv) higher risk relating to a turnaround of LCM as a stand-alone business. Furthermore, in the Directors view, a refinancing and/or recapitalisation of LCM may take longer to deliver revenue and profitability growth, a strengthened balance sheet and a return to the payment of dividends relative to the Transaction.

Please see sections 4.2 and 5.1 for more detailed information about the rationale and potential benefits of the Transaction and Merged LCM.

Potential reasons to vote against the Transaction

The reasons why you might vote against the Transaction include:

- as a Shareholder, you may form the view that the Transaction as currently proposed and structured is not in your best interests;
- there are inherent risks associated with the Transaction and you may consider that these risks outweigh the potential benefits from the Transaction. See section 12 for more information on significant risk factors;
- you may consider that the Board and proposed management team of Merged LCM does not have the right skills, experience or ability to run Merged LCM;
- you may want to maintain your current investment profile;
- as a Shareholder, you may not agree with the value attributed to OSD or LCM by the Transaction; and
- as a Shareholder, you may not want your proportionate ownership of LCM to be diluted.

Please see sections 5.2 and 12 for more detailed information about the significant risks and potential disadvantages associated with the Transaction and Merged LCM.

What is the Independent Expert's recommendation?

The Independent Expert has concluded that the Transaction is fair and reasonable to the non-associated LCM Shareholders.

Highlights of the Transaction (continued)

What are the Directors' recommendations?

The Directors of LCM unanimously consider that the Transaction is in the best interests of LCM Shareholders in the absence of a superior proposal and unanimously recommend that Shareholders who are entitled to vote, vote in favour of each of the Resolutions at the Meeting, in the absence of a superior proposal.

Each Director intends to vote the Shares that each Director controls in favour of each of the Resolutions proposed at the Meeting, to the extent that the Director is not excluded from voting in favour of that Resolution, in the absence of a superior proposal.

Information about the Equity Incentive Plans

What are the Equity Incentive Plans?

There will be no equity incentive plans as a part of the Transaction. The only equity incentives will be the Performance Rights already issued to Mr Chris O'Neill in connection with his existing role as CEO and Mr Charles Rottier in connection with services provided to LCM. See section 8.4 for further details.

As no Director or proposed Director of Merged LCM will receive new securities under an employee incentive scheme, Shareholder approval under ASX Listing Rule 10.14 is not being sought at this Extraordinary General Meeting.

Following completion of the Transaction, the nominated Board intends to put in place (subject to Shareholder approval), an appropriate incentive plan for Merged LCM management that will align the interests of employees and Shareholders.

Key information about LCM, OSD and Merged LCM

What is Merged LCM?

Merged LCM will be created on completion of the Transaction as a result of the acquisition of OSD.

Following completion of the Transaction, the scale of LCM's existing operations will be significantly expanded, creating a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with specialist offerings across a range of industries throughout Australia, New Zealand and the Pacific.

Key information about LCM, OSD and Merged LCM (continued)

What will be the strategy of Merged LCM?

Merged LCM's strategy is to quickly take advantage of the benefits of the merger to win more work (including larger and more complex projects) at good margins, initially in the industries and geographies where LCM and OSD currently operate (oil & gas, mining & minerals, pipelines, refining and chemicals, infrastructure and defence in Australia, New Zealand, PNG and the Pacific). This will include providing all of LCM and OSD's existing service offerings (engineering, project delivery, technology, asset performance, operations & maintenance services and specialised training) to these markets.

The key benefits of the merger which will enable this strategy are:

- larger and broader capability from the size and complementary skills sets formed by merging LCM and OSD;
- the ability to cross-sell the respective services and capabilities of LCM and OSD;
- cost synergies which will provide a lower 'dollars per hour' overhead which will increase Merged LCM's cost competitiveness and profitability;
- a strong balance sheet which is a pre-requisite for winning larger projects; and
- a more engaged and motivated workforce with a strong common culture and shared vision, mission and values.

The Merged LCM will use the growth generated by taking advantage of the above benefits to build further momentum and explore strategic growth opportunities.

Further detail is provided in section 10.2.

These statements of intention and business strategy for Merged LCM are also the stated current intentions of Mr O'Sullivan. LCM has been advised by Mr O'Sullivan that he has no current individual intentions contrary to those above and disclosed in further detail in section 10, with respect to Merged LCM moving forward.

Key information about LCM, OSD and Merged LCM (continued)

What are the key risks for Merged LCM?

There are risks associated with an investment in Merged LCM, the value of the shares and other risks of which Shareholders should be aware. These risks include:

- risks specific to the Transaction, including risks:
 - › to achieving completion of the Transaction;
 - › of reliance on information related to and provided by OSD;
 - › of acquiring OSD;
 - › associated with the dilution of current Shareholders;
 - › that counterparties to LCM and OSD material contracts may not consent to (or support in the future) the Transaction; and
 - › disclosure and warranty and indemnity insurance risks;
- risks to Merged LCM post-completion of the Transaction, including risks relating to:
 - › failure to successfully implement the Transition Plan;
 - › failure to achieve expected synergies;
 - › recruitment, retention and motivation of key personnel;
 - › competition in the engineering consulting markets;
 - › one party acquiring a Relevant Interest in Merged LCM of 38.40%, including that:
 - » the presence of a significant shareholder may reduce the attractiveness of Merged LCM's Shares to any potential takeover bidder and Mr O'Sullivan's interests will be able to block or otherwise deter any future control transactions, thereby reducing the likelihood Shareholders will receive a future premium for control;
 - » Mr O'Sullivan alone will have sufficient voting power to prevent the passing of all special resolutions of Merged LCM requiring approval of 75% of Shareholders;
 - » depending upon voter turnout, Mr O'Sullivan may have the ability alone to pass and/or prevent general resolutions of Merged LCM; and
 - » there may be an adverse impact on the liquidity in trading Merged LCM Shares.
 - › legal and other claims or disputes;
 - › increased foreign jurisdiction exposure;
 - › an inability to carry forward tax losses; and
 - › an inability to achieve value accretion;
- general risks applicable to Merged LCM, including risks relating to the market and industry and financial and regulatory risks.

Further detail is set out in section 12.

Key information about LCM, OSD and Merged LCM (continued)

What is Merged LCM's aggregated historical Pro Forma performance?

Merged LCM – Aggregated Unaudited Pro Forma Historical Performance

	FY18 (30 June 2018) \$ (million)
Revenue	122.3
Gross Profit	41.8
EBITDA	7.7
Profit after tax	3.5

Notes:

1. LCM's and OSD's financial statements on which the FY 2018 information is based were audited to 30 June 2018.
2. The financial information presented above is a summary only and should be read in conjunction with the more detailed discussion of the financial information in section 11, including the assumptions, management discussion and analysis.
3. Including eliminating identified Pro Forma adjustments of approximately \$1.6m relating to non-recurring items.

Where can I find more financial information about Merged LCM?

Section 11 contains a summary of the financial information in relation to Merged LCM.

Significant accounting policies upon which that information is based are included in section 11.

What is Merged LCM's dividend policy?

The Board will consider the payment of dividends from time to time after taking account of general business and financial conditions, working capital requirements, taxation position and future capital expenditure requirements.

Were a dividend to be payable, the Board anticipates that it may be in the range of 40% to 60% of net profit after tax. It should be noted that no assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Key information about LCM, OSD and Merged LCM (continued)

Who will sit on the Board of Merged LCM after the Transaction has completed?

The following changes in appointments to the Board of Merged LCM will be made upon completion of the Transaction:

- Mr Peter Watson will step down as Chairperson and retire as a Director;
- Mr Charles Rottier will become independent Chairperson;
- Mr Brian O'Sullivan will join the Board as a Director;
- Mr Linton Burns will join the Board as a Director; and
- Mr Richard Robinson will remain on the Board as an independent Director.

Mr Brian O'Sullivan and Mr Linton Burns will also both be employed as executives of Merged LCM.

The current intention is that an additional independent Director will be selected for appointment after completion of the Transaction, to provide complementary capabilities, experience and diversity to the Board. The new Director has not been chosen.

Shareholder approval of these appointments is not being sought at this Extraordinary General Meeting. Instead, in accordance with the Corporations Act and the ASX Listing Rules, Mr Brian O'Sullivan and Mr Linton Burns will formally resign and stand for election by Shareholders at LCM's Annual General Meeting later this year.

Subject to and with effect from completion of the Transaction, Mr Brian O'Sullivan will be granted a perpetual contractual right to nominate a Director to the Board (being himself or such other person that he nominates from time to time) for so long as he (either personally or through his controlled entities or Associated Parties) retains at least 15% of the total Shares on issue in LCM. Appointment of the nominee to the Board is subject to Board approval. Mr Brian O'Sullivan's first nomination pursuant to this right will be himself.

Key information about LCM, OSD and Merged LCM (continued)

Who will manage Merged LCM after the Transaction has completed?

Mr Chris O'Neill will continue as Chief Executive Officer and Mr Dan Drewe will continue as Chief Financial Officer of Merged LCM.

Mr Linton Burns will move from his current role as Managing Director of OSD to Transition Director of Merged LCM with responsibility for leading the integration of the two businesses.

Mr Brian O'Sullivan will move from his current role as Executive Chairman and General Manager, Corporate Development at OSD to Director, Corporate Development (employed executive) of Merged LCM.

OSD's General Manager Corporate, Ms Laurie Paxton, will be appointed as Head of People and Culture for Merged LCM.

The remainder of the senior executive team of Merged LCM will be assembled drawing on the strongest capability from each of OSD and LCM, and will evolve post-completion of the Transaction, as the businesses are integrated.

See sections 10 and 13 for further information about the management team and Board of Directors of Merged LCM.

What significant benefits are payable to the Directors and other persons connected to the Transaction, and what significant interests do they hold?

The Directors' shareholdings (inclusive of their Associated Parties) in Merged LCM will be as follows:

- Mr Charles Rottier – 206,032 Shares (0.10% voting entitlement);
- Mr Brian O'Sullivan – 77,103,087 Shares (38.40% voting entitlement), see section 13.11 for more details;
- Mr Linton Burns – 3,877,298 Shares (1.93% voting entitlement), see section 13.11 for more details; and
- Mr Richard Robinson – 50,000 Shares (0.02% voting entitlement).

Additionally Mr Linton Burns will receive 2,124,546 LCM Options as a part of the Transaction in consideration for the cancellation of his current OSD Options. If Mr Burns exercises his options, he will acquire a total shareholding of 6,001,844 Shares and a voting entitlement of approximately 2.90%.

Mr Charles Rottier also currently holds 90,000 performance rights for services provided to LCM. Upon vesting, Mr Rottier's performance rights will represent a voting entitlement of approximately 0.05% in Merged LCM which will bring Mr Rottier's total voting entitlement to approximately 0.15% in Merged LCM.

The remuneration and benefits of the Executive Directors is as set out in their respective Executive Services Agreements. See section 13.3 for an outline of the key terms of each new Executive Services Agreement to be entered into in connection with the Transaction.

The issue of 77,103,087 Shares to Mr Brian O'Sullivan and his Associated Parties and the issue of 3,877,298 Shares and 2,124,546 LCM Options to Mr Linton Burns and his Associated Parties will constitute financial benefits being issued to related parties of LCM, as a result of the Transaction. See section 13.6 for further details concerning related party transactions.

Information about Shareholder approvals required for the Transaction

Why is Shareholder approval required for the Transaction?

Brian O'Sullivan together with his controlled entities will acquire a Relevant Interest and voting power in more than 20% of the issued Shares as a result of receiving their part of the Consideration Shares. Pursuant to section 606 of the Corporations Act, a person must not (without shareholder approval) acquire a Relevant Interest in issued voting shares in a listed company if, because of the transaction, the person's (or someone else's) voting power in the company increases from 20% or below to more than 20%, or at all, if from a starting point that is above 20% and below 90%.

Resolution 1 seeks approval from Shareholders for the acquisition of the OSD Group and the issue of the 118,469,070 fully paid, ordinary Consideration Shares to the OSD Shareholders, including the issue of 77,103,087 Consideration Shares to Brian O'Sullivan (in his personal capacity and through his controlled entity), which will increase his aggregate voting power in LCM to more than 20%.

Resolution 2 seeks approval from Shareholders for the issue of the 4,780,229 LCM Options to the OSD Option Holders pursuant to and/or for the purposes of ASX Listing Rule 7.1. This approval is required to ensure that the issue of the LCM Options as part of the Transaction does not utilise any of LCM's annual 15% placement capacity (without requiring Shareholder approval), under ASX Listing Rule 7.1. The Transaction may still proceed if Resolution 2 is not passed.

What am I being asked to vote on?

Shareholders are being asked to vote on two Resolutions which provide the following approvals:

Resolution 1 — An ordinary resolution, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, to approve:

- (a) LCM's acquisition of the OSD Group; and
- (b) the issue of the 118,469,070 fully paid ordinary Consideration Shares to the OSD Shareholders (in their Respective Proportions) as consideration for the acquisition of the OSD Group, including the issue of 42,786,349 Shares to Mr Brian O'Sullivan and the issue of 34,316,738 Shares to BOS Holdings (an entity controlled by Mr Brian O'Sullivan), which will increase Mr O'Sullivan's voting power in LCM from 0% to 38.4%.

See section 13.11(1) for further details.

Resolution 2 — An ordinary resolution, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, to approve the issue of the 4,780,229 LCM Options to the OSD Option Holders, which if all LCM Options were exercised, would constitute in aggregate approximately 2.33% of the total Shares on issue in LCM upon such exercise.

See section 13.11(2) for further details.

What are the voting intentions of the Chairperson as proxy?

The LCM Chairperson intends to vote all undirected proxies over which he has control in favour of the Resolutions, in the absence of a superior proposal.

When and where will the Meeting be held?

The Meeting will take place at 9.00am, 24 June 2019, at the Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane.

Information about Shareholder approvals required for the Transaction (continued)

What are the voting approval thresholds for the Resolutions?	<p>Each of the Resolutions is an ordinary resolution, requiring simple majority approval. This means that more than 50% of the votes cast on each of the Resolutions, respectively, by Shareholders who are eligible to vote on the Resolution must be cast in favour of the Resolution in order for it to be passed.</p> <p>See the Notice of Meeting for further information.</p>
Are the Resolutions inter-conditional?	<p>The Resolutions are not conditional on each other being passed. The Transaction will not proceed unless Resolution 1 is passed. The Transaction may still proceed if Resolution 2 is not passed.</p>
Who is eligible to vote on the Resolutions?	<p>In accordance with the Corporations Regulations, the LCM Board has determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded in LCM's share register at 7.00pm (Brisbane time) on 22 June 2019.</p> <p>See the Notice of Meeting for further information.</p>
Is voting compulsory?	<p>Voting is not compulsory. However, your vote is important.</p> <p>If you cannot attend the Meeting you are strongly encouraged to complete and return the proxy form that is enclosed with the Notice of Meeting.</p> <p>If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.</p> <p>If you require any assistance in completing or lodging your proxy form, please contact Computershare Investor Services Pty Limited on 1300 850 505 (for callers within Australia) or +61 3 9415 4000 (for callers outside Australia), or contact your legal, financial or other professional advisor.</p>

Transaction timetable

What is the indicative timetable for the Transaction?*	<p>Date of this Notice of Meeting and Explanatory Memorandum 22 May 2019</p> <hr/> <p>Time and date for determining eligibility to vote at the Meeting 22 June 2019 at 7.00pm</p> <hr/> <p>Last time and date for receipt of proxy forms by LCM 22 June 2019 at 9.00am</p> <hr/> <p>Time and date of the Meeting 24 June 2019 at 9.00am</p> <hr/> <p>Completion of the Transaction 28 June 2019</p>
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*The date of completion is indicative only and may change without notice

Further questions

Where can I find more information about OSD, including financial information?	<p>Please see section 9 for information about OSD.</p> <p>Please see section 11 for historical financial information about OSD and Pro Forma financial information about Merged LCM.</p>
Where can I find more information about LCM, including financial information?	<p>Please see section 8 for information about LCM.</p> <p>Please see section 11 for historical financial information about LCM and Pro Forma financial information about Merged LCM.</p>
What should I do if I have further questions about the Transaction?	<p>If you have any queries about any matter contained in this document please contact LCM for more information or alternatively seek independent professional advice on any aspects of which you are not certain.</p>

Section 3

Resolutions

The Extraordinary General Meeting is being held to consider and, if thought fit, approve the following resolutions (each a “**Resolution**” and together, the “**Resolutions**”).

The Transaction will not proceed unless Resolution 1 is passed.

Resolution 1 is not conditional on Resolution 2 being passed. The Transaction will proceed if Resolution 1 is passed even if Resolution 2 is not passed.

Further information in relation to the Resolutions is set out in the Notice of Meeting as Attachment 1 – Notice of Meeting.

3.1 Resolution 1

An ordinary resolution, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, to approve:

- (1) LCM’s acquisition of the OSD Group; and
- (2) the issue of the 118,469,070 fully paid ordinary Consideration Shares to the OSD Shareholders (in their Respective Proportions) as consideration for the acquisition of the OSD Group, including the issue of 42,786,349 Shares to Mr Brian O’Sullivan and the issue of 34,316,738 Shares to BOS Holdings (an entity controlled by Mr Brian O’Sullivan), which will increase Mr O’Sullivan’s voting power in LCM from 0% to 38.4%.

3.2 Resolution 2

An ordinary resolution, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, to approve the issue of the 4,780,229 LCM Options to the OSD Option Holders, which if all LCM Options were exercised, would constitute in aggregate approximately 2.33% of the total Shares on issue in LCM upon such exercise.

Section 4

Rationale for the Transaction

This section 4 sets out the strategic rationale for the Transaction, including the proposed strategy for Merged LCM.

4.1 Overview

Toward the end of FY18 LCM's Directors determined that there was a need to repair the balance sheet. This was initially communicated as part of LCM's FY18 results. The Directors undertook a strategic review of funding options, which included various alternative debt refinancing and recapitalisation options. The Directors also considered a number of potential merger transactions.

The Directors assessed the options available and formed the view that a merger with OSD was the most attractive for LCM shareholders. The Transaction addresses the balance sheet position as well as delivering strategic and operational benefits, which are detailed below.

The proposed merger will create a strong ASX-listed mid-tier engineering business with more than 550 employees and forecast pro forma FY19 normalised EBITDAI of approximately \$6.7 million (before taking account of any anticipated synergies).

Overview of OSD

Established in 1992, OSD is an Australian privately-owned engineering, operations and commercial services business with operations in Australia and New Zealand. It provides engineering, project delivery, commercial and operational services to the oil, gas, mining and petrochemical industries in Australia and internationally. OSD offers whole of life services to asset owners in a range of market sectors including oil and gas, pipelines and facilities, processing and refining, water and hydro-transport.

OSD is employee-owned, with 66% owned by its founder, Mr Brian O'Sullivan AM.

OSD has been able to achieve a track record of performance through several key strengths:

- Specialisation and leading position in pipelining for oil and gas, water, and hydro-transport, including associated facilities required for operation.
- Strong, long term relationships with a diverse range of large and mid-tier clients.
- Experienced senior management with their own money invested in the business.
- Disciplined cost management.
- Efficient processes with high levels of accountability.
- Motivated and engaged employee base.
- A portion of work-in-hand linked to longer term Operations and Maintenance contracts that provide greater revenue predictability.

In addition to its portfolio of engineering projects OSD has, as a result of its close client relationships and specialised technical expertise, been able to secure a leading role in a number of large-scale hydro-transport pipeline (and associated facilities) projects in the mining industry in which OSD has invested significant time over several years. While there is still risk that some or all of these projects do not proceed, they are now sufficiently advanced to provide potential future revenue streams. OSD has a recent growth profile driven by the strong momentum in its core engineering business and supplemented by these large bespoke projects.

4.2 Rationale for the Transaction and Merged LCM

The Transaction will create a leading mid-tier engineering services business with breadth and depth of technical capability and correspondingly diverse client base and revenue streams.

The combined business will have pro forma forecast FY19 revenue of approximately \$120 million and pro forma forecast normalised FY19 EBITDAI of approximately \$6.7 million. At 22 March 2019, OSD's net cash was \$6.9 million. As of January 2019, the combined businesses had aggregate work in hand of more than \$57 million.

The Directors expect the Transaction to be earnings per share accretive for Shareholders (on a fully dilutive basis) from FY20.

The Transaction is supported by a compelling operational and strategic rationale, including:

(1) Substantial low risk cost synergies

Through the due diligence process, LCM and OSD have identified initial cost synergies of approximately \$3 million per annum from eliminating duplication in both central and local operations. There is potential for further cost and revenue synergies to be extracted over time.

Further detail is provided at section 4.3 below.

(2) Future revenue synergy potential

Combining the businesses will realise synergies and eliminate duplication, giving Merged LCM a lower overhead per billable hour, thus strengthening LCM's competitive position and increasing the potential to win a higher proportion of future tendered work.

(3) Catalyst to drive improved employee engagement and satisfaction

The scale of Merged LCM's business will permit the implementation of several new initiatives to increase employee engagement and retention including the creation of a new role, Head of People and Culture, reporting directly to CEO Chris O'Neill and additional use of short and long-term incentives to ensure employee alignment with the performance of the company.

(4) Positioned to be a leading mid-tier engineering services business with breadth and depth of technical capability and correspondingly diverse client base and revenue streams

The merger creates a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with approximately 550 employees and specialist offerings across a range of industries through Australia, New Zealand and the Pacific. The combined business will have an expanded client base and provide greater capability to service customer requirements on larger and more complex projects.

(5) Strengthened balance sheet and access to funding

OSD brings a strong balance sheet with net cash of \$6.9 million as at 22 March 2019. Accordingly, the combined business will have a significantly strengthened balance sheet and is expected to have a net cash position after completion of the transaction and payment of transaction costs.

A stronger balance sheet and substantial cost synergies will allow Merged LCM to secure appropriate long-term financing facilities. A stronger company will have the ability to secure and execute larger client projects.

(6) Complementary expertise and compatible culture

LCM and OSD have complementary expertise and aligned cultures and operating models. A detailed transition plan is being prepared to ensure the merger is successful and that the merged company delivers better outcomes for employees, clients and shareholders.

(7) Reduces the risk of a turnaround for LCM as a stand-alone business

The merger provides additional management capability, scale and momentum to accelerate LCM's turnaround. The integration of the two businesses is expected to bring significant benefits to employees and clients. The merger will strengthen the company's balance sheet and improve its operating cash flow, thereby obviating the requirement to undertake a refinancing and/or recapitalisation.

Having assessed alternative options to address LCM's balance sheet position the LCM Directors formed the view that the Transaction was superior to the likely outcome under a refinancing and/or recapitalisation proposal that may include: (i) potential for Shareholder dilution; (ii) a higher cost of capital; (iii) the absence of synergies; and (iv) higher risk relating to a turnaround of LCM as a stand-alone business. Furthermore, in the Directors view, a refinancing and/or recapitalisation of LCM may take longer to deliver revenue and profitability growth, a strengthened balance sheet and a return to the payment of dividends relative to the Transaction. At the time of issuing this Notice of Meeting, a competing proposal has not emerged.

The stronger balance sheet also provides the capital to execute restructuring that will, after initial once-off costs are absorbed, drive further improvements in profitability. The Board believes these factors will provide an opportunity to reduce risk and accelerate the company's return to profitable growth.

4.3 Strategy for Merged LCM

Merged LCM's strategy is to quickly take advantage of the benefits of the merger to win more work (including larger and more complex projects) at good margins, initially in the industries and geographies where LCM and OSD currently operate (oil & gas, mining & minerals, pipelines, refining and chemicals, infrastructure and defence in Australia, New Zealand, PNG and the Pacific). This will include providing all of LCM and OSD's existing service offerings (engineering, project delivery, technology, asset performance, operations & maintenance services and specialised training) to these markets.

The key benefits of the merger which will enable this strategy are:

- larger and broader capability from the size and complementary skills sets formed by merging LCM and OSD;
- the ability to cross-sell the respective services and capabilities of LCM and OSD;
- cost synergies which will provide a lower 'dollars per hour' overhead which will increase Merged LCM's cost competitiveness and profitability;
- a strong balance sheet which is a pre-requisite for winning larger projects; and
- a more engaged and motivated workforce with a strong common culture and shared vision, mission and values.

The Merged LCM will use the growth generated by taking advantage of the above benefits to build momentum and explore further strategic growth opportunities.

Further detail is provided in section 10.2.

Section 5

Reasons to Vote For or Against the Transaction

This section 5 outlines significant risks and potential disadvantages associated with the acquisition of OSD and Merged LCM.

5.1 Benefits of the Transaction and Merged LCM

The LCM Directors unanimously recommend that you vote in favour of the Transaction in the absence of a superior proposal.

Section 4.2 articulates the rationale for the Transaction and Merged LCM. This broadly reflects the benefits of the Transaction, however the key benefits are summarised below:

- (1) substantial low risk cost synergies;
- (2) future further operational and revenue synergy potential;
- (3) positioned to be a leading mid-tier engineering services business with breadth and depth of technical capability and correspondingly diverse client base and revenue streams, with an ability for Merged LCM to embark on more complex projects;
- (4) strengthened balance sheet and access to funding;
- (5) complementary expertise and compatible culture;
- (6) removes the need for LCM to undertake a refinancing and/or recapitalisation transaction;
- (7) reduces the risks of the turnaround of LCM as a stand-alone business;
- (8) may allow for the efficient utilisation of LCM tax losses;
- (9) the Directors expect the Transaction to be earnings per share accretive for Shareholders (on a normalised fully dilutive basis) from FY20; and
- (10) if the Transaction does not proceed, the LCM share price may in the short term revert to the share price prior to the announcement of the Transaction.

An assessment of expected initial synergies has identified approximately \$3 million per annum cost synergies could be achieved by combining the businesses. Further potential revenue synergies associated with initiatives such as cross-selling are anticipated but have not been quantified. Cost synergies are expected to be implemented and realised on an annualised run-rate basis within 12 months post-Completion, with additional cost and operational benefits anticipated to be realised over time as the two companies' office leases and other operational, administrative and corporate costs are optimised.

The management team of Merged LCM will combine to create a leading mid-tier engineering services business with operations across Australia, New Zealand and Papua New Guinea.

5.2 Significant risks and potential disadvantages

Possible risks and disadvantages for Shareholders related to the Transaction and Merged LCM are summarised below. Further detail is provided in section 12.2 and section 12.3.

The most significant risks and potential disadvantages include:

- Risks and disadvantages specific to the Transaction including risks:
 - › associated with achieving completion of the Transaction;
 - › of reliance on information related to and provided by OSD;
 - › of acquiring OSD;
 - › dilution of current Shareholders;
 - › that counterparties to LCM and OSD material contracts may not consent to (or support in the future) the Transaction; and
 - › disclosure risks and warranty and indemnity insurance risk.
- Risks and disadvantages to Merged LCM post-completion of the Transaction including risks relating to:
 - › failure to achieve expected synergies;
 - › recruitment, retention and motivation of key personnel;
 - › the Board and proposed management team of Merged LCM may not have the right skills, experience or ability to improve the performance of Merged LCM;
 - › there may be a culture mismatch between LCM and OSD;
 - › risks associated with competitors in the engineering consulting market;
 - › the regulatory landscape of the engineering consulting industry;
 - › one party acquiring a Relevant Interest in Merged LCM of 38.40%, including that:
 - » the presence of a significant shareholder may reduce the attractiveness of Merged LCM's Shares to any potential takeover bidder and Mr O'Sullivan's interests will be able to block or otherwise deter any future control transactions, thereby reducing the likelihood Shareholders will receive a future premium for control;
 - » Mr O'Sullivan alone will have sufficient voting power to prevent the passing of all special resolutions of Merged LCM requiring approval of 75% of Shareholders;
 - » depending upon voter turnout, Mr O'Sullivan may have the ability alone to pass and/or prevent general resolutions of Merged LCM; and
 - » there may be an adverse impact on the liquidity in trading Merged LCM Shares.
 - › the risk of claims or other forms of litigation or dispute;
 - › increased foreign jurisdiction exposure;
 - › an inability to carry forward LCM's tax losses; and
 - › an inability to achieve value accretion, which will depend on the ability of Merged LCM to generate sufficient earnings through the achievement of the synergies and realisation of other benefits of the Transaction to compensate for the dilutive effect of the Transaction to existing Shareholders.
- General risks affecting LCM regardless of whether the Transaction proceeds or not include risks relating to:
 - › the market and engineering consulting industry; and
 - › financial and regulatory risks.

Further detail is set out in section 12.

The Directors believe that the potential advantages of the Transaction outweigh the risks and potential disadvantages of the Transaction and unanimously recommend that eligible LCM Shareholders vote in favour of the Resolutions.

Section 6

Overview of the Transaction

This section 6 sets out a high level overview of the Transaction and should be read in conjunction with the entire Notice of Meeting and Explanatory Memorandum before you decide how to vote on the Resolutions.

6.1 Overview

The Transaction involves LCM merging with OSD by way of LCM acquiring the OSD Group through the purchase of the ordinary shares in OSD and issuing ordinary shares in LCM to the OSD Shareholders as consideration for the Transaction. The Transaction will create a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with approximately 550 employees with a specialist offering across a range of industries and locations in Australia, New Zealand and the Pacific. Significant synergies have been identified by management, and the Transaction will strengthen LCM's balance sheet and support the achievement of additional growth opportunities.

6.2 Acquisition of OSD

Under the terms of the Share Sale and Purchase Agreement, LCM has agreed to purchase all of the OSD shares for scrip consideration. As consideration for the acquisition, the OSD Shareholders will be issued with 118,469,070 Shares (Consideration Shares), representing an aggregated shareholding of approximately 59% of the total issued Shares in LCM after completion of the Transaction.

Additionally, as part of the Transaction, OSD must cancel each existing issued OSD Option and terminate the existing OSD Option Plan. On completion of the Transaction, LCM must issue 4,780,229 LCM Options to those OSD Option Holders who have had their options cancelled, on the terms and at the strike price set out in section 13.2. If all LCM Options were exercised, the LCM Options would represent an increased voting entitlement of 2.33% to the relevant OSD Option Holders and Merged LCM would receive \$526,500 in cash proceeds upon such exercise.

More detailed information about the Share Sale and Purchase Agreement is set out in section 13.1 of this Explanatory Memorandum.

6.3 Valuation methodology

The value of the consideration for the acquisition of OSD was determined based upon an analysis of the financial position and performances of OSD and LCM respectively; this included the financial accounts for both LCM and OSD for FY18 and between 1 July 2018 and 30 November 2018 and the anticipated future financial position and performances of OSD and LCM.

Based on an analysis of this financial information, the parties determined and calculated a share exchange ratio that was based upon LCM's and OSD's:

- EBITDA and revenue;
- total work in hand;
- net working capital; and
- net debt levels.

6.4 Merged LCM aggregated historical Pro Forma performance

A high level overview of the aggregated unaudited historical financial performance of Merged LCM is set out below. More detailed information is contained in section 11.

	FY18 (30 June 2018) \$ (million)
Revenue	122.3
Gross Profit	41.8
EBITDA	7.7
Profit after tax	3.5

Notes:

- (1) LCM's and OSD's financial statements on which the FY 2018 information is based were audited to 30 June 2018.
- (2) The financial information presented above is a summary only and should be read in conjunction with the more detailed discussion of the financial information in section 11, including the assumptions, management discussion and analysis.
- (3) Including eliminating identified Pro Forma adjustments of approximately \$1.6m relating to non-recurring items.

6.5 Board of Merged LCM

The composition of the LCM Board post-completion of the Transaction has been agreed between LCM and OSD.

The following changes in Board appointments will be made conditional on, and effective from, completion of the Transaction:

- (1) Mr Peter Watson will step down as Chairperson and retire as a Director;
- (2) Mr Charles Rottier will be appointed as the independent Chairperson;
- (3) Mr Brian O'Sullivan will be appointed as a Director;
- (4) Mr Linton Burns will be appointed as a Director; and
- (5) Mr Richard Robinson will remain as an independent Director.

Mr Brian O'Sullivan and Mr Linton Burns will also both be employed as executives of Merged LCM. The current intention is that an additional independent Director will be selected for appointment after completion of the Transaction, to provide complementary capabilities, experience and diversity to the Board. This additional Director has not yet been selected.

See section 9.5 for information about the qualifications and experience of the two new Executive Directors, being Mr O'Sullivan and Mr Burns. Refer to section 13.3 for the key terms of the appointment of Mr Brian O'Sullivan and Mr Linton Burns as executives.

Shareholder approval of these appointments is not being sought at this Extraordinary General Meeting. Instead, in accordance with the Corporations Act and the ASX Listing Rules, Mr Brian O'Sullivan and Mr Linton Burns will formally resign and stand for election by Shareholders at LCM's Annual General Meeting later this year.

6.6 Management team of Merged LCM

Post-completion of the Transaction, the management team of Merged LCM will be as follows:

- (1) Mr Chris O'Neill will continue as Chief Executive Officer;
- (2) Mr Dan Drewe will continue as Chief Financial Officer;
- (3) Mr Linton Burns will move from his current role as Managing Director of OSD to Transition Director of Merged LCM and will take responsibility for leading the integration of the LCM and OSD businesses;
- (4) Mr Brian O'Sullivan will move from his current role as Executive Chairman and General Manager, Corporate Development at OSD to Director and Executive, Corporate Development of Merged LCM;
- (5) Ms Laurie Paxton will move from her current role as General Manager Corporate at OSD to Head of People and Culture of Merged LCM; and
- (6) The remainder of the senior management team of Merged LCM will be determined and appointed drawing on individuals with the strongest capability from each of OSD and LCM and will evolve post-completion, as the businesses are integrated.

6.7 Significant Shareholders of Merged LCM

Upon completion of the Transaction, the expected substantial shareholders in LCM will be as follows.

Shareholder	Shares	Percentage of Issued Capital
Brian Patrick O'Sullivan and BOS Holdings Australia Pty Ltd ³ (being associates under the Corporations Act)	77,103,087	38.40%
GFNA Bartley Family Pty Ltd	18,260,477	9.09%
Thorney Investments	14,741,868	7.34%
Forager Funds Management	10,760,667	5.36%
HSF SMSF Pty Ltd as trustee for Horstmann Superannuation Fund and Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust (being associates under the Corporations Act)	10,722,374	5.34%
Candyblossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act)	10,700,768	5.33%
TOTAL	142,289,241	70.86%

See sections 10.6 and 13.11 and the definition of Associated Parties for further information about the parties who will acquire a Relevant Interest and the voting power of parties in LCM resulting from the Transaction.

³ BOS Holdings Australia Pty Ltd is an entity controlled by Brian Patrick O'Sullivan.

Section 7

Industry Overview

This section 7 sets out information about the industry in which LCM and OSD operate.

7.1 Market overview

The Merged LCM will operate in the Australian engineering consulting industry. Both LCM and OSD deliver multidisciplinary engineering consulting across Australia, New Zealand and the Pacific. Competitors tend to be much larger (for example, WorleyParsons, Aurecon and Aecom) as well as much smaller companies that have a more specialised focus.⁴

The engineering services industry is broadly driven by public sector infrastructure, mining and construction projects. Consulting services include project design, inspection and evaluation as well as advice on mine construction and expansion.

As of March 2019, Australia's engineering consulting market is estimated to generate approximately \$46.1bn in annual revenue and \$3.4bn in annual profit.⁵ The industry experienced growth of 1.1% per annum between 2014 and 2019.⁶ Completion of major LNG projects have also diminished investment from mining & resources companies, consequently impacting the engineering consulting industry.⁷

Large engineering consulting firms have attempted to bolster profitability in an increasingly competitive market by broadening their range and improving their quality of value-added services through increased capabilities and expertise. Consolidation amongst engineering consulting firms has also occurred in the context of this market environment.⁸

The engineering consulting industry is expected to grow at 1.6% per annum between 2019-2024, mainly driven by continued public sector spending on infrastructure projects (such as road, highway and rail network construction), a recovery in mining & resources capital expenditure and increasing industrial complex/office developments.⁹

The mining & resources and infrastructure segments comprise Merged LCM's core addressable markets.

Merged LCM will target growth above the industry average, by focusing on sub-sectors within these broad industries that are growing faster than the overall average.

7.2 Merged LCM's operations in the market and the competitive landscape

Overview of operations

Merged LCM will be positioned as a leading mid-tier engineering services business with breadth and depth of technical capability and correspondingly diverse client base and revenue streams. It will specialise in controls and automation, electrical & instrumentation and process & mechanical engineering, hydrocarbon and hydro transport pipelines and facilities and pipeline operations services for the mining, resources and infrastructure sectors.

The Merged LCM will benefit from the following:

- (1) Improved financial stability, allowing Merged LCM to bid for larger jobs;
- (2) Improved business development capabilities;
- (3) Economies of scale, including overhead cost savings;
- (4) Cross-selling of LCM and OSD services to each other's clients;
- (5) Increased exposure in specific industries. Specifically, OSD has significant experience in hydrocarbon pipeline engineering while LCM has experience in infrastructure & resources; and
- (6) Increased geographic capability. OSD and LCM both operate across Australia, New Zealand and the Pacific.

4 5 6 7 8 9 IBISWorld Industry Report M6923: Engineering Consulting in Australia, LCM, OSD and publicly available information.

Overview of the competitive landscape

The engineering consulting industry is competitive, with market participants bidding aggressively to attain work.¹⁰ This competition is a consequence of the industry's fragmentation, comprising large-scale global consultancies, sole proprietors and boutique firms.¹¹

The Merged LCM will compete with a range of service providers across its core markets, regions, industry sectors and engineering disciplines. Competitors may include:

- Similar multidisciplinary groups such as GPA and Fyfe.¹²
- Larger, diversified players such as Cardno, IMEC, Aurecon, AECOM, Worley Parsons, AMEC, Ausenco, Sedgmans, Bechtel, Wood Group, ARMS Reliability, ARUP, GR Engineering and Jacobs. The main competitors in this group are Worley Parsons and Jacobs and to a lesser extent, AMEC and Ausenco.¹³
- Specialised service providers such as Sage Automation, ATSYS, Alliance Automation, Ausenco, Synertec and Electro80.¹⁴

Notwithstanding the degree of competitor fragmentation, the consolidation trend that has recently emerged allows firms such as Merged LCM to bid for larger projects and therefore increase the share of the market that they service.

7.3 Industry drivers and trends

Set out below are a selection of the key drivers and trends currently impacting the engineering consulting sector.

Demand drivers

Demand in the engineering services industry is driven by the following key market segments:¹⁵

- Government infrastructure spending, which is expected to continue in the near term;
- Mining exploration and development, which is expected to reflect the price levels of major commodities such as coal, iron ore, oil and natural gas. These prices have improved in recent times; and
- Other sectors, including development/construction, manufacturing and industrials.

Commentary on the outlook for the engineering consulting industry and these key market segments is provided at section 7.5.

Sector consolidation

Larger engineering consulting firms have increasingly undertaken mergers and acquisitions to expand their capabilities and value-added services, and better compete for large projects (for example, Australian firm Sinclair Knight Merz merged with the US-owned Jacobs Engineering Group in December 2013, subsequent to this, Worley Parsons acquired Jacobs Engineering Group to provide access to further markets and business growth). By increasing their reach and capabilities, these consulting firms can compete for work on a wider variety of projects. Consolidation has occurred despite growth in the number of market participants over the past five years, as sole-proprietors and boutique firms have entered the industry.

Multidisciplinary service offering

The shift towards multidisciplinary professional organisations has become a feature of the industry over the past five years, with many firms offering a one-stop-shop for clients. Individual firms are offering an expanding range of services, allowing them to undertake a wider range of projects simultaneously. Firms that can compete for a broader range of projects are better able to offset volatility from individual project completions and fluctuating demand from key client industries.

10 11 12 13 14 15 IBISWorld Industry Report M6923: Engineering Consulting in Australia, LCM, OSD and publicly available information.

Technology

Technological change in the engineering consulting industry has been evident in the adoption of computer-assisted and aided design, allowing market participants to increase productivity and reduce costs. Consequently, technological innovation is impacting the ability of market participants to win contracts across a breadth of service areas.

Merged LCM will be well positioned to leverage the technological innovation of both LCM and OSD to better serve clients and increase project win rates and profitability.

Demand for engineering talent

Due to increased competition in the industry, firms have increased salaries of key staff in an attempt to retain engineering talent. This has impacted industry profit margins.

7.4 Merged LCM's ability to capitalise on industry trends

Merged LCM will be positioned to benefit from a number of the main industry trends noted above.

EPC Capability

Merged LCM will have a greater capability to deliver turnkey, or EPC (Engineering Procurement and Construction) projects, which are generally relatively large in size as they involve procurement and construction activities in addition to engineering design.

Pipeline and plant operations capability.

Merged LCM will have a pipeline and facilities operation capability across Australia and New Zealand.

Multi-disciplinary engineering

Merged LCM will have an enhanced multidisciplinary capability including mechanical, process, controls and automation, instrument, electrical and civil engineering disciplines that is comparable to Tier 1 competitor firms. This will allow the Merged LCM to win and deliver larger projects.

Due diligence services

Merged LCM, due to its listed status and size will have a greater ability to provide due diligence and technical/commercial services to infrastructure companies undertaking transactions.

7.5 Industry outlook

Overview

The engineering consulting industry outlook is forecast to improve over the next five years. Industry revenue is projected to increase by 1.6% per annum over the five years through 2023-24, to \$49.9 billion.¹⁶

Major market trends

Capital expenditure on mining is anticipated to boost demand for engineering consulting services and in turn, support industry revenue growth. Mining exploration and development, is expected to grow in line with underlying commodity prices such as coal, iron ore, oil and natural gas.¹⁷

In addition, continued growth in public sector expenditure is projected to drive demand for engineering consulting, as governments tender large infrastructure projects to stimulate the economy.

Competitive environment

Competition is expected to evolve for engineering services over the next five years. With larger firms anticipated to continue undertaking mergers and acquisitions and adopting new technology, certain services will experience pressure however this will also create opportunities for mid-tier players with strong multi-disciplinary capability.¹⁸ Consolidation will enhance firms' economies of scale, increase labour productivity and make more value-added services available to clients.

At the same time as consolidation is forecast to increase among larger companies, new engineering services enterprises are forecast to enter the industry over the next five years.¹⁹ Sole proprietors and small firms are expected to account for the majority of these new entrants and are anticipated to differentiate themselves by their pricing. This trend may cause average wages to increase over the period, as firms obtain and retain highly skilled, specialised and experienced staff.

Over the long run, given the mature nature of the engineering consulting industry, it is expected that success will be determined to a large extent by the ability of individual competitors to maintain high quality service standards that meet client needs, maintain efficient operations that enable them to offer competitive rates but remain profitable, and retain the flexibility to respond to market forces as they evolve.

7.6 Applicable regulatory framework

LCM as a provider of professional engineering and consulting services in Australia, New Zealand, and Papua New Guinea, operates under a variety of different regulatory frameworks and its professionals are registered as required in each jurisdiction. LCM maintains the necessary licences for the services it provides in each jurisdiction. In addition LCM's training provider, Competency Training, is a registered training organisation in Australia.

¹⁹ IBISWorld Industry Report M6923: Engineering Consulting in Australia, LCM, OSD and publicly available information.

Section 8

Information about LCM

This section 8 provides information on LCM.

8.1 Overview of LCM's key business components

LCM is an established multidiscipline engineering company servicing the minerals and metal, hydrocarbons and infrastructure industries. LCM operates in Australia, New Zealand, and Papua New Guinea, and provides its clients with engineering consulting, project delivery, asset performance and maintenance services.

8.2 Overview of LCM's business operations

In Australia, LCM's multidiscipline engineering business operates in Queensland, South Australia, Western Australia, and Victoria. LCM wholly owns New Zealand based oil and gas specialist, LogiCamms New Zealand (formerly ITL Engineering); wholly owns Australian specialist environmental consultancy, Monarc Environmental; and wholly owns Competency Training, its registered training organisation in Australia.

8.3 Director profiles

Director	Expertise, experience and qualifications
Peter Watson Chairperson	<p>Qualifications: Diploma of Engineering, Civil — Monash University, MIEA, Fellow ATSE, MAICD</p> <p>Experience: Peter Watson has 30 years of international experience in engineering, construction and services industries. As former Chief Executive Officer of Global Services Group, Transfield Services (ASX: TSE) from 1999 to 2009 (now known as Broadspectrum), Peter stewarded the company through its listing in 2001 and led its transformation from a local operator to a global business.</p> <p>Since 2009 Peter has served on a number of Boards including Save the Children Pty Ltd, AssetCo Pty Ltd, Zinfra Pty Ltd, and Ross River Solar Farm Pty Ltd. Peter is a member of the AICD, Institution of Engineers Australia, and is a fellow of ATSE.</p> <p>Peter is the Chair of the Nomination and Remuneration Committee, and a member of the Audit and Risk Committee.</p>
Richard Robinson Non-executive Director	<p>Qualifications: B. Engineering (with Honours) — University of NSW, MIEPNG</p> <p>Experience: Richard Robinson has nearly 40 years' experience in the Oil & Gas industry in Australia and Papua New Guinea. Richard's experience covers project, operations and commercial management in the upstream, downstream and associated service sectors. Richard held senior roles for more than 10 years at Oil Search Limited, retiring from his role as Executive General Manager in 2013. He has since held a number of Non-Executive Director and consulting roles within the oil & gas, engineering and construction sectors. Richard is a former Director of the Australian Pipeline & Gas Association and a member of the Institution of Engineers, Papua New Guinea.</p> <p>Richard is Chair of the Projects Committee and a member of the Nomination and Remuneration Committee and the Audit and Risk Committee.</p>

Director	Expertise, experience and qualifications
Charles Rottier Non-executive Director	<p>Qualifications: B. Engineering (with Honours) — University of Sydney, GAICD, Fellow-IEAust</p> <p>Experience: Charles is a senior manager with extensive management and project experience in local and international engineering, construction and maintenance services companies.</p> <p>He has managed successful businesses with operations in Australia, Papua New Guinea and Asia. He is Chair of Energy Pipelines CRC and Future Fuels CRC, and a Director of Pinssar. He has previously held the roles of CEO of Austin Engineering Limited and Executive General Manager of Engineering and Construction at Transfield Services. Charles is a former President of APIA and QUPEX.</p> <p>Charles is Chair of the Audit and Risk Committee and a member of the Nomination & Remuneration Committee.</p>

8.4 Interests and benefits of Directors

(1) Directors and senior management interests in Shares, Options and Performance Rights

As at the date of this Notice of Meeting and Explanatory Memorandum and as from completion of the Transaction, the number of Shares owned or controlled by the Directors and the senior management of LCM (listed in section 8.3) are as follows:

Director/ Executive	No. of Shares	No. of Options	No. of Performance Rights	% of all Shares on issue before Transaction	% of all Shares on issue after Transaction
Peter Watson	917,169	Nil	Nil	1.11%	0.46%
Richard Robinson	50,000	Nil	Nil	0.06%	0.02%
Charles Rottier	206,032	Nil	90,000	0.25%	0.10%*
Chris O'Neill	Nil	Nil	1,950,000	Nil	Nil*
Daniel Drewe	135,459	Nil	Nil	0.16%	0.07%

* Charles Rottier and Chris O'Neill hold Performance Rights which, subject to specified conditions, will entitle them to be issued with Shares upon the Performance Rights vesting. The Performance Rights cannot vest before or as a result of the Transaction occurring.

If all of the relevant Performance Rights vested in due course, at that time Mr Rottier would hold 0.15% of all Shares on issue after the Transaction and Mr O'Neill would hold 0.96% of all Shares on issue after the Transaction, assuming no other changes in the securities of LCM.

(2) Fees given or agreed to be given in connection with the Transaction

No fees or benefits have been given or agreed to be given to the current Directors or senior management of LCM in connection with the Transaction.

8.5 LCM capital structure and ownership

(1) Shares and Options on issue

As at the date of this Explanatory Memorandum:

- LCM has 82,325,964 ordinary shares on issue held by approximately 1,400 shareholders;
- LCM does not have any options on issue; and
- LCM has 2,040,000 performance rights on issue to one Director and the CEO of LCM.

(2) Substantial holders

As at 29 March 2019, LCM's substantial holders (excluding nominee holders) were as follows:

Name	Number of Shares held	% of all Shares on issue
Thorney Investments	14,741,868	17.91%
Forager Funds Management	10,760,667	13.07%
Candyblossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act)	10,700,768	13.00%

8.6 Publicly available information

Shares are listed for quotation on ASX and LCM is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act. Announcements made by LCM to the ASX announcements platform are available from the ASX's website at www.asx.com.au and LCM's website at www.logicamms.com.au/investor-relations.

Section 9

Information about OSD

This section 9 provides information on OSD.

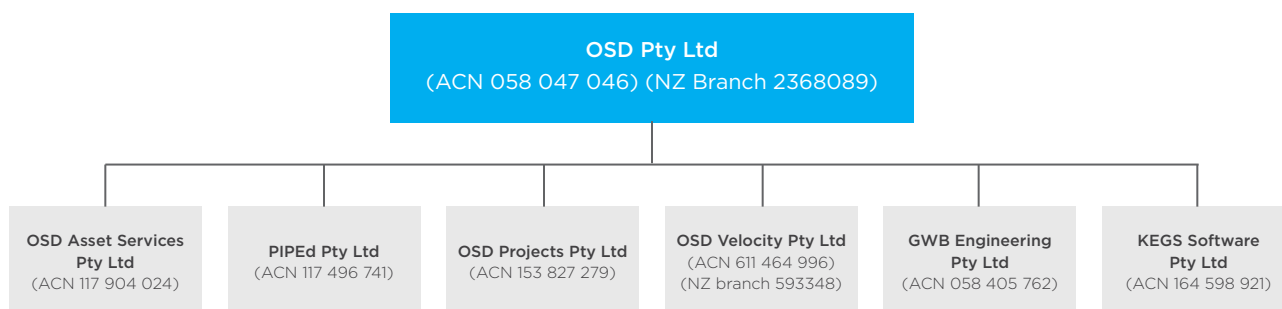
9.1 What is OSD?

OSD was established in 1992 and has been providing multi-disciplinary engineering and operations and maintenance services to the oil and gas, mining and petrochemical industries for over 25 years.

OSD is employee owned with offices throughout Australia and New Zealand, with expertise in pipelines, upstream and downstream facilities.

9.2 How is OSD structured?

The corporate structure below provides an overview of the OSD Group.



Note:

- All OSD Subsidiaries are 100% owned by OSD Pty Ltd with the exception of KEGS Software Pty Ltd which is 30% owned.
- OSD has two dormant subsidiaries, one in Canada (OSD Pipelines Corporation (Canada) (0820342)) and the other in Chile (OSD Chile S.A. (Chile) (RUT 76 065 766-2)).

A brief outline of the operations of each OSD Group entity (excluding any entities that are proposed to be excluded under any restructure) is set out below.

Entity	Operations	Description
OSD Pty Ltd GWB Engineering Pty Ltd	Engineering and Project Management	<p>Working with clients on a range of conceptual and feasibility studies, converting concepts into practical, cost effective solutions. OSD's conceptual and feasibility studies incorporate the development of preliminary designs, cost estimates and risk analyses assisting clients in making informed decisions about their projects.</p> <p>Utilising OSD's full range of technical engineering, drafting and project management specialists with considerable experience in executing projects, work is conducted from concept through to engineering, procurement, construction, commissioning and handover to operators.</p>
PIPEd Pty Ltd	Training	<p>PIPEd (Pipeline Industry Professional Education) provides quality, industry-specific education to engineers and pipeline professionals. Drawing on knowledge and hands-on experience, training courses are developed and delivered throughout Australia and New Zealand.</p>
OSD Asset Services Pty Ltd	Operations and Maintenance	<p>Pipeline engineers and field technicians providing either a complete standalone service or working alongside a client's own employees to provide a supplementary resource for short or long-term assignments.</p> <p>OSD's Operations & Maintenance ("O&M") services include:</p> <ul style="list-style-type: none"> • Pipeline and station O&M. • Plant & facilities O&M. • Cathodic protection. • Incident reporting. • Integrity program management. • Pigging. • Defect assessment and repair. • Emergency response. • Permit to work. • Landowner liaison. • Right of way patrols & easement maintenance. <p>OSD's asset management philosophy is to establish strategies, plans and goals to ensure that the asset delivers safe and reliable performance in accordance with relevant legislation, licenses, codes, standards and customer requirements for its intended useful life.</p> <p>OSD's Asset Management services include:</p> <ul style="list-style-type: none"> • Strategic asset management (whole of life). • Safety & risk management. • Contract and financial management. • Control room and pipeline control. • Maintenance planning & scheduling. • Integrity management. • Regulatory compliance & reporting.

Entity	Operations	Description
OSD Pty Ltd (New Zealand branch)	Engineering and Project Management alongside Operations and Maintenance	<ul style="list-style-type: none"> Please refer to OSD Pty Ltd plus OSD Asset Services Pty Ltd.
KEGS Software Pty Ltd	Online software	<ul style="list-style-type: none"> KEGS software streamlines and automates field design and development for oil and gas fields. The software is a GIS-based collaborative platform built for the Digital Gas Field and uses a combination of lean manufacturing philosophies, agile software and geospatial technologies. The KEGS suite includes Pipeline Designer, Pipeline Operator and Project portal, and enables teams to collaborate on design, conduct reviews and produce deliverables in a fraction of the time taken using traditional methods.

9.3 What is OSD'S business model?

OSD's mission is to be a delivery focussed, fit for purpose engineering and asset services company providing Outstanding Service Delivery.

OSD differentiates itself in the markets in which it operates by providing whole of life services to its clients. It does this by having a multi-disciplinary team of design engineers and project delivery professionals who can undertake early stage conceptual and feasibility studies through to detailed design. Delivery models used include Engineering, EPCM and EPC. EPC projects are usually undertaken in conjunction with a construction partner. OSD's team of multi-disciplinary engineers is complimented by field services operations and maintenance personnel who undertake routine inspections and preventative maintenance on client's assets along with infrequent integrity works.

OSD has built a track record of financial performance through several key strengths:

- specialisation and leading position in pipelining for oil and gas, water, and hydro-transport, including associated facilities required for operation;
- long term relationships with a diverse range of large and mid-tier clients;
- experienced senior management with their own money invested in the business;
- disciplined cost management in order to keep overheads low and ensure they are recovered;
- efficient processes with high levels of accountability;
- motivated and engaged employee base; and
- a portion of work-in-hand linked to longer term Operations and Maintenance contracts that provide greater revenue predictability.

OSD also has a history of identifying unique project development opportunities in which it invests significant time developing in order to secure a leading role. In the event these projects proceed they will provide significant future revenue streams.

9.4 What are OSD's strategy and vision?

OSD's strategy is to continue to execute on its business model and to continue to vertically integrate its service offerings through providing Outstanding Service Delivery.

OSD's vision is to be the mid-tier engineering and operations service provider of choice operating within its target markets of energy and infrastructure within Australia, New Zealand and Papua New Guinea.

OSD defines "mid-tier" as having the scale and multi-disciplinary engineering and project delivery capability to undertake large projects, but at the same time management is able to maintain strong connections with the employee base.

OSD's vision is being achieved by building a common culture across all OSD business units. OSD firmly believes that by having a culture with high levels of employee engagement and highly motivated management is critical to ensuring it continues to provide 'Outstanding Service Delivery' to all of its clients. Doing so leads to the creation of enduring client relationships.

In addition to providing project-based engineering services OSD also focusses on securing multi-year operations and maintenance contracts as they provide revenue predictability which is important through the economic cycles.

9.5 Who are the directors of OSD?

Director	Expertise, experience and qualifications
Brian Patrick O'Sullivan AM Executive Chairman, General Manager, Corporate Development	<p>Qualifications: Bachelor of Engineering, Mechanical – University of Queensland, Post Grad Diploma Management, Fellow IEAust, MAICD.</p> <p>Experience: Brian O'Sullivan is the founder of OSD Pty Ltd and has more than 30 years' experience in business management, project management and engineering, specialising in energy developments with an emphasis on oil and gas pipelines and facilities. He has design and construction experience with major pipelines and petrochemical facilities in Australia, Papua New Guinea and South-east Asia. In 2015 he received an Order of Australia for "significant service to engineering in the oil and gas industry, and to support for people with muscular dystrophy".</p> <p>Brian has held a number of commercial directorships in various sectors and has been active in the not-for-profit sector including roles on the Boards of the Queensland Muscular Dystrophy Association and the National Muscular Dystrophy Foundation and was formerly Chairman of the Foundation for five years.</p>
Andrew Keith Horstmann Executive Director, GM Western Australia	<p>Keith Horstmann has been working in the resources development sector for more than 35 years with extensive experience in mining and oil and gas projects. Since 1994 he has been predominantly involved in the pipeline industry in various roles from Project Management through to Business Management.</p> <p>Keith joined OSD in 2005 to establish its Perth office and subsequently held a number of senior executive positions with both national and international responsibility. Keith joined the OSD board of directors in 2010 and presently has executive and general management responsibility for the Western Region operations of OSD.</p> <p>Keith has a degree in Civil Engineering, a Diploma of Project Management, is a member of Engineers Australia and the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management.</p>
Gregory Wayne Bartley Non-executive Director	<p>Greg Bartley became part of the OSD team after a merger with his own engineering consultancy GWB Engineering in February 2011. Greg formed GWB Engineering in 1992, and since then has provided design and project engineering services in the Oil, Gas and Chemical Industries.</p> <p>Graduating from the University of Queensland in 1976 with a Bachelor of Mechanical Engineering honours degree, Greg brings with him over 30 years' experience in the engineering field, working for companies such as BP and Caltex Oil Refineries, Fluor Australia, MAMIC Engineering (now AECOM). Greg has considerable experience in the design of pressure piping, pressure vessels and tanks. He is also experienced in ISO9001 quality systems.</p>
Linton Wayne Paul Burns Managing Director	<p>Qualifications: Bachelor of Arts with Major in Accounting – University of South Australia, Chartered Accountant.</p> <p>Experience: Linton Burns is Managing Director of OSD Pty Ltd and has more than 25 years' experience in commercial and general management including leading corporate transactions. He previously held the role of CFO of OSD. He has also been CFO and COO of two ASX and Nasdaq listed companies.</p>

Director	Expertise, experience and qualifications
Rodney Keller Non-executive Director	<p>Rod Keller brings over 40 years' experience in the engineering sector and until recently was the non-executive Chairperson of Norfolk Group Limited (ASX: NFK), a non-executive director of Dyno Nobel (ASX: DNX) and Macquarie Communications Infrastructure Group Limited (ASX: MCG). He was Chairperson of the GasNet Australia Group from its listing in 2000 until its takeover in 2006.</p> <p>Rod has previously held management positions with Fletcher Construction Australia, the State Government of South Australia, Esso Australia, Woodside Petroleum and Santos and was Managing Director of GPU International Australia from 1995 to 1999, during which time the company acquired GPU GasNet and GPU PowerNet as part of the State Government of Victoria's energy utility privatisation process. Rod has a Bachelor of Engineering (Mechanical) from the University of Sydney and is a Fellow of the Institute of Engineers, Australia.</p>
Robbert De Weijer Non-executive Director	<p>Mr Robbert De Weijer brings to the OSD Board over 30 years' oil and gas upstream experience and a strong Australian and global industry network.</p> <p>Throughout a 23 year international career with Shell, Robbert held numerous senior leadership roles across Europe, the Middle East and Asia, culminating in managing Shell's North Sea assets including 53 offshore gas platforms and two major gas terminals in The Netherlands and England, 1500 Shell and contractor staff, and capital and operating budgets in excess of US\$1.6 billion per annum.</p> <p>Arriving in Australia in 2009, Robbert was seconded from Shell into the position of Chief Operating Officer at Arrow Energy, where he was instrumental in the company achieving major project milestones during a period of rapid expansion. Following Arrow's acquisition by Shell and PetroChina in 2010, Robbert worked as Chief Executive Officer for Dart Energy (Australia) and later as CEO for Armour Energy.</p> <p>In addition to his director role at OSD, Robbert serves as an Executive Director for Graphene Manufacturing Australia (GMA), further demonstrating his commitment to innovation in engineering.</p>

9.6 Who are the OSD directors being appointed to the LCM Board?

Mr Brian O'Sullivan and Mr Linton Burns will each be appointed as Directors. Mr O'Sullivan will also be employed as Executive, Corporate Development, while Mr Burns will be employed as Transition Director.

9.7 Is there any litigation affecting OSD?

Throughout the due diligence process, LCM has not become aware of any ongoing litigation impacting OSD.

Section 10

Information about Merged LCM

This section 10 provides information about Merged LCM.

10.1 Overview of Merged LCM

The Merged LCM will be a strong ASX-listed mid-tier engineering, project delivery, technology, asset services and training group with approximately 550 employees with specialist offerings across a range of industries throughout Australia, New Zealand and the Pacific. The combined business will have an expanded client base and provide greater capability to service customer requirements on larger more complex projects.

10.2 What will Merged LCM's strategy be?

Merged LCM's overall strategy is to quickly take advantage of the benefits of the merger to win more work (including larger and more complex projects) at good margins, initially in the industries and geographies where LCM and OSD currently operate (oil & gas, mining & minerals, pipelines, refining and chemicals, infrastructure and defence in Australia, New Zealand, PNG and the Pacific). This will include providing all of LCM and OSD's existing service offerings (engineering, project delivery, technology, asset performance, operations & maintenance services and specialised training) to these markets.

These service offerings include particular strengths, experience and expertise in the areas of multi-disciplinary facilities engineering, controls and automation, industrial systems integration and data analysis, instrumentation and electrical, pipelines and associated facilities, the "Industrial Internet of Things", technology and innovation, facilities reliability and maintenance engineering, hydro-transport, pipelines operation and maintenance and specialist electrical and instrumentation maintenance (as well as training in many of these same areas through LogiCamms Competency Training division).

The key benefits of the merger which will enable this strategy are:

- Larger and broader capability from the size and complementary skills sets formed by merging LCM and OSD, whilst preserving the outstanding flexibility, agility and responsiveness to clients that both companies are known for.
- The ability to cross-sell the respective services and capabilities of LCM and OSD.
- Cost synergies which will provide a lower 'dollars per hour' overhead which will increase Merged LCM's cost competitiveness and profitability. The Merged LCM will keep overheads low, running a lean, efficient business with minimum corporate overhead and high operational reimbursability.
- A strong balance sheet which is a pre-requisite for winning larger projects.
- A more engaged and motivated workforce with a strong common culture and shared vision, mission and values delivering practical, fit-for-purpose solutions to clients.

The Merged LCM will use short and long-term incentives to better align management's remuneration with the company's performance.

The Board and senior management of the Merged LCM recognise the risks associated with any merger and will be closely monitoring and managing the business performance to ensure the key benefits detailed above are realised.

The outcome of the merger will be a stronger company with growing revenues and lower overheads per billable hour leading to improved profitability. The Merged LCM will use the growth generated by taking advantage of the above benefits to build momentum and explore further strategic growth opportunities.

The Merged LCM strategy will be implemented in a phased manner, with each phase contributing to improved performance and increasing momentum:

Phase 1: Enhance efficiency, profitability and develop a common culture

- Reduce overheads or overhead rate per billable hour by eliminating merger duplication, implementing cost reductions and integrating the businesses effectively (including systems, processes and organisation) to facilitate a lean and efficient operation. This includes leveraging shared service functions (finance, human resources and IT) to realise overhead cost savings and consolidating office leases to achieve local business unit cost savings.
- Build a management team drawing on the capabilities of LCM's and OSD's current management.
- Develop a common culture. Agree Merged LCM values and continually reinforce those values.
- Successfully combine LCM and OSD client innovation centres to focus on growth projects to ensure attractive returns are generated from capital investment.

Phase 2: Leverage skill-set to secure organic growth

- Implement employee development and performance management plans and systems with a view to, increasing employee productivity and retention.
- Optimise organisational structure, understand the organisation's capabilities and improve teamwork, with a view to delivering improved client experiences.
- Build a track record of operating as a single team.
- Identify and then execute cross-selling opportunities.
- Capitalise on lower overheads, improved profitability and strengthened balance sheet with a view to have a larger bid win rate of projects and to secure larger projects.

Phase 3: Capitalise on momentum and stronger balance sheet to consider other growth opportunities

- Build on momentum by exploring strategic growth opportunities.

LCM and OSD have prepared a plan to implement this strategy. While the key elements are unlikely to change, following completion these plans will be developed in further detail, with input from additional senior management team members. Once Merged LCM's organisational structure is finalised, individual members of the senior management team will be tasked with implementing specific elements of the integration, with clear accountability and performance incentives.

The detailed plans to implement this strategy will be further developed over time. Naturally the strategy and the supporting implementation plans will be revisited and where necessary adjusted to reflect progress made, new information or material as it becomes available and feedback from key stakeholders including employees, clients and shareholders.

10.3 What is the integration plan for Merged LCM and what are the likely costs?

The Merged LCM will benefit in a number of areas via the integration of the LCM and OSD business and operations. The key areas of the integration plan for Merged LCM are outlined in the table below.

Business Operation	Integration Plan	Likely Costs
Develop strong employee culture, engagement & alignment	<ul style="list-style-type: none">• Develop, roll-out and continually reinforce a common set of values• Implement personal development and performance management software across Merged LCM <p>Set Merged LCM's strategy (as outlined in 10.2 above) and implement a short-term incentive program with performance targets consistent with achieving the strategy</p>	Management time and minimal external costs.
Merge LCM and OSD business and reduce combined overheads, initial target of \$3 million	Cost synergies currently identified are at the Corporate and local business unit management level	<p>Labour cost synergies of \$3m per annum at a one-off cost of \$1.3m.</p> <p>Costs to combine leases and offices may result from early termination clauses contained within leases. These costs have not been fully quantified at this time.</p>

10.4 What are the intentions of Mr Brian O'Sullivan for Merged LCM?

The intentions of Mr Brian O'Sullivan for Merged LCM are relevant, as Mr O'Sullivan will acquire a Relevant Interest and voting power in 38.40% of the issued Merged LCM Shares as a result of receiving Consideration Shares. As the largest shareholder with a board nomination right, and as a director of Merged LCM, Mr O'Sullivan will have the ability to control the assets and the strategic direction of Merged LCM.

Mr O'Sullivan is also the founder, executive chairman, general manager, corporate development and major shareholder of OSD. In this role, Mr O'Sullivan has been working directly with the respective directors and management teams of both LCM and OSD, in determining the business strategy and intentions for Merged LCM as disclosed in this section 10.

The statements set out in this section 10 are therefore also the current intentions of Mr O'Sullivan. Mr O'Sullivan has no current individual intentions contrary to those already disclosed in this section with respect to Merged LCM moving forward.

10.5 What are the other intentions for Merged LCM?

The statements set out in this section 10 are statements of current intentions only which may change as new information becomes available or circumstances change. Any decisions will only be reached after implementation when all material facts and circumstances are known to the board of Merged LCM.

10.6 What will Merged LCM's capital and ownership structure be?

(1) Shares, Options and Performance Rights on issue after completion of the Transaction

Issued and Fully Diluted Share Capital	Number of Securities
Existing Shares on issue as at the date of this Explanatory Memorandum	82,325,964
Consideration shares to be issued for the acquisition of OSD	118,469,070
Total Shares on issue after Completion of the Transaction	200,795,034
LCM Options on issue as at the date of this Explanatory Memorandum	Nil
Performance Rights on issue as at the date of this Explanatory Memorandum	2,040,000
New options in LCM to be issued to OSD Option Holders as part of the Transaction	4,780,229
Total Fully Diluted Shares on issue after Completion of the Transaction and assuming exercise of all Options and vesting of all Performance Rights	207,615,263

(2) Expected substantial holders of Merged LCM at Completion

Shareholder	Shares	Percentage of Issued Capital
Brian Patrick O'Sullivan AM	42,786,349	21.31%
BOS Holdings Australia Pty Ltd	34,316,738	17.09%
GFNA Bartley Family Pty Ltd	18,260,477	9.09%
Thorney Investments	14,741,868	7.34%
Forager Funds Management	10,760,667	5.36%
Candyblossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act)	10,700,768	5.33%
HSF SMSF Pty Ltd as trustee for Horstmann Superannuation Fund	7,269,985	3.62%
Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust	3,452,389	1.72%
TOTAL	142,289,241	70.86%

Notes:

- (1) Based on the LCM Shareholders and OSD Shareholders as at the date of this Explanatory Memorandum.
- (2) BOS Holdings Australia Pty Ltd is an entity controlled by Brian Patrick O'Sullivan.
- (3) The entities HSF SMSF Pty Ltd as trustee for Horstmann Superannuation Fund and Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust will give Andrew Horstmann and Jenny Horstmann a Relevant Interest in 5.34% of the LCM Shares at completion of the Transaction.

10.7 What is the dilutive impact of Shares issued under the Transaction on existing Shareholders?

As a consequence of the issue of the Consideration Shares, the number of Shares on issue will increase by approximately 144% and the current LCM shareholders' proportional ownership of LCM will be reduced from 100% to 41%. The delivery of Shares in respect of the exercise of Options and the vesting of Performance Rights will increase the number of shares on issue by a further approximately 3.4% if all Options are exercised and if certain performance milestones are achieved in relation to the Performance Rights.

10.8 How will Merged LCM be financed?

It is expected that Merged LCM's operations will be financed from the operating cash flows of Merged LCM business, cash balances, debt facilities (which are a condition precedent to Completion) and supplier trade credit.

(1) Debt Facility

LCM has received indicative terms from financiers in respect of providing a new debt facility for Merged LCM. LCM will negotiate the terms of the debt facility in conjunction with OSD, as receiving a binding refinancing offer for Merged LCM on acceptable terms is a condition to completing the Transaction.

The proposed debt facility will comprise a facility to refinance a proportion of the existing LCM debt, an overdraft facility to assist with short term working capital requirements, a bank guarantee facility to meet contract performance and lease security requirements, an asset finance facility and a corporate credit card facility.

The proposed debt facility will be finalised prior to and will take effect from, completion of the Transaction and will be subject to usual financial covenants.

Post-Completion, Merged LCM will have access to cash and debt financing facilities to meet its working capital needs.

(2) Transaction costs

Certain transaction costs will be incurred by LCM and OSD in connection with the Transaction, which include due diligence, advisor, legal, printing and other service provider costs and which are estimated at \$2.7 million in total.

10.9 Who will be the Directors of Merged LCM?

Mr Charles Rottier will continue as a non-executive Director and will be appointed as the independent Chairperson. Mr Brian O'Sullivan will be appointed as a Director and employed as Executive, Corporate Development. Mr Linton Burns will also be appointed as a Director and employed as Transition Director. Mr Richard Robinson will remain on the Board as an independent Director.

The current intention is that an additional independent Director will be selected for appointment after completion of the Transaction, to provide complementary capabilities, experience and diversity to the Board. This additional Director has not yet been selected.

10.10 Who will be the senior management of Merged LCM?

Mr Chris O'Neill will continue as Chief Executive Officer of Merged LCM. Mr Dan Drewe will continue as Chief Financial Officer of Merged LCM. OSD's General Manager Corporate, Ms Laurie Paxton, will be appointed as Head of People and Culture of Merged LCM.

The remainder of the senior executive team of Merged LCM will be assembled drawing on the strongest capability from each of OSD and LCM and will be determined post-completion of the Transaction, as the businesses are integrated.

10.11 What are the interests of Merged LCM's Directors and senior management upon Completion of the Transaction?

Item	No. of Shares immediately after Merger	% of all Shares immediately after Merger
Mr Brian O'Sullivan (AM)	77,103,087	38.40
Mr Andrew Keith Horstmann***	10,722,374	5.34
Mr Linton Burns	3,877,298	1.93
Mr Chris O'Neill*	Nil	Nil
Mr Charles Rottier**	206,032	0.10
Mr Daniel Drewe	135,459	0.07
Mr Richard Robinson	50,000	0.02
Ms Laurie Paxton	21,245	0.01

* Chris O'Neill holds 1,950,000 Performance Rights which, subject to specified conditions, will entitle him to be issued with Shares upon the Performance Rights vesting. The Performance Rights cannot vest before or as a result of the Transaction occurring. If all of the relevant Performance Rights vested in due course, at that time Mr O'Neill would hold 0.96% of all Shares on issue after the Transaction, assuming no other changes in the securities of LCM.

** Charles Rottier holds 90,000 Performance Rights which, subject to specified conditions, will entitle him to be issued with Shares upon the Performance Rights vesting. The Performance Rights cannot vest before or as a result of the Transaction occurring. If all of the relevant Performance Rights vested in due course, at that time Mr Rottier would hold 0.15% of all Shares on issue after the Transaction, assuming no other changes in the securities of LCM.

*** Mr Andrew Keith Horstmann is likely to be appointed as a senior manager of Merged LCM following completion of the Transaction.

Mr Linton Burns will also receive 2,124,546 LCM Options as a part of the Transaction in consideration for the cancellation of his current OSD Options. If Mr Burns exercises his options, he will acquire a total shareholding of 6,001,844 Shares and a voting entitlement of approximately 2.90%, assuming no other changes in the securities of LCM.

Ms Laurie Paxton will also receive 531,137 LCM Options as a part of the Transaction in consideration for the cancellation of her current OSD Options. If Ms Paxton exercises her options, she will acquire a total shareholding of 552,382 Shares and a voting entitlement of approximately 0.27%, assuming no other changes in the securities of LCM.

Merged LCM will receive cash proceeds of \$526,500 if all of the LCM Options were to be exercised.

10.12 Corporate Governance of Merged LCM

LCM does not intend to alter its corporate governance principles following completion of the merger, and the principles set out in the Corporate Governance Statement for FY2017 remain current.

The Board believes it is important that Merged LCM is properly managed to protect and enhance Shareholder interests, and that Merged LCM, its Directors, officers, employees and contractors operate in an appropriate environment.

Merged LCM intends to remain listed on ASX. The ASX Corporate Governance Council has developed and released the Corporate Governance Principles and Recommendations (ASX Recommendations) for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. Merged LCM will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

Merged LCM intends that LCM's existing charters, policies and procedures will remain effective immediately following completion of the Transaction. Those corporate governance charters and policies reflect the ASX Recommendations to the extent the Board considers it reasonable for LCM to comply with them. Merged LCM intends to review those charters, policies and procedures following Completion of the Transaction, and may make changes to them that Merged LCM considers necessary or desirable to reflect the structure and operations of Merged LCM.

10.13 Dividend policy of Merged LCM

The Board will consider the payment of dividends from time to time after taking account of general business and financial conditions, working capital requirements, taxation position and future capital expenditure requirements.

Were a dividend to be payable, the Board anticipates that it may be in the range of 40% to 60% of net profit after tax. It should be noted that no assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

10.14 Capital management policy of Merged LCM

The Board's policy is to maintain a strong capital base and conservative gross and net debt levels so as to preserve investor, creditor and market confidence and to sustain the future development of the business.

The Board monitors the return on capital, which is defined as net operating income divided by total shareholders' equity, the level of any dividends to ordinary shareholders and debt levels to ensure this policy objective is achieved.

10.15 Related party Transaction of Merged LCM

Mr Brian O'Sullivan (and his Associated Parties) and Mr Linton Burns (and his Associated Parties) are related parties of LCM because it is intended that they will be appointed to the Board of LCM as Directors upon completion of the Transaction. A related party of a public company includes a person who on reasonable grounds is likely to become a related party at any time in the future.

Chapter 2E of the Corporations Act provides that a public company must not give a financial benefit to a related party unless the company's members have approved the granting of that financial benefit or unless certain exemptions as set out in Chapter 2E apply. ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed entity must not issue or agree to issue equity securities (such as Shares and options) to a related party without approval of the holders of ordinary securities.

The issue of 77,103,087 Shares to Mr Brian O'Sullivan and his Associated Parties and the issue of 3,877,298 Shares and 2,124,546 LCM Options to Mr Linton Burns and his Associated Parties will constitute financial benefits being issued to related parties of LCM, as a result of the Transaction.

However, LCM has determined not to obtain approval pursuant to Chapter 2E of the Corporations Act, on the basis that the exception provided in section 210 of the Corporations Act applies, in that the issue of the Shares to Brian O'Sullivan and his Associated Parties and the issue of the Shares and LCM Options to Linton Burns and his Associated Parties were the result of dealing at arm's length and are on arm's length terms. LCM has also determined not to obtain approval pursuant to ASX Listing Rule 10.11, on the basis that the exception provided in Exception 6 of ASX Listing Rule 10.12 applies.

There are no other related party transactions of Merged LCM. See section 13.6 for more details.

Section 11

Financial information

This section 11 provides an overview of relevant financial information relating to LCM and OSD and Merged LCM on completion of the Transaction.

11.1 Introduction

This section outlines the following Financial Information:

- historical standalone financial information of LCM (section 11.2);
- historical standalone financial information of OSD (section 11.3); and
- Pro Forma historical financial information of Merged LCM (section 11.4).

Due to rounding, numbers presented throughout Section 11 may not add up precisely to the subtotals and totals provided.

11.2 Historical Financial Information – LCM

The historical financial information presented in this section 11.2 has been derived from the consolidated financial statements of LCM for the financial years ended 30 June 2017 (FY17) and 30 June 2018 (FY18) and the 6 months ended 31 December 2018 (1H19).

The consolidated financial statements of LCM for FY17 and FY18 were audited, and for 1H19 reviewed, by PricewaterhouseCoopers. The FY17 and FY18 financial statements received an unmodified opinion and 1H19 received an unqualified opinion.

(1) Historical consolidated Income Statement

The historical consolidated income statement has been derived from the audited consolidated financial statements of LCM for FY17 and FY18, and the reviewed consolidated financial statements of LCM for 1H19.

	FY17 \$M	FY18 \$M	1H19 \$M
Net operating revenue	81.1	81.8	41.0
Operating expenses	(89.2)	(79.9)	(40.0)
EBITDA (before impairment charge)	(8.1)	1.8	1.0
Impairment charge	(11.0)	—	(8.0)
Depreciation and amortisation	(2.7)	(1.7)	(0.8)
EBIT	(21.8)	0.1	(7.8)
Net interest expense	(0.1)	(0.4)	(0.2)
Profit before tax	(21.9)	(0.3)	(8.1)
Income tax expense	(1.7)	(0.5)	(0.5)
Profit after tax	(23.6)	(0.8)	(8.6)

(2) Historical consolidated statement of financial position

The historical consolidated statement of financial position has been extracted from the audited consolidated financial statements of LCM for FY18 and the reviewed consolidated financial statements of LCM for 1H19.

	30-Jun-18 \$M	31-Dec-18 \$M
Cash	4.2	2.7
Trade and other receivables	20.0	19.2
Prepayments	—	—
Other current assets	0.1	0.1
Current Assets	24.2	22.0
Property, plant and equipment	2.7	2.4
Deferred tax asset	2.9	2.4
Intangibles	20.7	13.4
Receivables/investments	—	—
Other non-current assets	—	—
Non-current Assets	26.3	18.1
Total Assets	50.5	40.2
Borrowings	5.8	5.8
Trade and other payables	8.5	7.3
Income tax	—	—
Provisions	2.3	1.8
Other current liabilities	7.9	7.6
Current Liabilities	24.6	22.5
Borrowings	0.1	0.1
Deferred tax liability	—	—
Provisions	1.3	1.0
Other non-current liabilities	1.0	0.8
Non-current Liabilities	2.5	1.9
Total Liabilities	27.1	24.4
Net Assets	23.4	15.8
Issued Capital	57.6	57.7
Reserves and accumulated losses	(34.2)	(41.9)
Total Equity	23.4	15.8

(3) Historical consolidated statement of cash flows

The historical consolidated statement of cash flows has been extracted from the audited consolidated financial statements of LCM for FY17 and FY18, and the reviewed consolidated financial statements of LCM for 1H19.

	FY17 \$M	FY18 \$M	1H19 \$M
Cash flows from operating activities			
Receipts from customers	84.0	84.5	41.3
Payments to suppliers and employees	(93.4)	(85.6)	(42.1)
Interest paid	(0.1)	(0.4)	(0.2)
Finance costs	—	—	—
Income taxes (paid)/refunded	0.4	(0.2)	—
Net cash from operating activities	(9.2)	(1.6)	(1.0)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(0.7)	(0.6)	(0.2)
Acquisition of intangible assets	(0.3)	(0.5)	(0.3)
Net cash used in investing activities	(0.9)	(1.1)	(0.5)
Cash flows from financing activities			
Increase/(decrease) in borrowings	4.0	2.0	(0.0)
Dividends paid	—	—	—
Increase/(decrease) in issued capital	4.5	—	—
Net cash provided by financing activities	8.5	2.0	(0.0)
Net increase/(decrease) in cash and cash equivalents	(1.7)	(0.8)	(1.6)
Cash and cash equivalents at the beginning of the year	6.6	5.0	4.2
Effects of exchange rate changes on cash and cash equivalents	—	(0.0)	0.1
Cash and cash equivalents at the end of the year	5.0	4.2	2.7

11.3 Historical Financial Information – OSD

The historical financial information presented in this section 11.3 has been derived from the consolidated financial statements of OSD for FY17, FY18 and 1H19.

The consolidated financial statements of OSD for FY17 and FY18 were audited, and for 1H19 reviewed, by BDO. The FY17, FY18 and 1H19 financial statements all received unmodified opinions.

(1) Historical consolidated income statement

The historical consolidated income statement has been derived from the audited consolidated financial statements of OSD for FY17 and FY18, and the reviewed consolidated financial statements of OSD for 1H19.

	FY17 \$M	FY18 \$M	1H19 \$M
Operating revenue	22.9	42.2	18.4
Operating expenses	(21.9)	(34.7)	(16.6)
EBITDA	1.1	7.5	1.8
Depreciation and amortisation	(0.5)	(0.4)	(0.2)
EBIT	0.6	7.1	1.6
Net interest paid	(0.0)	(0.0)	0.0
Profit before tax	0.5	7.1	1.6
Income tax expense	(0.1)	(1.8)	(0.2)
Profit after tax	0.4	5.3	1.5

(2) Historical consolidated statement of financial position

The historical consolidated statement of financial position has been derived from the audited consolidated financial statements of OSD for FY18 and the reviewed consolidated financial statements of OSD for 1H19.

	30-Jun-18 \$M	31-Dec-18 \$M
Cash	5.2	5.4
Trade and other receivables	8.9	6.7
Other financial assets	0.2	0.0
Current tax receivable	0.6	1.2
Other current assets	0.3	0.5
Current Assets	15.1	13.8
Property, plant and equipment	0.8	0.7
Deferred tax asset	1.4	1.3
Intangibles	1.2	1.2
Receivables	—	0.1
Investments	0.4	0.4
Other non-current assets	—	0.5
Non-current Assets	3.8	4.3
Total Assets	18.9	18.1
Borrowings	0.1	0.3
Trade and other payables	2.9	3.4
Income tax	1.7	0.6
Provisions	1.2	0.8
Other current liabilities	0.3	—
Current Liabilities	6.3	5.2
Borrowings	0.2	0.2
Other liabilities	—	0.5
Provisions	0.3	0.3
Non-current Liabilities	0.5	0.9
Total Liabilities	6.7	6.2
Net Assets	12.2	11.9
Issued Capital	5.8	5.8
Reserves and retained earnings	6.4	6.1
Total equity	12.2	11.9

(3) Historical consolidated statement of cash flows

The historical consolidated statement of cash flows has been derived from the audited consolidated financial statements of OSD for FY17 and FY18, and the reviewed consolidated financial statements of OSD for 1H19.

	FY17 \$M	FY18 \$M	1H19 \$M
Cash flows from operating activities			
Receipts from customers	20.9	43.2	22.1
Payments to suppliers and employees	(21.4)	(37.6)	(18.2)
Interest received	0.1	0.0	0.0
Finance costs	(0.0)	(0.0)	(0.0)
Income taxes paid	(0.4)	(0.3)	(1.4)
Net cash from operating activities	(0.8)	5.2	2.4
Cash flows from investing activities			
Restricted cash	0.4	—	(0.4)
Proceeds from sale of plant and equipment	—	0.1	—
Payment for property, plant and equipment	(0.6)	(0.3)	(0.0)
Payment for intangibles	—	(0.0)	—
Net cash used in investing activities	(0.2)	(0.1)	(0.4)
Cash flows from financing activities			
Increase/(decrease) in borrowings	(0.3)	(0.2)	(0.1)
Dividends paid	(0.5)	(1.0)	(1.9)
Increase/(decrease) in issued capital	(0.2)	(0.1)	—
Exchange differences on translating foreign controlled entities	(0.0)	(0.1)	0.1
Net cash provided by financing activities	(1.0)	(1.3)	(1.8)
Net increase/(decrease) in cash and cash equivalents	(2.0)	3.8	0.2
Cash and cash equivalents at the beginning of the year	3.4	1.4	5.2
Cash and cash equivalents at the end of the year	1.4	5.2	5.4

(4) Summary of OSD's significant accounting policies

Set out below are the significant accounting policies as they relate to the OSD business and which form the basis of the figures presented in section 11.3 (Historical Financial Information – OSD).

Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Property, Plant and Equipment

Classes of plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

- Motor Vehicles 3 – 8 years.
- Office Equipment 3 – 20 years.

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Intangibles

Development costs

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between 4 - 7 years.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 - 4 years.

Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

Trade and Other Receivables

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as detailed below.

Impairment of financial assets

The group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- Trade receivables; and
- Work in progress. (Contract asset as defined by AASB 15 Revenue from Contracts with Customers).

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Work in progress represents costs incurred and profit recognised for services that are in progress at balance date and the Group has an enforceable right to payment for its performance completed to date.

The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed below.

Impairment of Contract Assets — Trade receivables and Work In Progress

The Group applies simplified impairment approach using a provision matrix for all trade receivables and contract assets to recognise lifetime expected credit losses. In this credit loss matrix all customers are segregated into different risk classes mainly based on the days past due. Determining credit losses allowance involves significant judgement, where the Group considers historical experience with credit losses, success of recovery as well as current and historical data on overdue receivables.

Receivables balances are written off either partially or in full where the Group estimates the likelihood of recovery to be remote. There has been no material financial impact as a result of adopting AASB 9 and therefore no adjustments to opening retained earnings.

Trade and Other Payables

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used 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 unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income

Cash and Cash Equivalents

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position

Revenue Recognition

Contracts with customers to provide contract engineering, procurement and construction services can include either one performance obligation or multiple integrated performance obligations within each contract. The Group assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Group assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs. These contracts are typically executed on the customer's land so they control the assets as it is being built or the customer benefits from the service as the work is performed. Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities in the Statement of Financial Position.

The measurement of revenue is an area of accounting judgement. Management use judgement to estimate:

- i. Progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy performance obligations; and
- ii. The probability of the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows

11.4 Pro Forma Financial Information – Merged LCM

This section provides relevant financial information for LCM Shareholders to consider when assessing the Transaction, including details of the financial impact of voting to approve the Transaction.

The Merged LCM Pro Forma Financial Information set out in this section has been prepared to illustrate the:

- combined financial performance of LCM and OSD for the year ended 30 June 2018 and 6 months ended 31 December 2018 as if the Transaction had occurred on 1 July 2017 (**Merged LCM Pro Forma income statements**);
- combined financial position of LCM and OSD as at 31 December 2018 as if the Transaction had occurred on 31 December 2018 (**Merged LCM Pro Forma statement of financial position**); and

- combined operating cash flows after capital expenditure of LCM and OSD for the year ended 30 June 2018 and 6 months ended 31 December 2018 as if the Transaction had occurred on 1 July 2017 (**Merged LCM Pro Forma cash flows**),
- (together, **Merged LCM Pro Forma Financial Information**).

The Merged LCM Pro Forma Financial Information should be read together with the:

- assumptions underlying their preparation as set out in section 11.4(1);
- risk factors set out in section 12; and
- other information contained in this Explanatory Memorandum.

All financial information is presented in accordance with the measurement and recognition principles under AIFRS unless otherwise noted.

(1) Basis of preparation of Merged LCM Pro-forma Financial Information

The financial information contained in this section has been prepared by the Directors of LCM.

The Merged LCM Pro Forma Financial Information presented in this section 11.4 is based on the relevant period of the:

- LCM Historical Financial Information (presented in section 11.2);
- OSD Historical Financial Information (presented in section 11.3); and
- adjustments described in sections 11.4(2), 11.4(3) and 11.4(4) (Adjustments), which have been made to normalise one-off items and reflect certain financial impacts of the Transaction.

The historical financial information of OSD has been mapped and presented on the same basis as the historical financial information of LCM.

The Merged LCM Pro Forma Financial Information:

- is provided for illustrative purposes and has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards (AAS);
- is presented in a summary form and consequently does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that OSD is the acquiring entity for accounting purposes. Under the terms of AASB 3 Business Combinations, OSD is deemed to be the accounting acquirer in the proposed merger. This transaction has therefore been accounted for as a reverse acquisition under AASB 3.

Adjustments have been made to normalise for one-off items and reflect the financial impacts of the combination of LCM and OSD. The Merged LCM Pro Forma Financial Information presented in this section does not purport to reflect the likely reported financial performance, financial position or cash flows of Merged LCM for the year ending 30 June 2019 or any other period.

It is likely that actual reported financial performance, financial position and cash flows in future periods will differ from Merged LCM Pro Forma Financial Information presented in this section. The factors which may impact the actual financial performance, financial position or cash flows of Merged LCM include (but are not limited to):

- trading of LCM and OSD subsequent to 31 December 2018, which is not reflected in the historical financial information of either or both of LCM or OSD;
- the ultimate timing of the completion of the combination of LCM and OSD;
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of LCM and OSD, which have been excluded from Merged LCM Pro Forma Financial Information contained in this section 11.4;
- finalisation of the acquisition accounting in accordance with the relevant accounting standard; and
- differences between the estimated amount of transaction costs and the amount ultimately incurred.

Investors should note that past results do not guarantee future performance. All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.

(2) Merged LCM Pro Forma income statements

(a) Merged LCM Pro Forma income statement for FY18

This section outlines the Pro Forma income statement for Merged LCM as though the Transaction occurred on 1 July 2017. The Merged LCM Pro Forma income statement for FY18 has been based on:

- LCM's consolidated historical income statement for FY18, which has been derived from the financial statements of LCM for FY18;
- OSD's consolidated historical income statement for FY18, which has been derived from the financial statements of OSD for FY18; and
- adjustments described in section 11.4(2)(b).

The Merged LCM Pro Forma income statement has been prepared in order to give LCM's Shareholders an indication of Merged LCM's financial performance as if the Transaction was implemented on 1 July 2017. It does not reflect the actual financial performance of Merged LCM at the time of Completion.

The table below sets out Merged LCM Pro Forma income statement for FY18. Notes explaining the adjustments follow the table.

Financial year ended 30 June 2018 A\$M	LCM			OSD (a)			Combined Group		
	Statutory	Adj	(A) Adjusted	Statutory	(1.) Adj.	(B) Adjusted	(A + B) Adj. Group	(2.) Pro-forma adj.	Pro-forma Group
Revenue	81.8	—	81.8	42.1	(1.6)	40.5	122.3	—	122.3
Cost of sales	(52.7)	—	(52.7)	(27.8)	—	(27.8)	(80.5)	—	(80.5)
Gross Profit	29.1	—	29.1	14.3	(1.6)	12.7	41.8	—	41.8
Other (expense)/ income	0.4	—	0.4	0.1	—	0.1	0.5	—	0.5
Business development expenses	(4.0)	—	(4.0)	(0.6)	—	(0.6)	(4.5)	—	(4.5)
Labour cost overhead	(18.3)	—	(18.3)	(3.3)	—	(3.3)	(21.7)	—	(21.7)
Impairment charge	—	—	—	—	—	—	—	—	—
Rent and occupancy expenses	(2.2)	—	(2.2)	(0.7)	—	(0.7)	(2.9)	—	(2.9)
Other operating expenses	(3.1)	—	(3.1)	(2.2)	—	(2.2)	(5.3)	—	(5.3)
EBITDA	1.8	—	1.8	7.5	(1.6)	5.9	7.8	—	7.8
Depreciation and amortisation	(1.7)	—	(1.7)	(0.4)	—	(0.4)	(2.1)	—	(2.1)
Net finance costs	(0.4)	—	(0.4)	(0.0)	—	(0.0)	(0.4)	0.1	(0.3)
Profit before tax	(0.3)	—	(0.3)	7.1	(1.6)	5.5	5.3	0.1	5.4
Income tax expense	(0.5)	—	(0.5)	(1.8)	0.5	(1.4)	(1.9)	(0.0)	(1.9)
Profit after tax	(0.8)	—	(0.8)	5.3	(1.1)	4.2	3.4	0.1	3.5

(a) The historical statutory financial information of OSD in this table has been aligned and presented on the same basis as the historical statutory financial information of LCM on the basis that these principles will be applied in financial information disclosures following the proposed combination of LCM and OSD.

(b) Adjustments to Combined Pro Forma income statement for FY18

(i) OSD adjustments

OSD's reported net profit after tax was adjusted by deducting a one-off contract termination fee of \$1.1m (post-tax). Underlying profit attributable to equity holders was \$4.2m. The underlying profit, which differs from the statutory figures, is unaudited.

(ii) Pro-forma adjustments

This adjustment reflects the estimated impact of interest costs on the reduced borrowings of \$3.0m expected to be drawn subsequent to completion of the Transaction. The Pro Forma interest expense reflects the impact of the reduced facility as if it had been fully drawn down on 1 July 2017 for the entire period and incurs interest at a rate of 4.8%. This assumption represents LCM's best estimate of Merged LCM's cost of debt subsequent to completion of the Transaction, and reflects:

- financial terms offered to LCM via one of the non-binding term sheets provided by potential lenders to Merged LCM; and
- the prevailing interest rates at the date of this Notice of Meeting.

The interest expense adjustment does not reflect:

- the impact of any change in market conditions after the date of this Notice of Meeting which would mean the interest rate assumption is no longer reflective of an appropriate interest rate that would apply to Merged LCM subsequent to the completion of the Transaction;
- the impact of any future hedging activities in connection with fluctuations in future interest rates which Merged LCM may choose to undertake; and
- the fact that LCM's cash balance and its drawn and undrawn debt fluctuated during the year ended 30 June 2018, and any associated difference in net interest expense compared to a situation where these balances remained constant during that period.

(c) Merged LCM Pro Forma income statement for 1H19

This section outlines the Pro Forma income statement for Merged LCM as though the Transaction occurred on 1 July 2017. The Merged LCM Pro Forma income statement for 1H19 has been based on:

- LCM's consolidated historical income statement for 1H19, which has been derived from the financial statements of LCM for 1H19;
- OSD's consolidated historical income statement for 1H19, which has been derived from the financial statements of OSD for 1H19; and
- adjustments described in section 11.4(2)(d).

The Merged LCM Pro Forma income statement has been prepared in order to give LCM's Shareholders an indication of Merged LCM's financial performance as if the Transaction was implemented on 1 July 2017. It does not reflect the actual financial performance of Merged LCM at the time of Completion.

The table below sets out Merged LCM Pro Forma income statement for 1H19. Notes explaining the adjustments follow the table.

Half year ended 31 December 2018 A\$M	LCM			OSD(a)			Combined Group		
	Statutory.	(1.) Adj.	(A) Adjusted	Statutory	Adj.	(B) Adjusted	(A + B) Adj. Group	(2.) Pro-forma adj.	Pro-forma Group
Revenue	41.0	—	41.0	18.4	—	18.4	59.4	—	59.4
Cost of sales	(26.7)	—	(26.7)	(13.2)	—	(13.2)	(39.9)	—	(39.9)
Gross Profit	14.3	—	14.3	5.2	—	5.2	19.5	—	19.5
Other (expense)/ income	(0.1)	—	(0.1)	(0.0)	—	(0.0)	(0.1)	—	(0.1)
Business development expenses	(1.1)	—	(1.1)	(0.4)	—	(0.4)	(1.5)	—	(1.5)
Labour cost overhead	(8.1)	—	(8.1)	(1.7)	—	(1.7)	(9.8)	—	(9.8)
Impairment charge	(8.0)	8.0	—	—	—	-	-	—	-
Rent and occupancy expenses	(1.4)	—	(1.4)	(0.3)	—	(0.3)	(1.7)	—	(1.7)
Other operating expenses	(2.5)	—	(2.5)	(1.0)	—	(1.0)	(3.5)	—	(3.5)
EBITDA	(7.0)	8.0	1.0	1.8	—	1.8	2.8	—	2.8
Depreciation and amortisation	(0.8)	—	(0.8)	(0.2)	—	(0.2)	(1.0)	—	(1.0)
Net finance costs	(0.2)	—	(0.2)	0.0	—	0.0	(0.2)	0.2	(0.1)
Profit before tax	(8.1)	8.0	(0.1)	1.6	—	1.6	1.6	0.2	1.7
Income tax expense	(0.5)	—	(0.5)	(0.2)	—	(0.2)	(0.7)	(0.0)	(0.8)
Profit after tax	(8.6)	8.0	(0.6)	1.5	—	1.5	0.9	0.1	1.0

(a) The historical statutory financial information of OSD in this table has been aligned and presented on the same basis as the historical statutory financial information of LCM on the basis that these principles will be applied in financial information disclosures following the proposed combination of LCM and OSD.

(d) Adjustments to Combined Pro Forma income statement for 1H19

(i) LCM adjustments

LCM's reported net profit after tax was adjusted by adding back a goodwill impairment of \$8.0m. Underlying loss attributable to equity holders was \$0.6m. The underlying loss, which differs from the statutory figures, is unaudited.

(ii) Pro-forma adjustments

This adjustment reflects the estimated impact of interest costs on the reduced borrowings of \$3.0m expected to be drawn subsequent to completion of the Transaction. The Pro Forma interest expense reflects the impact of the reduced facility as if it had been fully drawn down on 1 July 2017 for the entire period and incurs interest at a rate of 4.8%. This assumption represents LCM's best estimate of Merged LCM's cost of debt subsequent to completion of the Transaction, and reflects:

- financial terms offered to LCM via a non-binding term sheet by financial lenders; and
- the prevailing interest rates at the date of this Notice of Meeting.

The interest expense adjustment does not reflect:

- the impact of any change in market conditions after the date of this Notice of Meeting which would mean the interest rate assumption is no longer reflective of an appropriate interest rate that would apply to Merged LCM subsequent to the completion of the Transaction;
- the impact of any future hedging activities in connection with fluctuations in future interest rates which Merged LCM may choose to undertake; and
- the fact that LCM's cash balance and its drawn and undrawn debt fluctuated during the 6 months ended 31 December 2018, and any associated difference in net interest expense compared to a situation where these balances remained constant during that period.

(e) Items not reflected in Merged LCM Pro Forma income statement

The Merged LCM income statement has not been adjusted for the following items:

- The trading of either LCM or OSD since 31 December 2018;
- Any potential synergies and business improvements as well as associated costs arising as a result of the Transaction;
- LCM's gross deferred tax losses of \$23.06m (\$6.9m tax effected) at 31 December 2018 which may be able to be utilised by Merged LCM post completion; and
- Additional depreciation and amortisation relating to identifiable tangible and intangible assets which may arise as a result of the Transaction and the finalisation of the accounting for the Transaction in accordance with AASB 3.

In addition to the above, estimated transaction costs to be incurred from 1 January 2019 of \$2.7m (pre-tax) have not been reflected in Merged LCM Pro Forma income statement on the basis that they are considered to be one-off in nature.

(3) Merged LCM Pro Forma statement of financial position

This section outlines the Pro Forma statement of financial position for Merged LCM as at 31 December 2018. The Pro Forma statement of financial position has been based on:

- LCM's consolidated historical statement of financial position as at 31 December 2018, which has been extracted from the financial statements of LCM for the year ended 31 December 2018;
- OSD's consolidated historical statement of financial position as at 31 December 2018, which has been derived from the financial statements of OSD for the year ended 31 December 2018; and
- adjustments described in section 11.4(3)(a).

The Merged LCM Pro Forma statement of financial position has been prepared in order to give LCM shareholders an indication of Merged LCM's financial position as if the transaction had occurred as at 31 December 2018. It does not show the actual financial position of Merged LCM at the time of Completion.

The table below sets out Merged LCM Pro Forma statement of financial position as at 31 December 2018. Notes explaining the adjustments follow the table.

Statement of Financial Position as at 31 December 2018 A\$M	Pro-forma adjustments							
	LCM	OSD(a)	Combined Group	(1.)	(2.)	(3.)	(4.)	Combined Pro-forma Group
Cash and cash equivalents	2.7	6.0	8.6	(0.3)	—	(2.7)	(2.3)	3.4
Trade & other receivables	14.5	7.3	21.8	—	—	—	—	21.8
Contract assets	4.7	0.1	4.8	—	—	—	—	4.8
Current tax assets	0.1	1.2	1.3	—	—	—	—	1.3
Current assets	22.0	14.6	36.6	(0.3)	—	(2.7)	(2.3)	31.3
Investment in equity accounted investees	—	0.4	0.4	—	—	—	—	0.4
PP&E	2.4	0.7	3.1	—	—	—	—	3.1
Deferred tax assets	2.4	1.3	3.7	—	—	—	—	3.7
Intangible assets	13.4	1.2	14.6	—	(1.0)	—	—	13.6
Non-current assets	18.1	3.6	21.8	—	(1.0)	—	—	20.8
Total assets	40.2	18.2	58.4	(0.3)	(1.0)	(2.7)	(2.3)	52.1
Trade & other payables	7.3	2.6	9.9	—	—	—	—	9.9
Borrowings	5.8	0.3	6.1	—	—	—	(4.3)	1.9
Current tax liability	—	0.7	0.7	—	—	—	—	0.6
Employee benefits	3.7	0.8	4.6	—	—	—	—	4.6
Provisions	1.8	—	1.8	—	—	—	—	1.8
Contract liabilities	3.9	0.9	4.8	—	—	—	—	4.8
Current liabilities	22.5	5.4	27.9	—	—	—	(4.3)	23.6
Trade & other payables	0.5	0.5	1.0	—	—	—	—	1.0
Borrowings	0.1	0.2	0.3	—	—	—	2.0	2.3
Employee benefits	0.3	0.3	0.5	—	—	—	—	0.5
Deferred tax liability	—	0.0	0.0	—	—	—	—	0.0
Provisions	1.0	—	1.0	—	—	—	—	1.0
Non-current liabilities	1.9	0.9	2.8	—	—	—	2.0	4.8
Total liabilities	24.4	6.3	30.7	—	—	—	(2.3)	28.4
Net assets	15.8	11.9	27.7	(0.3)	(1.0)	(2.7)	—	23.7
Share capital	57.7	5.8	63.4	—	(42.8)	—	—	20.6
Reserves	3.1	0.0	3.1	—	(3.1)	—	—	0.0
Retained earnings/(losses)	(44.9)	6.1	(38.8)	(0.3)	44.9	(2.7)	—	3.1
Equity	15.8	11.9	27.7	(0.3)	(1.0)	(2.7)	—	23.7

(a) The historical statutory financial information of OSD in this table has been aligned and presented on the same basis as the historical statutory financial information of LCM on the basis that these principles will be applied in financial information disclosures following the proposed combination of LCM and OSD.

(a) Adjustments to Combined Pro Forma statement of financial position

(i) Pre-completion dividend

This adjustment reflects the payment of a pre-completion dividend of \$0.3m to OSD Shareholders, which will be funded out of existing cash.

(ii) Acquisition accounting

The Merged LCM Pro Forma statement of financial position has been compiled in accordance with the acquisition accounting principles as set out in AASB 3 but representing provisional amounts as noted below.

The adjustment to goodwill of \$1.0m represents the difference between the implied consideration for the Transaction (\$14.8m) and the net assets of LCM as at 31 December 2018 (\$15.8m). The implied consideration represents the market value of LCM's issued share capital of 82.3 million shares assumed to be on issue at Completion based on the closing market price on 3 April 2019 of \$0.18 per share.

In practice, the actual consideration for the Transaction will be based on the actual value of the components of the implied consideration as at the completion date of the Transaction. As a result, the implied value of the consideration is likely to change between the date of this Explanatory Memorandum and the date of Completion and therefore the actual goodwill recognised may differ.

The acquirer is allowed a period of 12 months from the acquisition date to finalise the identification and valuation process and any resultant accounting adjustments. LCM has not finalised the identification and valuation of its assets and liabilities, with finalisation to take place after Completion. For the purposes of preparing Merged LCM Pro Forma statement of financial position, it has been assumed that the carrying value of assets and liabilities is equal to their fair value and that there will be no separately identifiable intangible assets other than those already recognised in the 31 December 2018 statements of financial position of LCM and OSD.

Additional amortisation relating to identified intangible assets may arise as a result of the Transaction and the finalisation of the accounting for the Transaction, and has not been reflected in Merged LCM Pro Forma Financial Information.

The quantum of any additional amortisation will depend on the incremental value allocated, and the useful lives ascribed, to the identifiable intangible assets as part of the final purchase price allocation.

For the purpose of preparing Merged LCM Pro Forma statement of financial position, it has been assumed that there will be no resetting of Merged LCM's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in Merged LCM Pro Forma statement of financial position. Any resulting adjustment will have an equal but opposite impact on the amount of goodwill recognised.

(iii) Transaction costs

This adjustment reflects the impact on Merged LCM of the estimated transaction costs (post 31 December 2018) of \$2.7m (pre-tax), which will be funded out of existing cash. Estimated transaction costs are excluding GST on the basis that any GST amounts paid will be offset by a corresponding GST receivable.

The payment of estimated transaction costs will likely give rise to a deferred tax asset. The value of the deferred tax asset will ultimately depend on the tax consolidation process, which will be undertaken at a future date. Given the uncertainty of the value of the deferred tax asset, no adjustment has been made to include a deferred tax asset associated with the payment of estimated transaction costs.

(iv) Debt refinancing

This adjustment reflects the proposed refinancing of Merged LCM post completion assuming a Transaction date of 31 December 2018. This is reflected in the Merged LCM Pro Forma statement of financial position through:

- the refinance of LCM's current bank borrowings of \$5.25m with a 3 year \$3.0m amortising loan facility (Core debt facility) and the proposed \$2.25m pay down of LCM's existing bank facility out of existing cash; and
- the reclassification of the \$3.0m Core debt facility between current borrowings (\$1.0m) and non-current borrowings (\$2.0m).

(b) Items not reflected in the Combined Pro Forma statement of financial position

The Combined Pro Forma statement of financial position has not been adjusted to reflect:

- The trading of either LCM or OSD since 31 December 2018; and
- LCM's gross tax losses of \$23.06m (\$6.9m tax effected) at 31 December 2018 which may be able to be utilised by Merged LCM post completion.

(4) Merged LCM Pro Forma cash flows

(a) Merged LCM Pro-forma cash flows for FY18

This section outlines the Pro Forma operating cash flows after capital expenditure for Merged LCM as though the Transaction occurred on 1 July 2017. The Merged LCM Pro Forma cash flows for year ended 30 June 2018 have been based on:

- the consolidated Pro Forma historical statement of cash flows of LCM for FY18, which has been derived from the consolidated financial statements of LCM for the full year to 30 June 2018;
- the consolidated Pro Forma historical statement of cash flows of OSD for FY18, which has been derived from the consolidated financial statements of OSD for the full year to 30 June 2018; and
- adjustments described in section 11.4(4)(b).

The Merged LCM Pro Forma cash flows have been prepared in order to give LCM shareholders an indication of Merged LCM's operating cash flows (after capital expenditure) as if the Transaction had occurred on 1 July 2017. They do not reflect the actual operating cash flows of Merged LCM at the time of Completion.

The table below sets out Merged LCM Pro Forma cash flows for FY18. Notes explaining the adjustments follow the table.

Half year ended 31 December 2018 A\$M	LCM			OSD(a)			Combined Group		
	Statutory.	(1.) Adj.	(A) Adjusted	Statutory	Adj.	(B) Adjusted	(A + B) Adj. Group	(2.) Pro-forma adj.	Pro-forma Group
EBITDA	1.8	—	1.8	7.5	(1.6)	5.9	7.8	—	7.8
Net interest paid	(0.4)	—	(0.4)	(0.0)	—	(0.0)	(0.4)	0.1	(0.3)
Income tax paid	(0.2)	—	(0.2)	(0.3)	0.5	0.2	(0.0)	(0.0)	(0.1)
Change in NWC & other non-cash items	(2.9)	1.1	(1.8)	(2.0)	—	(2.0)	(3.8)	—	(3.8)
Net operating cash flows	(1.6)	1.1	(0.5)	5.2	(1.1)	4.1	3.6	0.1	3.7
Capital expenditure	(1.1)	—	(1.1)	(0.3)	—	(0.3)	(1.4)	—	(1.4)
Net operating cash flows (after capex)	(2.8)	1.1	(1.7)	5.0	(1.1)	3.9	2.2	0.1	2.3

(a) The historical statutory financial information of OSD in this table has been aligned and presented on the same basis as the historical statutory financial information of LCM on the basis that these principles will be applied in financial information disclosures following the proposed combination of LCM and OSD.

(b) Adjustments to Combined Pro Forma cash flows for FY18

(i) LCM adjustments

LCM's reported net operating cash flows before capital expenditure was adjusted by adding back \$1.1m (pre-tax) of restructuring redundancies provided for at 30 June 2017 and paid in FY18. The tax impact of this transaction was recognised in the year ended 30 June 2017.

(ii) OSD adjustments

OSD's reported net operating cash flows after capital expenditure was adjusted by deducting a one-off contract termination fee of \$1.1m (post-tax).

(iii) Pro-forma adjustments

As discussed in adjustment (2) in section 11.4(2)(b), reduced interest costs will be incurred on the lower level of borrowings of Merged LCM. This adjustment assumes that the reduction in interest costs impacted the period they are assumed to have been incurred, being the year ended 30 June 2018.

(c) Merged LCM Pro-forma cash flows for 1H19

This section outlines the Pro Forma operating cash flows after capital expenditure for Merged LCM as though the Transaction occurred on 1 July 2017. The Merged LCM Pro Forma cash flows for 1H19 have been based on:

- the consolidated Pro Forma historical statement of cash flows of LCM for 1H19, which has been derived from the consolidated financial statements of LCM for the 6 months to 31 December 2018;
- the consolidated Pro Forma historical statement of cash flows of OSD for 1H19, which has been derived from the consolidated financial statements of OSD for the 6 months to 31 December 2018; and
- adjustments described in section 11.4(4)(d).

The Merged LCM Pro Forma cash flows have been prepared in order to give LCM shareholders an indication of Merged LCM's operating cash flows (after capital expenditure) as if the Transaction had occurred on 1 July 2017. They do not reflect the actual operating cash flows of Merged LCM at the time of Completion.

The table below sets out Merged LCM Pro Forma cash flows for 1H19. Notes explaining the adjustments follow the table.

Half year ended 31 December 2018 A\$M	LCM			OSD(a)			Combined Group		
	Statutory.	(1.) Adj.	(A) Adjusted	Statutory	Adj.	(B) Adjusted	(A + B) Adj. Group	(2.) Pro-forma adj.	Pro-forma Group
EBITDA	(7.0)	8.0	1.0	1.8	—	1.8	2.8	—	2.8
Net interest paid	(0.2)	—	(0.2)	0.0	—	0.0	(0.2)	0.2	(0.1)
Income tax paid	—	—	—	(1.4)	—	(1.4)	(1.4)	(0.0)	(1.5)
Change in NWC & other non-cash items	6.2	(8.0)	(1.8)	2.1	—	2.1	0.3	—	0.3
Net operating cash flows	(1.0)	—	(1.0)	2.4	-	2.4	1.4	0.1	1.5
Capital expenditure	(0.5)	—	(0.5)	(0.0)	—	(0.0)	(0.5)	—	(0.5)
Net operating cash flows (after capex)	(1.5)	—	(1.5)	2.4	—	2.4	0.9	0.1	1.0

(a) The historical statutory financial information of OSD in this table has been aligned and presented on the same basis as the historical statutory financial information of LCM on the basis that these principles will be applied in financial information disclosures following the proposed combination of LCM and OSD.

(d) Adjustments to Combined Pro Forma cash flows for 1H19

(i) LCM adjustments

This adjustment reflects the adding back of a goodwill impairment charge of \$8.0m which is offset by a corresponding reduction in non-cash items. As a result, there is no impact to cash flows arising out of this adjustment.

(ii) Pro-forma adjustments

As discussed in adjustment (2) in section 11.4(2)(d), reduced interest costs will be incurred on the lower level of borrowings of Merged LCM. This adjustment assumes that the reduction in interest costs impacted the period they are assumed to have been incurred, being the 6 months ended 31 December 2018.

(e) Items not reflected in Merged LCM Pro Forma cash flows

The Merged LCM Pro Forma cash flows have not been adjusted for the following items:

- The trading of either LCM or OSD since 31 December 2018;
- Any potential synergies and business improvements as well as associated costs arising as a result of the Transaction;
- LCM's gross tax losses of \$23.06m (\$6.9m tax effected) at 31 December 2018 which may be able to be utilised by Merged LCM post completion; and
- Any debt drawdowns or repayments as Merged LCM cash flows do not present cash flows from financing activities.

In addition to the above and consistent with the income statement, estimated transaction costs to be incurred from 1 January 2019 of \$2.7m (pre-tax) have not been reflected in Merged LCM cash flow statement on the basis that they are considered to be one-off in nature.

Section 12

Key risks associated with Transaction

Before deciding how to vote on the Resolutions, you should carefully consider the risk factors discussed in this section 12, as well as other information contained in this document and seek independent professional advice. This section 12 provides a summary of risks only. It does not take into account the investment objectives, financial situation, taxation position nor particular needs of Shareholders. Additional risks and uncertainties not currently known to LCM, or which LCM considers to be immaterial, may also have an adverse effect on the value of Shares. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.

12.1 Introduction

LCM Shareholders are currently exposed to various risks as a result of their investment in LCM. If the Transaction proceeds, the OSD Group will be merged with the LCM Group. As a consequence, LCM Shareholders will be exposed to risks related to the OSD Group and businesses and to certain additional risks of the merger.

This section 12 outlines the key, but not all, risks associated with an investment in Merged LCM and the value of the Shares and other risks that Shareholders should be aware of.

These risks include:

- risks specific to the Transaction;
- risks to Merged LCM; and
- general risks.

12.2 Risks specific to the Transaction

Completion Risks

(1) Completion of the Transaction will only occur where all the conditions to completion have been either satisfied or waived, including:

- Shareholders approving Resolution 1 as set out in this Notice of Meeting;
- the Independent Expert issuing a final report stating that the Transaction is fair and reasonable or not fair but reasonable;
- OSD and LCM receiving a binding refinancing package for Merged LCM on acceptable terms;
- obtaining key third party consents to the Transaction from material contract counterparties, landlords and financiers;
- ASX approving official quotation of the Consideration Shares to be issued to the OSD Shareholders;
- the absence of any Material Adverse Change in either the LCM Group or OSD Group,;
- a warranty and indemnity insurance policy being issued to LCM on terms satisfactory to LCM; and

- an amended or replacement executive services agreement being entered into by Chris O'Neill as CEO and Dan Drewe as CFO, on terms acceptable to the OSD Shareholders.
- See section 13.1 for a summary of the key terms and conditions of the Share Sale and Purchase Agreement, including the conditions.

Dilution and Control Risks

- (2) If the Transaction is approved the OSD shareholders will collectively acquire effective control of LCM. This would include the ability to control the assets and the strategic direction of Merged LCM, in addition to the decision of when to pay dividends. The OSD Shareholders may not always act in the best interests of LCM's current Shareholders, subject to compliance with relevant laws and regulations.
- (3) Additionally, there are certain risks and disadvantages associated with one shareholder, Mr O'Sullivan, acquiring such a substantive shareholding in LCM (being a relevant interest in 38.40% of Merged LCM). These risks and disadvantages include that:
- (a) the presence of a significant shareholder may reduce the attractiveness of Merged LCM's Shares to any potential takeover bidder and Mr O'Sullivan's interests will be able to block or otherwise deter any future control transactions, thereby reducing the likelihood Shareholders will receive a future premium for control;
 - (b) Mr O'Sullivan alone will have sufficient voting power to prevent the passing of all special resolutions of Merged LCM requiring approval of 75% of Shareholders;
 - (c) depending upon voter turnout and voting numbers at any general meeting, Mr O'Sullivan may have the ability alone to pass and/or prevent general resolutions of Merged LCM; and
 - (d) there may be an adverse impact on the liquidity in trading Merged LCM Shares.

Reliance Risks

- (4) The information in relation to OSD in this Explanatory Memorandum and on which LCM has relied in relation to the Transaction has been derived from limited reviewed, audited and unaudited financial information and other information made available to LCM by OSD during the due diligence process and for this Explanatory Memorandum.

While LCM conducted legal, financial and insurance due diligence on OSD, and prepared detailed financial analysis of OSD, LCM is unable to verify the accuracy or the completeness of information provided to it by OSD and there is no assurance that the due diligence was conclusive and that all material issues and risks in relation to the Transaction and OSD have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by OSD are weaker than those indicated by LCM's analysis, there is a risk that the profitability and future results of the operations of Merged LCM may differ (including a Material Adverse Change) from LCM's expectations as reflected in this Explanatory Memorandum, or that additional liabilities may emerge.

Disclosure Risks and Insurance Risk

- (5) On completion, LCM will assume the liabilities of OSD, including legal and regulatory liabilities, for which it may not be adequately indemnified. The Share Sale and Purchase Agreement contains a number of representations, warranties and indemnities. However, the warranties and indemnities may not be sufficient to cover the actual liability incurred in connection with any known or unknown liabilities of OSD and LCM may not be able to recover from the W&I Insurer under the indemnities. The warranties and indemnities are also subject to certain financial claims thresholds and other limitations.

Similarly, whilst LCM went to the warranty and indemnity insurance market and through its warranty and indemnity insurance broker, negotiated the best possible terms available at that time, there is a risk that certain exclusions under the warranty and indemnity insurance policy may apply, particularly in relation to taxation matters.

Any material unsatisfied warranty or indemnity claims could adversely affect Merged LCM's business, operations or financial performance.

Material Contract Risks

- (6) Entities in Merged LCM group are party to certain contracts containing change of control provisions that, in the absence of counterparty consent, may be triggered by implementation of the Transaction. There are risks of each counterparty refusing to or imposing onerous or unacceptable conditions on their consent or decreasing the level of business with OSD or LCM following completion. In particular, if a counterparty's consent is not obtained to certain key material contracts, the Transaction may not be completed or Merged LCM may lose the benefit of that contract. Any inability to retain the current level of work in hand under the material contracts may potentially adversely impact Merged LCM's operations and financial performance.
- (7) There is always a risk that material contracts could be terminated or amended to reduce the scope of works (and therefore the revenue earned under the Material Contract) for any number or reasons following completion of the Transaction (whether directly or indirectly related to the Transaction itself or any other external circumstances).

12.3 Risks specific to Merged LCM

Synergy Risks

- (1) The success of the Transaction will substantially depend on the extent to which Merged LCM is able to realise cost and revenue synergies. There is a risk that unforeseen issues or difficulties may arise that may result in integration benefits and/or synergies for Merged LCM being delayed, or being achieved only in part, or not at all. Areas of particular risk include:
- › failure to successfully implement the Transition Plan;
 - › difficulties or unexpected costs in reducing corporate and administration costs, property rationalisation and rationalising duplicated operating infrastructure and corporate support services;
 - › difficulties or unexpected costs relating to integration of management and technology systems and platforms;
 - › unexpected loss of key personnel during or following integration and possible reduction in employee morale caused by uncertainty arising from the Transaction;
 - › client attrition arising as a result of the Transaction, and anticipated benefits of the Transaction, in terms of clients expanding the scopes of work and the number of projects awarded to Merged LCM group, not occurring to the extent anticipated; and
 - › the extent to which cost savings are offset by any incremental compliance or operating costs that arise as a result of Merged LCM.

In addition, the process of realising costs and revenue synergies from the Transaction may require senior management of Merged LCM to devote significant time to this task, which may decrease the time they have to manage Merged LCM's businesses.

Key Personnel and Employment Risks

- (2) Each of LCM and OSD, and consequently Merged LCM, has an established reputation in the engineering industry that attracts talented personnel. Any inability to attract, retain and motivate key employees and contractors, for example through a loss of reputation, could impact Merged LCM's operations which could adversely impact Merged LCM's future operating and financial performance.
- (3) The Board and proposed management team of Merged LCM may not have the right skills, experience or ability to improve the performance of Merged LCM.
- (4) There may be a culture mismatch between LCM and OSD.

Market Risks

- (5) The Merged LCM operates in the highly competitive engineering consulting industry and asset services sector, with a number of operators competing for market share with similar or substitute services. The projects, technology, asset services and training which Merged LCM will deliver is often characterised by relatively low barriers to entry. The increase in market share by competitors and/or the entry of new competitors in either an asset services sector in which Merged LCM will participate, or generally in the engineering services industry may have an adverse effect on Merged LCM's financial and operating performance.

Regulatory Risks

- (6) The Merged LCM will be subject to local laws and regulations in each of the jurisdictions in which it operates. Furthermore, LCM operates in both the engineering and training industries within Australia and overseas. Future laws or regulations may be introduced concerning engineering, asset services or training companies and if this occurred, these could restrict or complicate Merged LCM's activities. Any such impacts may adversely impact Merged LCM's future operating and financial performance.

Litigation Risks

- (7) As with all businesses, Merged LCM will be exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. Further, the engineering industry in which Merged LCM operates involves particular risks associated with safety, structural defects, environmental investigations and general litigation. As with all litigation, there are risks involved. An adverse outcome in litigation or the cost of responding to potential or actual litigation may have a materially adverse impact on the financial performance of Merged LCM.

Increased Foreign Jurisdiction exposure

- (8) The Merged LCM through the OSD Group will increase its operations in New Zealand and may expand and/or increase its operations in the Pacific and other jurisdictions. This will expose Merged LCM to the general market conditions in New Zealand and may in turn expose Merged LCM to additional regulatory risk and additional exposure to foreign laws and other compliance obligations. The Merged LCM may also incur additional operating and compliance costs in some areas, compared to what would have been the case had the Transaction not occurred.

Carry forward of tax losses

- (9) LCM's gross deferred tax losses of \$23.06m (\$6.9m tax effected) at 31 December 2018 may not be able to be utilised by Merged LCM post completion, if for example Merged LCM fails to meet the requirements under taxation laws or otherwise of the ATO in order for the losses to be utilised.

Value Accretion Risks

- (10) Whether or not the Transaction is accretive to Shareholders, will depend on the ability of Merged LCM to generate sufficient earnings through the achievement of the synergies and realisation of other benefits of the Transaction to compensate for the dilutive effect of the Transaction to existing Shareholders.

12.4 General Risks

Industry Risks

- (1) The engineering services industry is broadly driven by public sector infrastructure, mining and construction projects. The Merged LCM's business will be impacted by the demand for engineering services from these sectors and industries.
- (2) Any downturn in the mining industry, the construction industry or a reduction in government spending on public infrastructure works may have a significant adverse effect on Merged LCM's business.
- (3) The Merged LCM's business may also be affected by changes in the nature of the engineering industry, such as changes to demand for different project delivery or asset services.

Financial Risks

- (4) The Merged LCM's ability to increase earnings and to make interest and principal payments on its debt will depend, in part, on its ability to source sufficient capital to operate its businesses and meet its debt obligations. There can be no assurance that this capital will be available on acceptable terms, or at all.
- (5) The Merged LCM may need to raise additional capital (whether debt, equity or hybrid) in order to continue growing, meet debt finance obligations and increase its profitability; however, LCM has no reason to expect that any capital raising will be required in the short to medium term.
- (6) Any changes to legislation and the operations of the relevant regulators or any of their successors may have substantial impacts on Merged LCM's investments, financial and operating performance.
- (7) The Merged LCM's revenue and profitability will be highly correlated to spending levels by resource, infrastructure and other businesses which use engineering services, which in turn could be affected by changes in macroeconomic conditions in Australia and internationally. Changes in the macroeconomic environment are beyond the control of Merged LCM and include, but are not limited to:
 - (a) changes in inflation and interest rates;
 - (b) global commodity and exchange rate risk;
 - (c) fixed price contract risk;
 - (d) changes in employment levels and labour costs, wage inflation and changes in industrial relations laws, which will affect the cost structure of Merged LCM;
 - (e) changes in aggregate investment and economic output; and
 - (f) other changes in economic or market conditions which may affect the revenue or costs of Merged LCM.
- (8) In particular, Merged LCM will directly or indirectly generate the majority of its revenue from public sector infrastructure, mining and construction projects, and will be dependent upon the strength of the overall engineering services market in Australia. Related expenditure is closely tied to general market conditions, commodity prices, government expenditure on public sector infrastructure, mining sector expenditure and construction project expenditure, the level of gross domestic product growth and the performance of the economy as a whole. Deterioration in macroeconomic conditions in Australia could adversely impact the financial performance of Merged LCM.

Other risks

- (9) LCM is exposed to changes in the regulatory conditions under which it operates in Australia. Such regulatory changes include:
 - (a) taxation laws and policies;
 - (b) accounting laws, policies, standards and practices;
 - (c) engineering laws and regulations that may impact upon the operations and processes; and
 - (d) employment laws and regulations, including laws and regulations relating to occupational health and safety.

The above risks are not an exhaustive list of the risks involved in holding Shares. The risks outlined above and other risks may materially affect the future performance of Merged LCM. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by LCM in respect of its future performance.

Section 13

Additional Information

This section 13 provides you with additional information regarding the Transaction.

13.1 Share Sale and Purchase Agreement (SPA)

As announced on 25 March 2019, LCM entered into the Share Sale and Purchase Agreement with the OSD Majority Shareholders for the sale and purchase of all the shares in OSD. The key terms of the Share Sale and Purchase Agreement are set out in the table below.

Topic	Summary
Outline of transaction	<p>LCM will acquire 100% of the shares on issue in OSD (currently 11,032,410 shares and anticipated to be 11,152,410 just prior to completion of the Transaction, due to the vesting of certain performance rights) and will issue all of the OSD Shareholders with the Consideration Shares in LCM (being 118,469,070 shares) in their respective proportions.</p> <p>Notably, not all of the OSD Shareholders are 'Sellers' under the SPA, as the Sellers (being the majority shareholders of OSD) will exercise their drag along rights pursuant to an OSD Shareholding Plan, to compel the minority shareholders of OSD to sell their shares in OSD to LCM as a part of the Transaction.</p> <p>Upon completion of the Transaction, OSD will become a wholly-owned subsidiary of LCM, which will remain listed, and the OSD Shareholders will become LCM Shareholders. The OSD Shareholders will hold a combined total of 59% of the shares on issue in LCM. Existing Shareholders of LCM prior to the Transaction will be diluted and will hold a combined total of 41% of the Shares on issue in LCM.</p>
Conditions precedent	<p>Completion of the Transaction is conditional on:</p> <ul style="list-style-type: none">• Shareholders approving Resolution 1 as set out in this Notice of Meeting;• the Independent Expert issuing a final report stating that the Transaction is fair and reasonable or not fair but reasonable;• OSD and LCM receiving a binding refinancing package for Merged LCM on acceptable terms;• obtaining key third party consents to the Transaction from material contract counterparties, landlords and financiers;• ASX approving official quotation of the Consideration Shares to be issued to the OSD Shareholders;• the absence of any Material Adverse Change in either the LCM Group or OSD Group;• a warranty and indemnity insurance policy being issued to LCM on terms satisfactory to LCM; and• an amended or replacement executive services agreement being entered into by Chris O'Neill as CEO and Dan Drewe as CFO, on terms acceptable to the OSD Majority Shareholders.
Locked Box	<p>The SPA contemplates a "mutual locked box" mechanism, whereby any payments to shareholders or related parties after 31 December 2018 for either LCM or OSD, that are not in the ordinary course of business (referred to as "leakage"), or that are not expressly referred to in the SPA (referred to as "permitted leakage"), are not permitted.</p> <p>Each party indemnifies the other party in respect of any leakage for which they are responsible. Any amounts of leakage from either party will be set off against any leakage from the other party and the net amount of leakage will be paid by the relevant party.</p>

Topic	Summary
OSD Options and LCM Options	<p>Prior to, but with effect from, completion of the Transaction, OSD must cancel each existing issued OSD Option and must terminate the existing OSD Option Plan. On completion of the Transaction, LCM must issue LCM Options to those OSD Option Holders who have had their options cancelled, on the terms and at the strike price set out in the SPA.</p> <p>The conversion formula in the SPA for the OSD options has been calculated to ensure that each OSD Option holder will remain, as at completion, in a financial position in respect of the LCM Options, which is as near as possible to that which existed in respect of the OSD Options, just prior to completion occurring.</p>
BOS Nomination Right and Release & Waiver	<p>LCM has agreed that, subject to completion of the Transaction, and for so long as Mr Brian O'Sullivan and his associates hold at least 15% of the total shares on issue in LCM, that Mr Brian O'Sullivan will have the ongoing right to nominate one representative to the Board of Directors of Merged LCM (which nomination could include himself). Additionally, Mr Brian O'Sullivan has agreed to waive any Excluded Claims that Mr O'Sullivan may have against the other Directors of Merged LCM in the future, due to the substantial size of his shareholdings in Merged LCM and has agreed to indemnify the other LCM Directors in relation to such Excluded Claims.</p>
Warranties and indemnities	<p>Each of the Sellers and LCM give warranties and indemnities to each other that would be typical for a transaction of this nature.</p> <p>LCM is in the process of taking out warranty and indemnity insurance to cover any breach of Sellers Warranties (excluding tax-related warranties). It has been agreed that there will be no recourse against any Seller for breach of one or more of the Sellers Warranties (save as to fraud) and that LCM's sole recourse will be under the W&I Insurance Policy.</p>
LCM Board recommendation	<p>The Directors of the LCM Board must make the following recommendations in the absence of a superior proposal and subject to the Independent Expert determining that the merger is fair and reasonable, or is not fair but is reasonable:</p> <ul style="list-style-type: none"> (a) that the Directors unanimously consider that the merger is in the best interest of the LCM shareholders; (b) that the Directors unanimously recommend that the shareholders of LCM vote in favour of the shareholder Resolutions at the meeting to approve the Transaction; and (c) that each Director intends to vote his shares in LCM in favour of the shareholder Resolutions to approve the Transaction.
Conduct until Completion	<p>Until the merger is completed under the SPA, the Sellers must ensure that each entity in the OSD group, and LCM must ensure each entity in the LCM group, carries on their respective businesses in the ordinary and normal course. In particular, the Sellers and LCM must not agree or commit to do certain specified actions, except as expressly permitted by the SPA or as consented to by the other party (which must not be unreasonably withheld or delayed). An information sharing protocol will also be put in place in relation to any Competitively Sensitive Information.</p>

Exclusivity	<p>LCM must not (and must ensure each entity in the LCM group does not), during the period from execution of the SPA to the earlier of termination under the SPA or 30 June 2019:</p> <ul style="list-style-type: none"> (a) initiate, solicit, seek or encourage (where unsolicited); (b) entertain, encourage, discuss, negotiate or respond to or accept from; (c) disclose or otherwise make available any non-public information concerning LCM's business to; or (d) enter into any agreement, arrangement or understanding with, any person or group of persons in respect of ("Exclusivity Commitments"), any proposal, approach or offer to acquire control of LCM or any significant portion of the companies or assets (both tangible and intangible) relevant to the operation of the LCM group or that might require or that would cause LCM to abandon, terminate or fail to consummate the merger. <p>However, the exclusivity restriction does not restrict LCM or any of its Directors from taking or refusing to take any action with respect to a competing proposal provided:</p> <ul style="list-style-type: none"> (a) that it is bona fide and is made in writing by or on behalf of a person that the Directors of LCM consider is of reputable commercial standing; and (b) the Directors of LCM have determined in good faith (after receiving advice from financial and legal advisers), that failing to take the action or refusing to take the action (as the case may be), with respect to the competing proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Directors of LCM. <p>Similarly OSD and each of the Sellers is under reciprocal Exclusivity Commitments with respect to any proposal, approach or offer to acquire control of OSD or any significant portion of the companies or assets (both tangible and intangible) relevant to the operation of the OSD business or that might require or that would cause the Sellers to abandon, terminate or fail to consummate the merger.</p>
Break fee	<p>If during the exclusivity period:</p> <ul style="list-style-type: none"> (a) LCM announces a competing proposal before 30 June 2019 (or before the SPA is otherwise terminated) and then completes that proposal within 9 months of this announcement; or (b) any Director of LCM makes a public statement withdrawing or adversely changing or modifying their recommendations in respect of the merger; or (c) LCM enters into any refinancing arrangement with a third party which includes an equity instrument such as convertible debt or options, the issue, allotment or granting of any securities or any other rights to receive securities under convertible debt, preference equity or ordinary equity, <p>then LCM must indemnify OSD against, and must pay on demand to OSD, \$300,000 (Higher LCM Break Fee).</p> <p>If LCM otherwise breaches its Exclusivity Commitments or the Sellers validly terminate the SPA for: LCM's failure to complete the merger, a LCM Insolvency Event, a default of the NAB banking covenants or material breach of the SPA, then LCM will indemnify OSD against, and must pay on demand to OSD, \$200,000 (LCM Break Fee).</p> <p>If OSD or the Sellers breach their Exclusivity Commitments or LCM validly terminates the SPA for: the Sellers' failure to deliver title to the Sale Shares, a Seller or OSD Insolvency Event, or material breach of the SPA, then the Sellers and OSD will indemnify LCM against, and must pay on demand to LCM, \$200,000 (OSD Break Fee).</p> <p>The break fees are not triggered merely for a failure to satisfy a condition precedent.</p> <p>The exclusivity period ends on the earlier of termination of the SPA in accordance with its terms or 30 June 2019.</p>
Execution Costs	<p>If the LCM Shareholders vote against approving the Transaction, OSD will pay \$107,500 to LCM as a contribution to the execution costs incurred by LCM. The obligation on OSD to make this payment is subject to LCM having used its best endeavours to obtain the approval of LCM Shareholders, continuing to unanimously recommend the merger, and providing evidence of the execution costs LCM incurred.</p>

13.2 LCM Options

Prior to, but with effect from, completion of the Transaction, OSD must cancel each existing issued OSD Option and must terminate the existing OSD Option Plan. On completion of the Transaction, LCM must issue 4,780,229 LCM Options to those OSD Option Holders who have had their options cancelled, on the terms and at the strike price set out below. The Option holders include OSD executives (and former executives) who currently hold unexercised share options pursuant to the OSD Option Plan.

The LCM Options will not be quoted securities.

The issue of the LCM Options to the OSD Option Holders is captured by the fundraising provisions in chapter 6D of the Corporations Act. Accordingly, LCM would ordinarily be required to issue a disclosure document in the form of a prospectus for the grant of the LCM Options, that provides disclosure of the rights and liabilities attaching to the LCM Options themselves as well as disclosure in relation to the rights and liabilities attaching to the underlying securities (being LCM Shares). The form of disclosure document would be a special 'transaction-specific' prospectus, as the LCM Options are options to acquire (by way of issue) continuously quoted securities of LCM, being LCM Shares.

However, LCM is able to rely upon the exceptions to disclosure as set out in section 708 of the Corporations Act such that a transaction-specific prospectus is not required. In particular, LCM has received a qualified accountant's certificate in relation to Mr Linton Burns, certifying that he is a sophisticated investor for the purposes of section 708(8) of the Corporations Act.

Additionally, LCM is able to rely upon the personal, small scale offerings exemption to disclosure in section 708(1)-(7) of the Corporations Act in relation to the other LCM Option holders and notes that the amount raised from these LCM Options, if they were to be exercised, would be \$277,500. LCM is therefore satisfied that the offers to Craig Sheather, Laurie Paxton and David Gooding constitute personal offers and do not breach the \$2 million or 20 investor ceiling in the preceding 12 months, for the purposes of applying the relevant exemption to prospectus disclosure.

The conversion formula used for the cancellation of OSD Options and the issue of LCM Options has been calculated to ensure that each OSD Option holder will remain as at completion of the Transaction in a financial position in respect of the LCM Options, which is as near as possible, to that which existed in respect of the OSD Options, just prior to completion occurring.

If all of the LCM Options are exercised, they represent a voting entitlement in LCM of 2.33% to the relevant OSD Option Holders and Merged LCM would receive \$526,500 in cash proceeds upon such exercise²⁰.

²⁰ Assuming no other securities are issued prior to exercise.

The number of LCM Options that each OSD Option holder will receive is as set out as follows:

Option holder	Current number of OSD options	Strike Price for conversion into OSD shares	OSD Option Expiry Date	Converts into number of LCM Options	Strike Price for conversion into LCM shares	Proceeds if exercised	LCM Option Expiry Date	Voting Entitlement if Exercised ²¹
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust	100,000	\$1.33	21 July 2021	1,062,273	\$0.1252	\$133,000	21 July 2021	0.52%
Linton Burns as trustee for Linton Burns Super-annuation Fund	100,000	\$1.16	21 July 2021	1,062,273	\$0.1092	\$116,000	21 July 2021	0.52%

Option holder	Current number of OSD options	Strike Price for conversion into OSD shares	OSD Option Expiry Date	Converts into number of LCM Options	Strike Price for conversion into LCM shares	Proceeds if exercised	LCM Option Expiry Date	Voting Entitlement if Exercised
Craig Sheather	100,000	\$1.16	21 July 2021	1,062,273	\$0.1092	\$116,000	21 July 2021	0.52%
Laurie Paxton	50,000	\$0.91	21 July 2021	531,137	\$0.0857	\$45,500	21 July 2021	0.26%
Giffard Services Pty Ltd ²²	100,000	\$1.16	21 July 2021	1,062,273	\$0.1092	\$116,000	21 July 2021	0.52%

See section 13.11(2) for further details.

²¹ Approximate, as depends upon the timing of option exercise and whether any other options exercised or capital raising conducted prior to that time.

²² An entity associated with David Gooding.

13.3 Executive Services Agreements

(1) Mr Brian O’Sullivan

The key terms for the appointment of Mr Brian O’Sullivan are as follows:

Topic	Summary
Role	Director Corporate Development.
Term	Permanent.
Total Fixed Remuneration (“TFR”)	\$362,817 per annum, including statutory superannuation contributions.
Incentives	Mr O’Sullivan is eligible to be granted incentives under LCM’s shareholder approved incentive plans. Currently there are no such plans in existence.
Notice Period	Mr O’Sullivan’s notice period is 6 months (other than for summary termination), regardless of whether the employment is terminated by LCM or by Mr O’Sullivan.
Termination Entitlements	None.
Post-Employment Restraint	Following termination of his employment, Mr O’Sullivan is restrained from: <ul style="list-style-type: none">• soliciting, or attempting to solicit, the business or services of any business, person, firm, company, or organisation who was a customer or a supplier of LCM and whom Mr O’Sullivan had material dealings with or knowledge of during the period of 12 months immediately prior to the termination his employment; and• enticing away, or endeavouring to entice away, from LCM any employee, officer, contractor, or agent of LCM, or anyone who was at any time during the period of 12 months immediately prior to the termination, an employee, contractor, or agent of LCM.

(2) Mr Linton Burns

The key terms for the appointment of Mr Linton Burns are as follows:

Topic	Summary
Role	Director Transition.
Term	Permanent.
Total Fixed Remuneration (“TFR”)	\$500,000 per annum, including statutory superannuation contributions.
Incentives	Mr Burns is entitled to the following incentives: <ul style="list-style-type: none">• Up to \$180,000 on achievement of all transition plan key performance indicators, with those indicators to be set within 30 days of completion of the Transaction and to be consistent with the Board approved transition plan; and• 24% of his TFR if LCM achieves normalised FY20 EBITDAI of \$10,000,000, and an additional 6% of his TFR for every \$1,000,000 achieved of normalised FY20 EBITDAI above the normalised FY20 EBITDAI of \$10,000,000.
Notice Period	<p>In the event that Mr Burns’ employment is terminated by LCM, the notice period is 6 months from the date of notice of termination or 3 July 2020.</p> <p>In the event that Mr Burns’ employment is terminated by Mr Burns, the notice period is 6 months from the date of the notice of termination or 3 July 2020, whichever is earlier.</p>

Termination Entitlements	<p>In the event that Mr Burns' employment with LCM is terminated by Mr Burns, Mr Burns is entitled to a retention payment of \$20,000 per completed months' service up to a maximum of \$240,000 ("Retention Payment").</p> <ul style="list-style-type: none"> • In the event that Mr Burns' role is terminated by LCM (other than for summary termination) at any time before 3 July 2020, Mr Burns is entitled to: • a payment of all unpaid TFR as if Mr Burns had been employed until 3 July 2020; • a payment of the Retention Payment, in the amount of \$240,000; • a redundancy payment of \$365,384 ("Redundancy Payment"); and • a payment of any incentives which have been achieved and vested but not already paid. <p>In the event of Mr Burns' death or total and permanent disability during the term of his employment, Mr Burns' successors or estate will be paid the following entitlements under the Executive Services Agreement as if it had been fulfilled up to 3 July 2020:</p> <ul style="list-style-type: none"> • a payment of all unpaid TFR as if Mr Burns had been employed until 3 July 2020; • a payment of the Retention Payment, in the amount of \$240,000; • a payment of the Redundancy Payment, in the amount of \$365,384; and • a payment of any incentives, with the amount calculated by an assessment to determine whether the incentives were achieved.
Post-Employment Restraint	<p>Following termination of his employment, Mr Burns is restrained from:</p> <ul style="list-style-type: none"> • soliciting, or attempting to solicit, the business or services of any business, person, firm, company, or organisation who was a customer or a supplier of LCM and whom Mr Burns had material dealings with or knowledge of during the period of up to 6 months immediately prior to the termination his employment; and • enticing away, or endeavouring to entice away, from LCM any employee, officer, contractor, or agent of LCM, or anyone who was at any time during the period of up to 6 months immediately prior to the termination, an employee, contractor, or agent of LCM.

13.4 Ancillary Transaction Documents

The O'Sullivan nomination right and the O'Sullivan deed poll of release of claims will become effective on and from completion of the Transaction occurring. A summary of their terms are as follows:

Director Nomination Right

Topic	Summary
Term	Subject to, and with effect on and from, completion of the Transaction for so long as Mr O'Sullivan (including all associates of Mr O'Sullivan) retains a shareholding in LCM of at least 15%.
Nomination Right	<p>Mr O'Sullivan (or any person nominated by Mr O'Sullivan) will have an ongoing right to nominate one person ("Nominee") to Merged LCM Board of Directors (which could be Mr O'Sullivan himself).</p> <p>Merged LCM Board will approve the appointment of the Nominee unless there are reasonable grounds for not approving the Nominee and such grounds have been notified to Mr O'Sullivan (or any person nominated by Mr O'Sullivan).</p>

Deed Poll Release of Claims — Directors' and Officers' Liability Insurance

Topic	Summary
Term	The obligations of Mr Brian O'Sullivan under the Deed Poll are continuing obligations and will only be varied, waived or terminated if agreed in writing by LCM.
Release	<p>Under LCM's existing Directors' and Officers' liability insurance policy, the insurer will not be liable for any claims brought or maintained by or on behalf of any individual or entity that:</p> <ul style="list-style-type: none">• has or had a "Substantial Interest" in LCM or any of its Subsidiaries; and• has a representative individual(s) holding a Board position(s) at LCM or any of its Subsidiaries at the time that the act giving rise to the claim was committed or allegedly committed, <p>(Excluded Claims).</p> <p>Mr Brian O'Sullivan has agreed to waive any Excluded Claims that he may have against the Indemnified Parties (being the other Directors of LCM) in the future and to release the Indemnified Parties from any Excluded Claims.</p>

13.5 Equity Incentive Plans

There will be no equity incentive plans as a part of the Transaction. The only equity incentives will be the Performance Rights already issued to Mr Chris O'Neill in connection with his role as CEO.

As no Director or proposed Director of Merged LCM will receive securities under an employee incentive scheme, shareholder approval under ASX Listing Rule 10.14 is not being sought at this Extraordinary General Meeting.

13.6 Related Party Transactions

LCM notes that Mr Brian O'Sullivan (and his Associated Parties) and Mr Linton Burns (and his Associated Parties) are related parties of LCM because it is intended that they will be appointed to the Board of LCM as Directors upon completion of the Transaction. Section 228(6) of the Corporations Act provides that a related party of a public company includes a person who on reasonable grounds is likely to become a related party at any time in the future.

Chapter 2E of the Corporations Act provides that a public company must not give a financial benefit to a related party unless the company's members have approved the granting of that financial benefit or unless certain exemptions as set out in Chapter 2E apply. Financial benefit is given a broad interpretation and includes the granting of shares and options.

As a part of the Transaction and pursuant to the negotiated Share Sale and Purchase Agreement, the following related parties will therefore receive the following financial benefits:

- Mr Brian O'Sullivan and his Associated Parties will receive 77,103,087 Shares;
- Mr Linton Burns and his Associated Parties will receive 3,877,298 Shares; and
- Mr Linton Burns and his Associated Parties will receive 2,124,546 LCM Options.

Section 210 of the Corporations Act provides that member approval under Chapter 2E is not needed to give a financial benefit on terms that would be reasonable in the circumstances, if the public company and the related party were dealing at arm's length.

LCM notes that at the time of negotiating the Transaction, Mr Brian O'Sullivan and Mr Linton Burns were unrelated third parties to LCM and were in fact negotiating the terms of the Transaction at arm's length and on arm's length terms. Mr Brian O'Sullivan and Mr Linton Burns only became related parties upon the signing of the Share Sale and Purchase Agreement and then only by virtue of section 228(6).

During the course of negotiating the Share Sale and Purchase Agreement, OSD (of which Mr Brian O'Sullivan and Mr Linton Burns are Directors and shareholders) had their own independent financial, accounting and legal advisors. Mr Brian O'Sullivan also had his own personal legal advisor. Similarly, LCM was represented by Norton Rose Fulbright as legal advisor, 333 Capital as financial advisor and had its own financial due diligence advisor. The LCM Board and each of Mr Brian O'Sullivan and Mr Linton Burns are also sufficiently knowledgeable about the terms of the Transaction, sufficiently experienced in business, and were sufficiently well advised to be able to form sound judgement as to what was in their own interests.

Having regard to section 210 and the meaning of 'arm's length' as set out in ASIC Regulatory Guide 76, LCM is confident that LCM negotiated and dealt with Mr Brian O'Sullivan and Mr Linton Burns as unrelated and uninfluenced parties and that each party acted in their own interests and was concerned only with achieving the best commercial result for itself in all the circumstances.

LCM has therefore determined not to obtain approval pursuant to Chapter 2E of the Corporations Act, on the basis that the exception provided in section 210 of the Corporations Act applies, in that the issue of the Shares to Mr Brian O'Sullivan and his Associated Parties and the issue of the Shares and LCM Options to Mr Linton Burns and his Associated Parties is the result of dealing at arm's length and accordingly such financial benefits are on arms-length terms.

Similarly under the ASX Listing Rules, ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed entity such as LCM must not issue or agree to issue equity securities (such as Shares and LCM Options) to a related party without approval of the holders of ordinary securities.

ASX Listing Rule 10.12 provides in exception 6, that approval under ASX Listing Rule 10.11 is not required where a person is a related party by reason only of the transaction which is the reason for the issue of the securities and the application to it of section 228(6).

Mr Brian O'Sullivan and his Associated Parties and Mr Linton Burns and his Associated Parties are only related parties of LCM by reason of completion of the Transaction and by reason of the application of section 228(6) of the Corporations Act.

LCM has therefore determined not to obtain approval pursuant to ASX Listing Rule 10.11, on the basis that the exception provided in Exception 6 of ASX Listing Rule 10.12 applies.

13.7 Terms of Consideration Shares

The Consideration Shares will be issued to OSD fully-paid and LCM will apply for quotation of the Consideration Shares on the ASX following completion of the Transaction.

13.8 Consents

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- (1) OSD Pty Ltd;
- (2) Norton Rose Fulbright as LCM's legal advisor;
- (3) 333 Capital as LCM's financial advisor;
- (4) KPMG Corporate Finance as the Independent Expert;
- (5) Link Market Services Limited as LCM's Share Registry; and
- (6) Computershare Investor Services Pty Limited who are assisting LCM with the Meeting.

OSD has given and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the OSD information set out in sections 9 and 10 of this document including, for the avoidance of doubt, the financial information about OSD's business that has been prepared by OSD and provided to LCM to assist it with the preparation of the Pro Forma financial information set out in section 11, and the references to that information in the form and context in which they are included in this Explanatory Memorandum.

KPMG Corporate Finance as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Independent Expert Report and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this section 13.8 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

13.9 Independent Expert Report

In accordance with the requirements of ASIC's Regulatory Guide 74, the LCM Directors engaged the Independent Expert to prepare and provide the Independent Expert Report which contains an independent assessment, analysis and opinion as to whether the Transaction is fair and reasonable. KPMG Corporate Finance is independent of LCM and OSD and has no interest in the outcome of the Transaction other than the preparation of the Independent Expert Report. The Independent Expert has concluded that the Transaction is fair and reasonable to the non-associated LCM Shareholders.

In forming this opinion, the Independent Expert has assessed whether the proposal is "fair" by determining if the value of the offer price or consideration, being the value of the LCM Shares post completion of the Transaction, on a minority basis, is equal to or greater than the value of the securities the subject to the offer, being the LCM shares pre-completion of the Transaction, on a controlling interest basis.

The Independent Expert has assessed the value of a LCM share, inclusive of a premium for control, to lie in the value range of \$0.18 to \$0.21 per share, which compares, to the Independent Expert's assessed value for Merged LCM of between \$0.21 to \$0.26 per Merged LCM share, on a minority and fully diluted basis. As the assessed value of a Merged LCM share, on a minority and fully diluted basis, lies at or above the assessed value range for a LCM share inclusive of a premium for control, the Independent Expert considers the Transaction to be fair.

Regulatory Guide (RG) 111 "Content of expert reports", issued by the Australian Securities and Investments Commission (ASIC) indicates that an offer is reasonable if it is fair. Notwithstanding this ASIC guidance, the Independent Expert has also considered various benefits and disadvantages that will accrue to the non-associated LCM shareholders as a result of the Transaction, as well as compared to maintaining the status quo.

Eligible LCM Shareholders should read the Independent Expert Report in its entirety before making a decision as to whether or not to vote in favour of Resolutions 1 and 2.

13.10 No requirement to satisfy ASX admission requirements

ASX has provided In-Principle Advice that ASX will not exercise its discretion to require LCM to obtain shareholder approval under Listing Rule 11.1.2, that Listing Rule 11.1.3 does not apply to the Transaction and that LCM is not required to satisfy the provisions of Chapters 1 and 2 of the ASX Listing Rules as if re-applying for admission to the official list of the ASX.

13.11 Further information about the Resolutions

(1) Resolution 1 — Acquisition of OSD Group, Issue of Consideration Shares and Relevant Interest in LCM acquired by OSD Founder and OSD Major Shareholder

Pursuant to section 606 of the Corporations Act, a person must not acquire a Relevant Interest in shares in a public company if it causes their voting power in the company to increase, from 20% or below, to more than 20%; or at all, if from a starting point that is above 20% and below 90%, unless certain limited exceptions apply. Under item 7 of section 611 of the Corporations Act, an acquisition previously approved by a resolution passed at a general meeting of the public company is exempt from the prohibition in section 606.

The issue of the Consideration Shares to the OSD Shareholders will result in the OSD Shareholders and executives acquiring a Relevant Interest in aggregate in 118,469,070 Shares and those parties and their Associated Parties increasing their voting power in LCM from 55,556 Shares (being voting power of 0.07%) to 118,469,070 Shares (being voting power of 59%).

The issue of 42,786,349 Shares to Brian O'Sullivan and an additional 34,316,738 Shares to BOS Holdings Australia Pty Ltd (an entity controlled by Brian O'Sullivan) will result in Brian O'Sullivan and his Associated Parties increasing their Relevant Interest in Shares from nil to 77,103,087 Shares (being voting power of 38.4%).

The current interests in Shares and the interests in Shares that will be acquired by each of the OSD Shareholders, executives and their Associated Parties as a result of the Transaction is set out in the table below.

Resolution 1 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the acquisition by LCM of all shares in OSD and the issue of all of the 118,469,070 Consideration Shares to the OSD Shareholders (representing voting power of 59%). Resolution 1 is also inclusive of the approval for the purposes of item 7 of section 611 of the Corporations Act for the issue of 77,103,087 Shares to Mr Brian O'Sullivan and his Associated Parties, that will increase the voting power of Mr Brian O'Sullivan and his Associated Parties from nil to 38.40%.

Chapter 2E of the Corporations Act provides that a public company must not give a financial benefit to a related party unless the company's members have approved the granting of that financial benefit or unless certain exemptions as set out in Chapter 2E apply. Mr Brian O'Sullivan and Mr Linton Burns are related parties of LCM by virtue of the Transaction as they will be appointed to the LCM Board. The issue of Shares to Mr Brian O'Sullivan and his Associated Parties and the issue of Shares and LCM Options to Mr Linton Burns and his Associated Parties are related party benefits.

Section 210 of the Corporations Act provides that member approval under Chapter 2E is not required to give a financial benefit on terms that would be reasonable in the circumstances, if the public company and the related party were dealing at arm's length.

LCM has determined not to obtain approval pursuant to Chapter 2E of the Corporations Act, on the basis that the exception provided in section 210 of the Corporations Act applies as the terms of the Transaction were negotiated at arm's length. See section 13.6 for further details.

Similarly under the ASX Listing Rules, ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed entity such as LCM must not issue or agree to issue equity securities (such as Shares and LCM Options) to a related party without approval of the holders of ordinary securities.

ASX Listing Rule 10.12 provides in exception 6, that approval under ASX Listing Rule 10.11 is not required where a person is a related party by reason only of the transaction which is the reason for the issue of the securities and the application to it of section 228(6).

LCM has determined not to obtain approval pursuant to ASX Listing Rule 10.11, on the basis that the exception provided in exception 6 of ASX Listing Rule 10.12 applies. See section 13.6 for further details.

See the table below and the definition of Associated Parties for further information about the parties who will acquire Relevant Interests and the voting power of parties in LCM resulting from the Transaction.

OSD Shareholder and other persons/ Associates who have a Relevant Interest in LCM Shares	Current number of LCM Shares (and voting power)	Number of LCM Consideration Shares being Issued	Voting Power in LCM after Transaction
BOS Holdings Australia Pty Ltd as trustee for The BOS Family Trust and Brian Patrick O'Sullivan	NIL	77,103,087	38.40%
GFNA Bartley Family Pty Ltd as trustees for GFNA Bartley Family Trust and Gregory Wayne Bartley and Fiona Clare Bartley	NIL	18,260,477	9.09%
Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust and HSF SMSF Pty Ltd as trustee for Horstmann Superannuation Fund, and Andrew Keith Horstmann and Jenny Ann Horstmann	NIL	10,722,374	5.34%
Giffard Services Pty Ltd and David Ian Gooding and Linda Catherine Gooding	NIL	3,186,820	1.59%
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust and Linton Burns as trustee for Linton Burns Super Fund and Linton Wayne Paul Burns and Suzanne Mary Byrne	NIL	3,877,298	1.93%
Craig Sheather	NIL	1,221,614	0.61%
Neil Michael Gardner	NIL	1,396,889	0.70%
Rodney Harold Keller and Whitney Keller as trustees for the Keller Superannuation Fund and Rodney Harold Keller and Whitney Keller	NIL	849,819	0.42%
Martin Stewart Axelby and Sharon Axelby as trustees for the Axelby Family Trust and Martin Stewart Axelby and Sharon Axelby	NIL	410,250	0.20%
Ching Chang Wong	55,556 (0.07%)	265,568	0.13%
Sharon Margaret Bonney	NIL	212,455	0.11%
Douglas Shane Hamnett	NIL	584,250	0.29%
Joshua James Robinson	NIL	64,799	0.03%
Nicholas Allison	NIL	58,425	0.03%
Shane Michael Abell	NIL	53,114	0.03%
Lars Aarekol	NIL	53,114	0.03%
Soheil Taherian	NIL	42,491	0.02%
Jarrold Michael Woolnough	NIL	26,557	0.01%
Laurie Paxton	NIL	21,245	0.01%
Rosaleen Nelson	NIL	21,245	0.01%
Jack Dowie	NIL	21,245	0.01%
Norzaki Mizan	NIL	10,623	0.01%
Jaco Wood	NIL	5,311	Less than 0.01%
TOTAL	NIL	118,469,070	59.00%

(2) Resolution 2 — Issue of LCM Options and Refreshing Placement Capacity

ASX Listing Rule 7.1 provides that an ASX-listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue securities if the number of securities issued, when aggregated with the number of securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

The 118,469,070 fully paid ordinary Consideration Shares in LCM to be issued to the OSD Shareholders as consideration for the acquisition of OSD, would ordinarily exceed the 15% threshold permitted by ASX Listing Rule 7.1, as the Consideration Shares will represent at least 143.99% of the LCM Shares on issue at the commencement of the preceding 12 month period prior to completion of the Transaction.

However there are a number of exceptions to ASX Listing Rules 7.1 as set out in ASX Listing Rule 7.2. Exception 16 in ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply to an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, approval for the purposes of ASX Listing Rule 7.1 is not being sought for the issue of the Consideration Shares, as exception 16 in ASX Listing Rule 7.2 applies.

Additionally, for the purposes of ASX Listing Rule 7.1 the issue of equity securities includes the issue of convertible securities such as the issue of the LCM Options. In working out the number of equity securities that an entity may issue or agree to issue under Listing Rule 7.1, each LCM Option is counted as the maximum number of fully paid ordinary securities into which it can be converted. The issue of the 4,780,229 LCM Options is therefore counted as the issue of 4,780,229 Shares for the purposes of Listing Rule 7.1, representing at least 5.81% of the LCM Shares on issue at the commencement of the preceding 12 month period prior to completion of the Transaction.

Accordingly, Resolution 2 seeks approval for the issue of the 4,780,229 LCM Options, representing the issue of at least 5.81% of the LCM Shares on issue at the commencement of the preceding 12 month period prior to completion of the Transaction, for the purposes of ASX Listing Rule 7.1.

Notice Requirements for ASX Listing Rule 7.1 Approval

LCM provides the following information in relation to the issue of the LCM Options in accordance with Listing Rule 7.3:

- (a) The total number of LCM Options to be issued will be 4,780,229 LCM Options.
- (b) All of the LCM Options will be issued on the date of Completion of the Transaction in accordance with the Share Sale and Purchase Agreement and in any event no later than 3 months after the date of the Meeting. If LCM Shareholders approve Resolution 1 as set out in this Notice of Meeting, it is anticipated that completion of the Transaction will occur seven days after the date of the Meeting (and in any event no later than 3 months after the date of the Meeting).
- (c) The issue price for the LCM Options will be \$nil consideration.
- (d) The LCM Options will be issued to those OSD Option Holders who have had their OSD Options cancelled as a part of the Transaction, being:
 - (i) Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust;
 - (ii) Linton Burns as trustee for Linton Burns Superannuation Fund;
 - (iii) Craig Sheather;
 - (iv) Laurie Paxton; and
 - (v) Giffard Services Pty Ltd.
- (e) The key terms of the LCM Options include:
 - (i) the rights of an LCM Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of reorganisation;
 - (ii) an LCM Option holder cannot participate in any new issue of LCM securities without first exercising their LCM Options;
 - (iii) the LCM Options do not confer any rights on any LCM Option holder to a change in the exercise price of any LCM Option, or to a change in the number of underlying LCM Shares over which any LCM Option can be exercised;
 - (iv) the LCM Options may be exercised at any time on and from their date of issue and prior to their expiry date, by delivery to Merged LCM of a properly completed LCM Option exercise form. The issue price for the relevant LCM Shares will be payable in full upon exercise of the LCM Options;

- (v) each LCM Option will carry the right in favour of the LCM Option holder to subscribe for one fully paid ordinary LCM share. Issued LCM shares will rank, from the date of their allotment, equally with existing Shares in all respects;
- (vi) Merged LCM will issue the LCM Option Shares and deliver share certificates for them within 10 Business Days of receipt of a properly completed LCM Option exercise form and receipt of clear funds or a cheque for the issue price;
- (vii) LCM will apply for quotation of the Shares issued when LCM Options are exercised, within 10 Business Days of their issue;
- (viii) all unexercised LCM Options will expire on their relevant expiry date;
- (ix) subject to a determination to the contrary by the Merged LCM board, if an LCM Option holder's employment with LCM is lawfully terminated, they resign from employment with LCM, they die or become disabled, or they become redundant, their LCM Options will immediately lapse;
- (x) Merged LCM may buy back the LCM Options for an amount agreed with the relevant LCM Option holder;
- (xi) the LCM Options may not be sold, transferred, assigned, given or otherwise disposed of; and
- (xii) the relevant strike prices for conversion into LCM Shares and the LCM Option expiry dates are as follows:

Option holder	Number of LCM Options	Number of Shares issued if LCM Options exercised	Strike Price for conversion into LCM shares	LCM Option Expiry Date	Proceeds if exercised (Issue Price for LCM Shares)
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust	1,062,273	1,062,273	\$0.1252	21 July 2021	\$133,000
Linton Burns as trustee for Linton Burns Superannuation Fund	1,062,273	1,062,273	\$0.1092	21 July 2021	\$116,000
Craig Sheather	1,062,273	1,062,273	\$0.1092	21 July 2021	\$116,000
Laurie Paxton	531,137	531,137	\$0.0857	21 July 2021	\$45,500
Giffard Services Pty Ltd ²³	1,062,273	1,062,273	\$0.1092	21 July 2021	\$116,000

- (f) No funds will be raised and no cash will be received by LCM from the issue of the LCM Options. Merged LCM will receive \$526,500 in cash proceeds if all LCM Options were to be exercised, which LCM anticipates would be used for working capital.
- (g) All of the LCM Options will be issued on the same date and will not occur progressively, being the date of completion of the Transaction.

LCM will not apply for quotation of the LCM Options.

LCM will disregard any votes cast in favour of Resolution 2 by or on behalf of the OSD Shareholders and executives who will receive Consideration Shares and any OSD Option Holder who will receive LCM Options and any Associate of OSD, OSD Shareholders or OSD Option Holders.

13.12 Documents available

You can view or download an electronic version of this Notice of Meeting and Explanatory Memorandum at LCM's website: (<http://www.logicamms.com.au/investor-relations>).

13.13 No other material information

Except as set out in this Explanatory Memorandum, in the opinion of the Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director or of any related body corporate of LCM which has not been previously disclosed to Shareholders.

²³ An entity associated with David Gooding.

Glossary

Unless the context otherwise requires, the singular includes the plural and vice versa, and the following terms will have the following meaning:

- (1) **ASIC** means the Australian Securities and Investments Commission.
- (2) **Associate** has the meaning given in section 12 of the Corporations Act and in respect of each OSD Shareholder, and LCM, includes the parties specified as such next to their name in the definition of Associated Parties.
- (3) **Associated Parties** of each OSD Shareholder and executive, means the parties set out next to their name in the following table:

OSD Shareholder or executive	Associates	Parties that will have a Relevant Interest in the Shares held by the OSD Shareholder or executive
Brian Patrick O'Sullivan	N/A	Brian Patrick O'Sullivan
Andrew Keith Horstmann	N/A	Andrew Keith Horstmann
Gregory Wayne Bartley	N/A	Gregory Wayne Bartley
Linton Wayne Paul Burns	N/A	Linton Wayne Paul Burns
Rodney Keller	N/A	Rodney Keller
Robbert De Weijer	N/A	Robbert De Weijer
BOS Holdings Australia Pty Ltd ACN 135 448 369 as trustee for The BOS Family Trust	Brian Patrick O'Sullivan	Brian Patrick O'Sullivan
GFNA Bartley Family Pty Ltd ACN 148 953 977 as trustees for GFNA Bartley Family Trust	Gregory Wayne Bartley Fiona Clare Bartley	Gregory Wayne Bartley Fiona Clare Bartley
HSF SMSF Pty Ltd ACN 603 935 244 as trustee for Horstmann Superannuation Fund	Andrew Keith Horstmann Jenny Ann Horstmann	Andrew Keith Horstmann Jenny Ann Horstmann
Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust	Andrew Keith Horstmann Jenny Ann Horstmann Rhys Andrew Horstmann	Andrew Keith Horstmann Jenny Ann Horstmann Rhys Andrew Horstmann
Giffard Services Pty Ltd ACN 068 026 139	David Ian Gooding Linda Catherine Gooding	David Ian Gooding Linda Catherine Gooding
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust	Linton Wayne Paul Burns Suzanne Mary Byrne	Linton Wayne Paul Burns Suzanne Mary Byrne
Linton Burns as trustee for Linton Burns Superannuation Fund	Linton Wayne Paul Burns	Linton Wayne Paul Burns
Rodney Harold Keller and Whitney Keller as trustee for the Keller Superannuation Fund	Rodney Harold Keller Whitney Keller	Rodney Harold Keller Whitney Keller
Martin Stewart Axelby and Sharon Axelby as trustee for the Axelby Family Trust	Martin Stewart Axelby Sharon Axelby	Martin Stewart Axelby Sharon Axelby

- (4) **ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.
- (5) **ASX Listing Rules** means the official listing rules of ASX.
- (6) **Board** means the board of Directors of LCM from time to time.
- (7) **BOS Holdings** means BOS Holdings Australia Pty Ltd ACN 135 448 369 as trustee for The BOS Family Trust.
- (8) **Chairperson** means the chairperson of LCM from time to time, being Peter Lawrence Watson as at the date of this Notice of Meeting and Explanatory Memorandum.
- (9) **Consideration Shares** means 118,469,070 fully paid ordinary Shares in LCM issued to the OSD Shareholders in their Relevant Proportions in consideration for the sale of OSD to LCM.
- (10) **Corporations Act** means the Corporations Act 2001 (Cth), as amended from time to time.
- (11) **Corporations Regulations** means the Corporations Regulations 2001 (Cth).
- (12) **Directors** means the directors of LCM from time to time, being the following individuals at the date of this Notice of Meeting and Explanatory Memorandum (excluding alternate Directors):
 - (a) Peter Lawrence Watson;
 - (b) Richard George Robinson; and
 - (c) Charles Louis Rottier.
- (13) **EBITDA** means earnings before interest, tax, depreciation and amortisation.
- (14) **EBITDAI** means earnings before interest, tax, depreciation, amortisation and impairment.
- (15) **Explanatory Memorandum** means the Explanatory Memorandum in this document to which the Notice of Meeting is annexed.
- (16) **Independent Expert** means the independent expert appointed by LCM to opine on whether the Transaction is fair and reasonable, being KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division).
- (17) **Independent Expert Report** means the report of the Independent Expert attached as Attachment 2.
- (18) **LCM** means LogiCamms Limited ACN 127 897 689.
- (19) **LCM Group** means LCM and its Subsidiaries.
- (20) **LCM Options** means new options in LCM to be issued to the OSD Option Holders upon the completion of the Share Sale and Purchase Agreement, at the strike price and on the terms set out in section 13.2.
- (21) **Material Adverse Change** means a matter, circumstance or event that has the effect of:
 - (a) diminishing the value of net assets of the LCM Group or OSD Group by \$600,000 or more; or
 - (b) reducing H2FY19 forecast consolidated normalised EBITDA of the LCM Group or OSD Group by \$500,000 or more (excluding Transaction costs).
- (22) **Material Contract** has the meaning given to that term in the Share Sale and Purchase Agreement.
- (23) **Meeting** means the general meeting of the members of LCM to which this Notice of Meeting and Explanatory Memorandum relates, which has been convened to be held at 9.00am on 24 June 2019 at the Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane.
- (24) **Merged LCM** means LCM following completion of the Transaction.
- (25) **Notice of Meeting** means the notice of extraordinary general meeting to which this Explanatory Memorandum is annexed.
- (26) **OSD** means OSD Pty Ltd ACN 058 047 046.
- (27) **OSD Group** means OSD and the OSD Subsidiaries.
- (28) **OSD Option Holders** means the holders of the OSD Options, as set out in section 13.2.
- (29) **OSD Option Plan** means the OSD Employee Share Option Plan 1 dated on or about 21 July 2011.
- (30) **OSD Options** means the options issued to the OSD Option Holders under the OSD Option Plan and as outlined in section 13.2 of this document.

- (31) **OSD Shareholders** means the holders of shares in OSD entitled to receive Consideration Shares under the Share Sale and Purchase Agreement, being:
- (a) the OSD Majority Shareholders;
 - (b) Giffard Services Pty Ltd ACN 068 026 139;
 - (c) Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust;
 - (d) Craig Sheather;
 - (e) Neil Michael Gardner;
 - (f) Linton Burns as trustee for Linton Burns Superannuation Fund;
 - (g) Rodney Harold Keller and Whitney Keller as trustee for the Keller Superannuation Fund;
 - (h) Martin Stewart Axelby and Sharon Axelby as trustee for the Axelby Family Trust;
 - (i) Ching Chang Wong;
 - (j) Sharon Margaret Bonney;
 - (k) Douglas Shane Hamnett;
 - (l) Joshua James Robinson;
 - (m) Nicholas Allison;
 - (n) Shane Michael Abell;
 - (o) Lars Aarekol;
 - (p) Soheil Taherian;
 - (q) Jarrod Michael Woolnough;
 - (r) Laurie Paxton;
 - (s) Rosaleen Nelson;
 - (t) Jack Dowie;
 - (u) Norzaki Mizan; and
 - (v) Jaco Wood.
- (32) **OSD Subsidiaries** means:
- (a) KEGS Software Pty Ltd ACN 164 598 921 (30% owned);
 - (b) PIPEd Pty Ltd ACN 117 496 741;
 - (c) OSD Asset Services Pty Ltd ACN 117 904 024;
 - (d) OSD Velocity Pty Ltd ACN 611 464 996;
 - (e) OSD Projects Pty Ltd ACN 153 827 279;
 - (f) G.W.B. Engineering Pty. Ltd. ACN 058 405 762;
 - (g) OSD Chile S.A. (a Chilean company, RUT 76 065 766-2) (currently dormant); and
 - (h) OSD Pipelines Corporation (a Canadian company, registration number 0820342) (currently dormant).

- (33) **OSD Majority Shareholders** means the holders of shares in OSD who together hold the majority voting power in OSD, and who are named as “Majority Shareholders” in OSD’s Shareholding Plan dated 31 May 2018, and who are “sellers” under the Share Sale and Purchase Agreement, being:
- Brian Patrick O’Sullivan;
 - BOS Holdings Australia Pty Ltd ACN 135 448 369 as trustee for The BOS Family Trust;
 - GFNA Bartley Family Pty Ltd ACN 148 953 977 as trustees for GFNA Bartley Family Trust;
 - HSF SMSF Pty Ltd ACN 603 935 244 as trustee for Horstmann Superannuation Fund; and
 - Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust.
- (34) **Pro Forma** means the pro forma accounts, or any figures cited in them, of Merged LCM for the half year ended 30 June 2019 dated 3 April 2019.
- (35) **Relevant interest** has the meaning given in sections 608 of the Corporations Act, as qualified by section 609 of the Corporations Act.
- (36) **Resolutions** means the resolutions that are set out in the Notice of Meeting and explained in the Explanatory Memorandum.
- (37) **Respective Proportions** means each OSD Shareholder’s shareholdings in OSD expressed as a percentage of the total share capital of OSD, and as set out in the Share Sale and Purchase Agreement and section 13.11 of this Explanatory Memorandum.
- (38) **Share** means a fully paid ordinary share in the capital of LCM.
- (39) **Share Sale and Purchase Agreement or SPA** means the share sale and purchase agreement entered into on 22 March 2019 between LCM, OSD Majority Shareholders and Linton Burns (in his capacity as Sellers’ Representative).
- (40) **Share Registry** means Link Market Services Limited at Level 21 10 Eagle Street, Brisbane QLD 4000.
- (41) **Shareholder** means a holder of one or more Shares.
- (42) **Subsidiaries** has the meaning given in section 9 of the Corporations Act.
- (43) **Transaction** means the merger of the LCM Group with the OSD Group, by way of LCM’s acquisition of 100% of the issued capital in OSD, in consideration for the issue of the Consideration Shares in LCM to the OSD Shareholders, pursuant to the terms of the Share Sale and Purchase Agreement.
- (44) **Voting power** has the meaning given in section 610 of the Corporations Act.
- (45) **W&I Insurer** means the insurer providing coverage to LCM in respect of the sellers warranties set out in the Share Sale and Purchase Agreement.

Attachment 1 – Notice of Meeting

Notice is given to LCM Shareholders that an extraordinary general meeting of members will be held at 9.00am (Brisbane time) on 24 June 2019 at the Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane.

Capitalised terms used in this Notice of Meeting that are not defined have the meaning given to them in the Glossary of the Explanatory Memorandum.

The business to be considered at the Meeting is set out below. Information on the Resolutions to which the business relates is contained in the Explanatory Memorandum.

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum which set out a detailed explanation of the background and reasons for the Resolutions. This Notice of Meeting and Explanatory Memorandum is not investment advice. You should seek your own financial and professional advice before making any decision on how to vote at the Meeting.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary at the end of the Explanatory Memorandum.

1. Business

The Extraordinary General Meeting is being held for the purpose of transacting the following business.

Resolution 1 — Acquisition of OSD Group, Issue of Consideration Shares and Relevant Interest in LCM acquired by OSD Founder and OSD Major Shareholder

To consider and, if thought fit, to pass the following ordinary resolution:

‘For the purposes of section 611 item 7 of the Corporations Act and for all other purposes, the Shareholders of LogiCamms Limited (**LCM**) approve and agree to:

- (a) LCM’s acquisition of the OSD Group; and
- (b) the issue of the 118,469,070 fully paid ordinary Consideration Shares to the OSD Shareholders (in their Respective Proportions) as consideration for the acquisition of the OSD Group, including the issue of 42,786,349 Shares to Mr Brian O’Sullivan and the issue of 34,316,738 Shares to BOS Holdings (an entity controlled by Mr Brian O’Sullivan), which will increase Mr O’Sullivan’s voting power in LCM from 0% to 38.4%,

on the terms and conditions described in the Explanatory Memorandum accompanying the Notice of Meeting.’

Resolution 2 — Issue of LCM Options and Refreshing Placement Capacity

To consider and, if thought fit, to pass the following ordinary resolution:

Pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, the Shareholders of LogiCamms Limited (**LCM**) approve and agree to the issue of the 4,780,229 LCM Options to the OSD Option Holders, on the terms and conditions described in the Explanatory Memorandum accompanying the Notice of Meeting, which if all LCM Options were exercised, would constitute in aggregate approximately 2.33% of the total Shares on issue in LCM upon such exercise.

2. Voting exclusion statements

Resolution 1 – Acquisition of OSD Group, Issue of Consideration Shares and Relevant Interest in LCM acquired by OSD Founder and OSD Major Shareholder

In accordance with the Corporations Act, LCM will disregard any votes cast in favour of Resolution 1 by the OSD Shareholders and executives who will receive Consideration Shares and any Associate of OSD or the OSD Shareholders.

Resolution 2 – Issue of LCM Options and Refreshing Placement Capacity

LCM will disregard any votes cast in favour of Resolution 2 by or on behalf of any OSD Option Holder who will receive LCM Options or any Associate of any OSD Option Holder.

However, LCM need not disregard a vote if: (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Majorities required for the Resolutions to be passed

Each Resolution will be passed if more than 50% of the votes cast on that Resolution (either in person, proxy, attorney or by corporate representative) are in favour of that Resolution. Each of the Resolutions are inter-conditional. This means that in order for the Transaction to proceed, Shareholders must approve each of the Resolutions.

4. Entitlement to vote

LCM has determined, in accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the register of members at 7.00pm AEST on 22 June 2019.

Accordingly transfers of LCM Shares registered after that time will be disregarded in determining entitlements to attend and vote at the Extraordinary General Meeting.

5. Voting

You may vote in person by attending the Meeting or by proxy.

To vote in person, you must attend the Meeting at 9.00am (AEST) on 24 June 2019 at the Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane.

To vote by proxy, a completed proxy form must be delivered to and received by Computershare on or before 9.00am (AEST) on 22 June 2019. The attached proxy form sets out the instructions for the return of that proxy form or lodging your vote online.

You may lodge your vote online, by visiting www.investorvote.com.au or scanning the QR Code on the proxy form with your mobile device, and following the instructions on the secure website to vote. Alternatively you may return proxy forms by post to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia; or you may fax the proxy form to +61 3 9473 2555 (outside Australia) or 1800 783 447 (within Australia).

6. Proxies

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder entitled to vote at the Meeting has a right to appoint a proxy;
- (b) the proxy need not be a Shareholder;
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportional number is specified, each proxy may exercise half of the Shareholder's votes; and
- (d) a Shareholder may specify the way in which the proxy is to vote on the Resolutions or may allow the proxy to vote at its discretion. If the way in which a proxy is to vote on a Resolution is specified by a Shareholder, the proxy may not vote on that Resolution except as specified by the Shareholder.

7. Voting of proxies

A proxy may decide whether to vote on any motion, except where the proxy is required by law or under the constitution of LCM to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.

8. Voting by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received before the start or resumption of the meeting at which the representative is to vote, by post in the reply paid envelope provided.

9. How the Chairperson will vote undirected proxies

If you return your proxy form but do not nominate a proxy, the Chairperson will be your proxy and will vote on your behalf as you direct on the proxy form. If your nominated representative does not attend the meeting then your proxy will revert to the Chairperson and he will vote on your behalf as you direct on the proxy form.

If a proxy is not directed how to vote on an item of business or Resolution, the proxy (including, if applicable, the Chairperson) may vote, or abstain from voting, as they think fit.

If you appoint the Chairperson as your proxy (or if the Chairperson is appointed by default) and do not direct the Chairperson how to vote on a particular Resolution, the Chairperson will vote your proxy in favour of that item of business, even if the Chairperson has an interest in the outcome of that particular Resolution and votes cast by the Chairperson, other than as proxy holder, would be disregarded because of that interest.

By order of the Board

A handwritten signature in blue ink, appearing to read 'D. Shaw', followed by a horizontal line.

David Shaw

Company Secretary and General Counsel
22 May 2019

Attachment 2 – Independent Expert Report



KPMG Corporate Finance

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

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Privileged and confidential

Our ref: 36559387

The Directors
LogiCamms Limited
Level 14
200 Mary Street
Brisbane QLD 4000

26 April 2019

Dear Directors

Independent Expert Report and Financial Services Guide

Part One – Independent Expert Report

1 Introduction

On 28 February 2019, LogiCamms Limited (**LCM**) announced that it had entered into a binding share sale and purchase agreement (**SPA**) with OSD Pty Ltd (**OSD**), whereby the companies have agreed to merge (the **Transaction**). LCM will acquire 100% of OSD, in a reversed transaction. The consideration for the Transaction will be the issuing of new ordinary shares in LCM such that, at the date of completion, OSD shareholders will be issued with, on a fully diluted basis, 59% of the issued capital of LCM post-merger (**Merged LCM**), with OSD's largest shareholder holding more than 20% of the voting shares in Merged LCM.

LCM is an ASX Limited (**ASX**) listed multi-disciplinary engineering services provider to businesses mainly operating in the minerals & metals, hydrocarbons and infrastructure industries, operating in Australia, New Zealand (**NZ**) and Papua New Guinea (**PNG**). LCM provides a range of services including engineering consulting, project delivery, asset performance and training services.

OSD is privately owned by Mr Brian O'Sullivan and a number of other shareholders. OSD provides multi-disciplinary engineering and operations & maintenance services to the oil & gas, mining and petrochemical industries, operating in Australia, NZ and PNG.

To assist LCM's non-associated shareholders in assessing the Transaction, the directors of LCM (the **LCM Directors**) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an Independent Expert Report (**IER**) in accordance with section 611 of the Corporations Act 2001 (Cth) (the **Act**) setting out whether or not, in our opinion, the Transaction is fair and reasonable to the non-associated shareholders of LCM.

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

This IER sets out KPMG Corporate Finance's opinion as to the Transaction and should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Memorandum (**Notice of Meeting**) to which this IER is attached.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Transaction

LCM will acquire 100% of the OSD ordinary shares on issue, which currently total 11,032,410 and which are anticipated to be 11,152,410 just prior to the completion of the Transaction (as a result of the vesting of certain performance rights). As such, LCM will acquire control of each of OSD's wholly owned subsidiaries and a minority interest in OSD's partially owned subsidiary KEGS Software Pty Ltd (**KEGS**). In return OSD shareholders will be issued 118,469,070 new ordinary shares in Merged LCM. The total shares on issue immediately post completion of the Transaction will be 200,795,034 ordinary shares (assuming no options are exercised). No cash consideration is to be paid as part of the Transaction, therefore no funding is required to complete the Transaction.

The OSD executives (and former executives) who currently hold unexercised share options in OSD pursuant the OSD option plan, will also be issued with 4,780,229 share options in Merged LCM (**Merged LCM Options**) and have their current OSD share options cancelled. If exercised, the Merged LCM Options will result in an increased voting entitlement of 2.33% in Merged LCM to the relevant OSD option holders and Merged LCM would receive cash proceeds of approximately \$0.527 million.

Upon completion of the Transaction, OSD will become a wholly owned subsidiary of Merged LCM, which will remain listed and the OSD shareholders will become shareholders in Merged LCM. The OSD shareholders will hold a combined total of 59% of the shares on issue in Merged LCM and LCM's existing shareholders will hold the remaining 41% of the shares on issue in Merged LCM (assuming no options are exercised).

As a result of the Transaction, Mr Brian O'Sullivan will hold an aggregate of approximately 38.4% of Merged LCM's shares, including 21.31% in his personal capacity and 17.09% through his related entity, BOS Holdings Australia Pty Ltd.

3 Summary of Opinion

In our opinion the Transaction is **fair and reasonable** to LCM's non-associated shareholders, in the absence of a superior proposal.

The regulatory framework requires the fairness of the Transaction to be assessed as if LCM was the subject of a takeover offer. As such, we have assessed whether the Proposed Transaction is fair by comparing our assessed value of a LCM share on a controlling interest basis to our assessed value of the consideration (being the notional value of a Merged LCM share on a minority interest basis following completion of the Transaction).

We have assessed the value of a LCM share, inclusive of a premium for control, to lie in the value range of \$0.18 to \$0.21 per share, which compares, to our assessed value for Merged LCM of between \$0.21 to

\$0.26 per Merged LCM share, on a minority and fully diluted basis. As our assessed value of a Merged LCM share, on a minority and fully diluted basis, lies at or above our assessed value range for a LCM share inclusive of a premium for control, we consider the Transaction to be fair.

The valuation of a LCM share represents the estimated full underlying value of LCM and exceeds the price at which, based on current market conditions, KPMG Corporate Finance would expect LCM shares to trade on the ASX.

Regulatory Guide (RG) 111 “Content of expert reports”, issued by the Australian Securities and Investments Commission (ASIC) indicates that an offer is reasonable if it is fair.

Notwithstanding this ASIC guidance, we have also considered various benefits and disadvantages that will accrue to the non-associated LCM shareholders as a result of the Transaction, as well as compared to maintaining the status quo.

The Transaction should give rise to a number of advantages for LCM’s non-associated shareholders including Merged LCM being a larger more diversified organisation, with a more appropriate financing structure and the ability to deliver improved earning as a result of the larger revenue base, the current book of work on hand and the initial cost synergies.

The Transaction will not be without its disadvantages for the non-associated LCM shareholders. The Transaction will result in the OSD shareholders obtaining a 59% interest in Merged LCM, with OSD option holders having the ability to increase their shareholding should they exercise the Merged LCM Options that will be issued as part of the Transaction.

3.1 Fairness

In assessing the fairness of the Transaction to LCM’s non-associated shareholders, we have compared:

- the assessed value of an existing LCM share, inclusive of a premium for control, as at 28 February 2019 (**Valuation Date**), being the date the Transaction was announced, and
- the assessed value of a Merged LCM share on a minority basis (i.e. exclusive of a premium for control), post the Transaction.

Underlying value of LCM prior to the Transaction, on a controlling basis

We have assessed the equity value of LCM, inclusive of a premium for control, to be in the range of approximately \$15.0 million to \$17.7 million, representing a value of approximately \$0.18 to \$0.21 per LCM share.

Our range of assessed values for LCM has been prepared on a capitalisation of earnings basis and incorporates value for synergies that would generally be available to a pool of purchasers. It does not include any potential strategic or operational benefits unique to OSD holding a controlling interest in LCM.

Table 1: Underlying value of LCM on a controlling basis

Valuation summary (\$'000)	Section ref	Value range	
		Low	High
Future maintainable earnings	11.4.1	3,400	3,400
EBITDA multiple	11.4.2	4.0x	4.5x
Enterprise value		13,600	15,300
Add: Cash and cash equivalents	8.6	2,709	2,709
Less: Borrowings	8.6	(5,908)	(5,908)
Add: Accumulated tax losses	11.4.4	1,903	2,236
Less: Onerous lease provision net of tax	11.4.5	(639)	(639)
Less: Performance Rights liability	11.4.6	(91)	(106)
Implied equity value (minority basis)		11,575	13,592
Control premium	11.4.7	30.0%	30.0%
Implied equity value (control basis)		15,047	17,670
Ordinary shares - diluted (thousands)	11.4.8	82,416	82,416
Implied value per share (\$) (control basis) - diluted		0.18	0.21

Source: KPMG Corporate Finance analysis

LCM has been valued with reference to LCM's forecast maintainable earnings before interest, tax, depreciation and amortisation (**EBITDA**) for the 2019 financial year (**FY19**) and earnings multiples implied by comparable traded companies and completed transactions, as set out in Section 11 of this report. Our valuation assessment has required us to form a view in relation to the specific risks and uncertainties that we consider to exist in relation to LCM.

The key factors considered in our assessment of the value of LCM are set out below.

- *Earnings performance:* LCM has delivered a positive EBITDA (before impairment) for the half year result to 31 December 2018 (**1H19**). The year to date trading and the current order book support management expectations of an improved performance in the second half of FY19
- *Industry outlook:* engineering services and the construction industry in Australia have experienced challenging market conditions over recent years with substantial contraction and consolidation, but engineering services is expected to achieve a small but stable level of growth over the next five years
- *Growth prospects:* Given LCM's size and limited diversification it is unlikely to materially outperform industry growth rates in the longer term
- *Size:* LCM is a relatively small participant in an increasingly globalised engineering consulting services business
- *Debt structure and position:* LCM has previously disclosed that its existing debt structure is not optimal and that its financier, the National Australia Bank Limited (**NAB**), requires LCM to undertake a balance sheet restructure. The uncertainty regarding the LCM debt position (in the absence of the Transaction) increases LCM's risks. LCM Management have also advised that they believe this uncertainty adversely impacts LCM's opportunities to win larger contracts

- *Control premium:* We have applied a premium of 30% in assessing the equity value of LCM, to reflect the premium a purchaser would be willing to control LCM, including for the right to access any synergies available to a pool of purchasers
- *Going concern:* We have assumed that LCM will be able to continue as a going concern. In the event LCM is unable to continue as a going concern, this is likely to negatively impact upon LCM's equity values.

Further details in relation to the basis of our valuation of LCM are set out in Section 11.4 of this report.

Estimated trading range of a Merged LCM share, post the completion of the Transaction, on a minority basis

We have assessed the equity value of Merged LCM, on a minority basis, assuming the Transaction is implemented, to be in the range of approximately \$43.1 million to \$52.0 million, representing a value of approximately \$0.21 to \$0.26 per Merged LCM share, on a non-diluted basis.

We have assumed that all of the Merged LCM Options are converted to Merged LCM shares immediately post the Transaction. As a result our assessed value of Merged LCM, on a minority, diluted basis, assuming the Transaction is implemented and Merged LCM Options are exercised, is in the range of \$43.7 million to \$52.5 million, or \$0.21 to \$0.26 per Merged LCM share (diluted), as shown in the table below.

Table 2: Assessed value range of a Merged LCM share post-completion

Valuation summary (\$'000)	Section ref	Value range	
		Low	High
Future maintainable earnings	11.5.1	6,700	6,700
EBITDA multiple	11.5.2	5.0x	6.0x
Capitalised earnings		33,500	40,200
Synergies	10.12	3,000	3,000
Synergies multiple	11.5.4	3.0x	3.5x
Capitalised synergies		9,000	10,500
Enterprise value		42,500	50,700
Add: Cash and cash equivalents	10.5	3,359	3,359
Less: Borrowings	10.5	(4,163)	(4,163)
Add: Accumulated tax losses	11.5.5	3,082	3,764
Less: Onerous lease provision net of tax	11.5.6	(639)	(639)
Less: Performance Rights liability	11.5.7	(173)	(208)
Less: Redundancy costs	11.5.9	(828)	(828)
Implied equity value (minority basis)		43,137	51,984
Ordinary shares - diluted (thousands)	11.5.8	200,885	200,885
Implied value per share (minority basis)		0.21	0.26
Dilution through conversion of options			
Ordinary shares - diluted (thousands)		200,885	200,885
Merged LCM Options	11.5.10	4,780	4,780
Ordinary shares - diluted (thousands)		205,665	205,665
Implied equity value (minority basis)		43,137	51,984
Add: Cash resulting from conversion of options	11.5.10	527	527
Implied equity value (minority basis)		43,664	52,511
Implied value per share (\$) (minority basis)		0.21	0.26

Source: KPMG Corporate Finance analysis

Merged LCM has been valued using a capitalised earnings methodology with reference to Merged LCM's forecast maintainable EBITDA for FY19 and an EBITDA earnings multiple range. Our valuation assessment has required us to form a view in relation to the specific risks and uncertainties that we consider to exist in relation to Merged LCM.

In assessing the value of Merged LCM, we have benchmarked Merged LCM against both comparable companies/transactions and LCM standalone. The key factors considered in our assessment of the value of Merged LCM are set out below.

- *Size:* Merged LCM will be materially larger than LCM, albeit still at the lower end of the comparable company enterprise value range
- *Diversification:* with the addition of the OSD service offerings and operations, Merged LCM will be more diversified than LCM
- *Debt structure and position:* with the combination of OSD's cash balance and the new debt facilities that will be finalised and take effect at completion of the Transaction, Merged LCM will have a stronger balance sheet and lower financial risk than LCM
- *Growth prospects:* the combination of the above factors, should result in Merged LCM having stronger growth prospects than LCM
- *Synergies:* LCM Management and OSD Management have identified initial pre-tax cost synergies of approximately \$3 million per annum. We have separately valued these synergies, applying a lower multiple, reflecting the risk associated with the timing and achievement of the cost synergies.

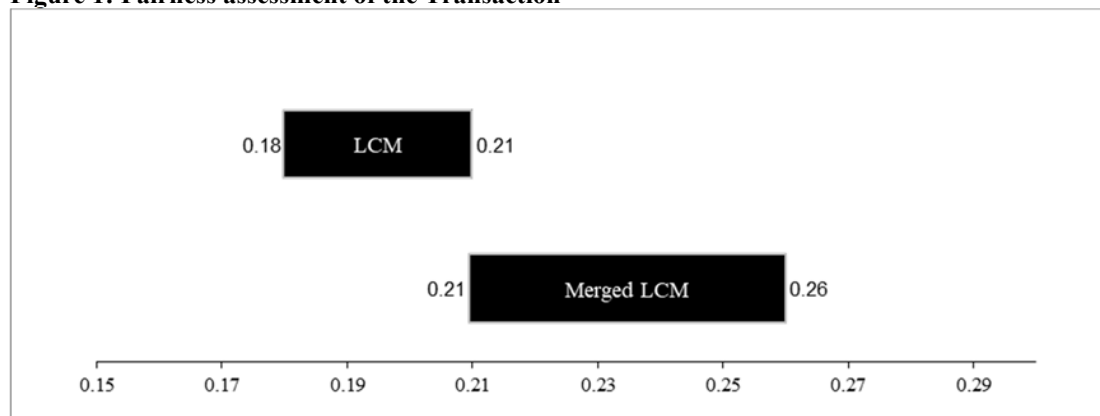
We have compared our adopted multiple range against the EBITDA multiple range of the comparable companies and the comparable transaction and consider that our adopted multiple range is reasonable having regard to these comparators.

Further details in relation to the basis of our valuation of Merged LCM are set out in Section 11.5 of this report.

The Transaction is fair

The consideration to be received by LCM shareholders under the Transaction (being the assessed value range of a Merged LCM share post-completion of the Transaction of \$0.21 to \$0.26 per diluted share) lies at or above the range of KPMG Corporate Finance's assessed underlying value of LCM, on a control basis, being in the range of \$0.18 to \$0.21 per share, as set out in the figure below. As such, the Transaction is fair.

Figure 1: Fairness assessment of the Transaction



Source: KPMG Corporate Finance analysis

3.2 Reasonableness

In accordance with RG111, a transaction is considered reasonable if it is fair. Notwithstanding this guidance, we have also considered the following qualitative factors that LCM's non-associated shareholders may wish to consider in assessing whether to approve the Transaction.

3.2.1 Advantages

The Transaction provides Merged LCM with operational and geographical diversification benefits as well as an increase in size

As LCM and OSD are complementary businesses, the Transaction is likely to provide geographic and operational diversification as well as a more diverse and larger client base. Moreover, the Transaction is likely to enhance Merged LCM's position in the market as a mid-tier engineering company. These benefits should give Merged LCM a greater opportunity to bid for larger and more complex projects.

The increased size and diversification should lower Merged LCM's risk profile as it will be less dependent on specific markets, sectors, clients and contracts.

The Transaction is expected to deliver material synergies

Through the due diligence process, LCM Management and OSD Management have identified initial pre-tax cost synergies of approximately \$3 million per annum from eliminating duplication in both central and local operations. If delivered, these synergies will result in a material improvement in Merged LCM's earnings, as compared to both LCM's pre Transaction earnings and the combined standalone earnings of LCM and OSD.

In addition, LCM Management and OSD Management believe there is potential for further cost and revenue synergies to be extracted over time. These additional synergies have not yet been quantified.

The Transaction addresses LCM's requirement to restructure its current financing arrangements.

LCM's existing financier had requested that LCM undertake a strategic review of its funding options, with a view to restructuring LCM's existing debt position. The Transaction delivers a cash injection through the cash on OSD's balance sheet and has enabled LCM Management to approach financiers, with LCM having obtained indicative terms from financiers in relation to longer term funding (having a binding refinancing package as a condition precedent to the Transaction). As a result, the Transaction permits LCM to avoid a refinancing and/or recapitalisation of LCM. The LCM Directors formed the view that the Transaction was superior, for LCM, as compared to the likely outcome under a refinancing and/or recapitalisation proposal.

Implementation of the Transaction will result in the LCM shareholders holding an investment in a larger business which may lead to increased liquidity

All else being equal, larger businesses with a larger shareholder base tend to be more liquid investments than smaller closely held comparable companies.

3.2.2 Disadvantages

Completion of the Transaction would see one shareholder emerge with a significant shareholding

LCM's largest shareholder currently holds approximately 17.9% of LCM shares. Following the completion of the Transaction, Mr Brian O'Sullivan and his associates will control approximately 38.4% of Merged LCM shares on an undiluted basis. This shareholding (which also entitles Mr O'Sullivan to appoint a representative to the Merged LCM board as long as the shareholding remains above 15%) will enable Mr O'Sullivan to influence the operations of Merged LCM.

Completion of the Transaction will result in LCM shareholders having a significantly diluted interest in Merged LCM

In the event that the Transaction is implemented the LCM shareholders will, in aggregate, hold 41.0% of the shares in Merged LCM. As such, the interest of LCM shareholders will be significantly diluted.

Completion of the Transaction may give rise to additional risks post-merger

The advantages discussed above are largely dependent on the successful integration of LCM and OSD, including the successful delivery of the identified synergies. Notwithstanding LCM Management and OSD Management's collective view that there is strong cultural alignment between the two organisations, as with any merger, there remains an integration risk that could negatively impact on the identified advantages, including the quantum and timing of any synergies.

3.2.3 Consequences if the Transaction does not proceed

In the event that the Transaction is not approved or any conditions precedent (refer Section 5.1 below) prevent the Transaction from being implemented, LCM will continue to operate in its current form and remain listed on the ASX. As a consequence:

- LCM shareholders will continue to be exposed to the benefits and risks associated with an investment in standalone LCM
- Transaction costs, estimated to be \$0.745 million (exclusive of any break fee) will still be incurred
- LCM will still be required to undertake a refinancing of the current NAB debt. LCM's Management have investigated options to address LCM's leverage should the Transaction not proceed, including undertaking a refinancing and/or recapitalisation. Should the Transaction not proceed, LCM will negotiate with financiers and shareholders to secure a suitable debt refinancing and/or recapitalisation for LCM to ensure that it can continue to operate effectively. While these options are not yet sufficiently advanced to quantify the impact, there would be cash costs associated with undertaking a refinancing and/or recapitalisation. In addition there remains a risk of dilution in the event of a recapitalisation and, given LCM's standalone financial position, there is also a risk that any revised financing terms may not be as attractive as those that have been negotiated in the course of the refinancing forming part of this Transaction

- In the absence of the Transaction, it will likely take LCM longer to deliver the revenue and earnings expected to be generated by Merged LCM in the years immediately following the completion of the Transaction.

3.2.4 Other considerations

Directors' recommendation and intentions

The LCM Directors have unanimously recommended that the non-associated shareholders vote in favour of the Transaction, in the absence of a superior proposal and have stated that they each intend, in the absence of a superior proposal, to vote to approve the Transaction in respect of any LCM shares they control (to the extent they are not excluded from voting in relation to a specific resolution).

Chairperson's proxies

The LCM Chairperson intends to vote all undirected proxies over which he has control in favour of the Transaction, in the absence of a superior proposal.

4 Other matters

In forming our opinion, we have considered the interests of LCM non-associated shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications of the Transaction on individual shareholders as their financial circumstances are not known.

The decision of the LCM non-associated shareholders as to whether or not to approve the Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our IER has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting the LCM non-associated shareholders in considering the Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our report should not be construed to represent a recommendation as to whether or not LCM non-associated shareholders should accept or reject the Transaction.

FY is used to denominate the 12 months to 30 June and **1H** and **2H** refer to the first and second half years respectively. All currency amounts in this report are denominated in Australian dollars (\$) unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and Explanatory Memorandum to be sent to LCM shareholders in relation to the Transaction, without the prior written consent of KPMG



Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Notice of Meeting and Explanatory Memorandum.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bill Allen'.

Bill Allen
Authorised Representative

A handwritten signature in black ink, appearing to read 'Jason Hughes'.

Jason Hughes
Authorised Representative



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5 The Transaction

LCM will acquire 100% of the OSD ordinary shares on issue, which currently total 11,032,410 and which are anticipated to be 11,152,410 just prior to the completion of the Transaction (as a result of the vesting of certain performance rights). As such, LCM will acquire control of each of OSD's wholly owned subsidiaries and a minority interest in OSD's partially owned subsidiary KEGS. In return OSD shareholders will be issued 118,469,070 new ordinary shares in Merged LCM. No cash consideration is to be paid as part of the Transaction, therefore no funding is required to complete the Transaction.

The OSD executives (and former executives) who currently hold unexercised share options in OSD pursuant the OSD option plan, will also be issued with 4,780,229 Merged LCM Options and have their current OSD share options cancelled. The Merged LCM Options will be unquoted securities and issued as part of the Transaction, at the strike price and on the terms as negotiated between LCM and OSD. The conversion formula for these share options, as set out in the SPA, is calculated in such a manner that OSD share option holders will receive a proportional number of share options in Merged LCM such that their Merged LCM Options are of (approximate) equal value as the OSD share options immediately prior to the Transaction. If exercised, the Merged LCM Options will result in an increased voting entitlement of 2.33% in Merged LCM and Merged LCM would receive cash proceeds of approximately \$0.527 million.

Upon completion of the Transaction, OSD will become a wholly owned subsidiary of Merged LCM, which will remain listed and the OSD shareholders will become shareholders in Merged LCM. The shareholding of Merged LCM will comprise of 200,795,034 ordinary shares, the OSD shareholders will hold a combined total of 59% of the shares on issue in Merged LCM and LCM's existing shareholders will hold the remaining 41% of the shares on issue in Merged LCM (assuming no options are exercised).

As a result of the Transaction, Mr Brian O'Sullivan will hold an aggregate of approximately 38.4% of Merged LCM's shares, on an undiluted basis.

5.1 Conditions precedent

Completion of the Transaction is subject to a number of conditions precedent as set out in the Notice of Meeting, including, but not limited to:

- LCM's non-associated shareholders approving the resolutions set out in the Notice of Meeting
- OSD and LCM receiving a binding refinancing package for Merged LCM on acceptable terms
- obtaining key third party consents for the Transaction from material contract counterparties, landlords and financiers
- approval from the ASX for official quotation of the new ordinary shares to be issued to OSD shareholders
- no material adverse change in either LCM or OSD, being a matter that has the effect of a diminution in the value of net assets by \$600,000 or more (excluding transaction costs), or a reduction in normalised forecast EBITDA of \$500,000 or more (excluding transaction costs)

- a warranty and indemnity policy, being issued to LCM on terms satisfactory to LCM
- amended or replacement executive services agreements between Merged LCM and Mr Chris O'Neill as Chief Executive Officer (**CEO**) and Mr Dan Drewe as Chief Financial Officer (**CFO**) being entered into, on terms acceptable to the OSD Majority Shareholders (as defined in the Notice of Meeting).

If one or more of the above conditions is not satisfied, the Transaction can still proceed provided the condition is waived by the relevant party.

6 Scope of Report

The LCM Directors have requested KPMG Corporate Finance prepare an IER for the non-associated shareholders of LCM setting out whether, in our opinion, the Transaction is fair and reasonable to the LCM non-associated shareholders, which satisfies the requirements under Section 611 of the Act.

6.1 Purpose

The Act, by virtue of Section 606, expressly prohibits an individual (or corporation) obtaining more than 20% of the voting power of an Australian company (with more than 15 shareholders) unless a full takeover offer is made. Item 7 of Section 611 allows non-associated shareholders to waive the Section 606 prohibition by passing a resolution at a general meeting of the company. In passing the resolution, no votes may be cast by the potential acquirer or their associates or by the persons from whom the acquisition is to be made or their associates.

As a result of the Transaction, Mr Brian O'Sullivan will hold an aggregate relevant interest of approximately 38.4% of Merged LCM shares. Therefore LCM is seeking shareholder approval pursuant to Item 7 of Section 611.

The Act requires non-associated shareholders be provided with all information known to the company that is material to the decision on how to vote. The directors of the company typically satisfy this obligation by providing an IER.

The LCM Directors have engaged KPMG Corporate Finance to prepare an IER setting out our opinion as to whether the Transaction is considered fair and reasonable to non-associated shareholders, and to state the reasons for that opinion.

This report has been prepared for inclusion in the Explanatory Memorandum to accompany the Notice of Meeting to be sent to LCM shareholders.

6.2 Basis of assessment

RG111 indicates the principles and matters which ASIC expects a person preparing an independent expert report to consider. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase

- an offer is ‘fair’ if the value of the offer price or consideration (i.e. the value of Merged LCM shares post the Transaction (on a minority basis)) is equal to or greater than the value of the securities subject to the offer (i.e. LCM shares prior to the Transaction (on a controlling basis))
- an offer is ‘reasonable’ if it is ‘fair’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the ‘target’ (LCM) and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition, RG 111 notes that the weight of judicial authority is that an expert should not reflect ‘special value’ that might accrue to the acquirer. Accordingly, when assessing the full underlying value of LCM, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of LCM. As such, we have not included the value of special benefits that may be unique to OSD. Accordingly, our valuation of LCM has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder’s pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity and volatility of the market in the target’s shares
- any special value of the target to the bidder
- the likely market price of the target’s shares in the absence of the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of LCM’s non-associated shareholders as a whole. As an individual shareholder’s decision to vote for or against the proposed resolution(s) may be influenced by their particular circumstances, we recommend they each consult their own financial advisor.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of LCM or OSD for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of LCM Management and OSD Management. In addition, we have also had discussions with LCM Management and OSD Management in relation to the nature of LCM's and OSD's business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

LCM and OSD have been responsible for ensuring that information provided by each company and their representatives, as far as it relates to the relevant company, is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by LCM Management and/or OSD Management. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, LCM and OSD remain responsible for all aspects of this forward-looking financial information, as it relates to them. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information. However we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

KPMG Corporate Finance has made various enquiries in relation to the historical and forecast information of both LCM and OSD, including holding discussions with LCM Management and OSD Management in regard to the historical earnings as well as the operational and commercial assumptions underlying the forecast earnings and their bases. KPMG Corporate Finance has, where considered appropriate, made adjustments to the analysis of historical and forecast performance of both businesses. KPMG Corporate Finance is of the view that the short term forward-looking information which forms the

basis of our valuation has been prepared on a reasonable basis and therefore is suitable as a basis for our valuation.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The LCM Directors, together with LCM's legal advisers, are responsible for conducting due diligence in relation to the Transaction. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. LCM has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to LCM and its subsidiaries and/or OSD and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by LCM.

7 Industry overview

LCM's principal operations comprise engineering consulting services for the minerals & metals, hydrocarbons and infrastructure industries in Australia, NZ and the Pacific, while OSD's operations comprise of engineering services and operations and maintenance (**O&M**) for the oil & gas, mining and petrochemical industries in Australia, NZ and the Pacific. In addition OSD provides services in relation to the construction and maintenance of pipelines. Accordingly, the financial performance of both LCM and OSD is impacted by developments in these sectors. To provide a context for assessing the prospects of LCM and Merged LCM, we have included an overview of recent trends in these sectors at Appendix 3.

8 Profile of LCM

8.1 Company overview

LCM provides multidisciplinary engineering, project delivery, asset performance and training services, operating predominately in Australia, NZ and PNG. LCM has been listed on the ASX since 12 December

2007, has offices located in various locations across Australia and NZ. LCM's head office is located in Brisbane, Australia. LCM was founded in South Australia and has been trading for more than 30 years.

LCM mainly provides its multidiscipline services to owners and operators in the following industries:

- **Hydrocarbons (oil & gas)**

LCM provides its services to clients operating in the oil, coal seam gas (CSG), natural gas, liquefied natural gas (LNG) and petrochemicals industries. LCM's main clients in this sector include Oil Search Limited, First Gas Limited and Origin Energy Limited, and are mainly in the Australian and NZ markets.

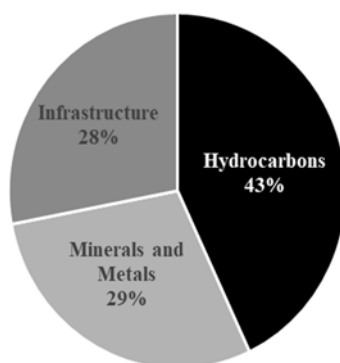
- **Minerals & Metals (mining)**

Services are provided to companies that handle materials and/or process minerals in industries including iron ore, coal, base and precious metals. LCM specialises in brownfield work and sees most of its revenues generated from optimisation and improvement of existing facilities. LCM's significant clients in this sector include BHP Limited, Rio Tinto Limited and Roy Hill Holdings Pty Ltd.

- **Infrastructure**

LCM delivers full scope engineering and project delivery services to the water, power, defence and transport industries. Further LCM assists with regulatory approvals and risk advisory services. LCM's significant clients in this sector include Water Corporation, SA Water, Lendlease Group, Viterro, Fulton Hogan, SE Water and the Australian Government's Department of Defence

Figure 2: LCM's FY18 revenue split by industry



Source: LCM FY18 Annual Report

A summary of LCM's businesses and capabilities is set out in the table below:

Table 3: Summary of LCM's operating segments

Business/subsidiaries	Overview & capabilities	Geographic markets
Core engineering services <ul style="list-style-type: none"> Logicamms New Zealand Limited (formerly ITL Engineering Australia Pty Ltd) Independent Technology Holdings Ltd Logicamms Australia Pty Ltd 	Facilities engineering, oil & gas services, building & design services, automation and control systems, electrical and instrumentation and asset performance services	Australia, NZ and PNG
Specialist services <ul style="list-style-type: none"> Logicamms Consulting Pty Ltd t/a Monarc Environmental¹ Competency Training Pty Ltd 	Environmental consulting and workforce site training	Australia, NZ and PNG

¹Operates exclusively in Australia

During FY17, LCM ceased operations at both its maintenance centre in the Hunter Valley and Petromod Pty Ltd, a maintenance, inspection and commissioning business. The exiting of these businesses was executed with the goal of releasing working capital and allowing LCM to direct its resources to higher margin areas.

8.2 **Going concern**

LCM's consolidated interim financial report for the six months to 31 December 2018 was prepared on a going concern basis. Note 2 to these accounts highlighted that the continuing viability of LCM and, therefore, its ability to continue as a going concern and meet its debts and commitments as they fell due was dependent upon LCM being successful in:

- achieving its forecasts and generating sufficient future cash flows to enable its obligations to be met, and;
- the finalisation of a merger or other change of control transaction with appropriate funding facilities, or;
- execution of an alternative strategic funding option.

Note 2 further stated that:

- as a result of these matters, there was a material uncertainty that may cast significant doubt on LCM's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business

- however, based on the then current cash position, facilities in place, forecast operating performance and cash flows, LCM's work in hand and proposal pipeline, realisable assets and the progress to date on the strategic balance sheet repair activities, the LCM Directors had prepared the consolidated interim financial report on a going concern basis.

In the auditor's independent review report, the auditor noted that the conditions discussed above indicated a material uncertainty existed that may cast significant doubt on LCM's ability to continue as a going concern. The auditor had further noted that its conclusions in relation to its review of LCM's half-year report had not been modified in respect of this matter.

8.3 **Historical performance**

The historical financial performance of LCM for FY17, FY18 and 1H19 is summarised below:

Table 4: LCM - Financial performance

Period ended (\$'000)	30-Jun-17 Audited	30-Jun-18 Audited	31-Dec-18 Reviewed
Net operating revenue	81,063	81,750	41,009
Cost of sales	(52,624)	(52,675)	(26,724)
Gross profit	28,439	29,075	14,285
Operating expenses	(36,557)	(27,233)	(13,282)
EBITDA (before impairment charge)	(8,118)	1,842	1,003
Impairment charge	(11,000)	-	(8,000)
Depreciation and amortisation	(2,651)	(1,745)	(846)
EBIT	(21,769)	97	(7,843)
Net interest expense	(81)	(352)	(245)
Share of net loss of equity accounted investees	(15)	-	-
Profit before tax	(21,850)	(255)	(8,088)
Income tax expense	(1,750)	(518)	(516)
Profit after tax	(23,600)	(773)	(8,604)
Margins			
Gross margin	35.1%	35.6%	34.8%
EBITDA margin	(10.0%)	2.3%	2.4%
Notes:			
¹ Amounts may not calculate exactly due to rounding			

Source: LCM Annual Reports for FY17, FY18 and Interim Report for 1H19, KPMG Corporate Finance analysis

With regard to the historical financial performance summarised above, we note the following:

- The recent years have been challenging for LCM, with revenues significantly declining between FY16 (\$108.187 million) and FY17. Notwithstanding that revenues from key clients were constrained in FY18 (due to external factors impacting these key clients such as an earthquake in PNG that impacted Oil Search Limited's operations and a restructuring of Origin Energy Limited), revenues slightly improved in FY18. During 1H19 revenues are slightly lower compared to the same period in FY18

- During FY17 an impairment expense of \$11.0 million was recognised as a result of earnings that were significantly below forecasts, a slower than expected recovery of the commodities market impacting client capital expenditure (**capex**) amounts, the implementation of a restructure program and having regard to the market capitalisation which was significantly below the net asset levels
- In 1H19, a further impairment expense of \$8.0 million was recognised following the consideration of a number of factors such as the recent financial performance, the value implied by the terms of the Transaction and having regard to LCM's market capitalisation relative to its net assets
- LCM's main focus in the last few years has been on cost reduction. This has mainly been achieved by reduction in headcount and decrease in marketing expense.

8.4 **Maintainable EBITDA**

Outlined below are the normalisation adjustments we have identified in relation to LCM's 1H19 EBITDA to achieve a normalised EBITDA for that time period.

Table 5: LCM 1H19 Normalised EBITDA

(S'000)	6 months ended 31-Dec-18
EBITDA (before Impairment)	1,003
Add: CEO recruitment costs	100
Add: Advisor fees	201
Normalised EBITDA	1,304

Source: LCM Interim Report 1H19, KPMG Corporate Finance Analysis

To arrive at the normalised EBITDA, we have made the following adjustments:

- added back the CEO recruitment costs of \$0.100 million relating to the recruitment of the current CEO, Mr Chris O'Neill
- added back the advisor fees of \$0.201 million relating to the work performed by 333 Capital in relation to balance sheet repair options.

We do not consider the FY17 or FY18 earnings to be an appropriate future maintainable earnings base, given the abnormally low profitability resulting from the unsustainable cost base, the restructuring of the business and the closure of certain business lines and facilities. Hence we have placed greater reliance on the 1H19 trading in determining our future maintainable earnings estimate.

8.5 **Outlook**

On 26 November 2018 Mr Chris O'Neill commenced his role as LCM CEO and prioritised a number of areas of improvement for LCM, such as increasing utilisation/reimbursability, transforming business development and marketing to increase the contract win rate, with a focus on larger contracts, improving gross margins and improving cash flows. The perceived weakness of LCM's balance sheet was identified as a key issue in the pursuit of these larger contracts. As discussed in Section 8.7, LCM Management had

already commenced the process of strengthening LCM's balance sheet, in order to pursue larger engagements in the market.

LCM expects an improved performance in the second half of FY19 (**2H19**) due to an increase in the order book in the early months of 2019, as well as the start of new projects and an uplift in requests for tender. LCM is seeking to generate further uplift through its infrastructure industry offerings namely in manufacturing, rail transport and defence. LCM sees a particular increase in demand for the controls and electrical and instrumentation offerings in this sector.

Other areas of potential growth LCM is pursuing include further development of its proprietary Automated Infrastructure Design Engine (**AIDE**) software, a product which is part of LCM's technology offering and is aimed at being a differentiator to man-hour based design.

8.6 Financial position

The consolidated historical financial position of LCM as at 30 June 2017, 30 June 2018 and 31 December 2018 is summarised below.

Table 6: LCM - Financial position

As at (\$'000)	30-Jun-17 Audited	30-Jun-18 Audited	31-Dec-18 Reviewed
Current assets			
Cash and cash equivalents	4,983	4,156	2,709
Trade and other receivables	18,245	19,982	14,514
Contract assets	-	-	4,706
Current tax asset	-	86	89
Total current assets	23,228	24,224	22,018
Non-current assets			
Property, plant and equipment	2,877	2,668	2,370
Deferred tax assets	3,328	2,911	2,425
Intangible assets	21,537	20,745	13,354
Total non-current assets	27,742	26,324	18,149
Total assets	50,970	50,548	40,167
Current liabilities			
Trade and other payables	(7,576)	(8,544)	(7,293)
Borrowings	(4,000)	(5,820)	(5,797)
Current tax liability	(122)	-	-
Employee benefits	(3,591)	(3,507)	(3,713)
Current provisions	(3,839)	(2,319)	(1,789)
Contract liabilities	-	-	(3,891)
Deferred income	(2,242)	(4,425)	-
Total current liabilities	(21,370)	(24,615)	(22,483)
Non-current liabilities			
Trade and other payables	(1,210)	(744)	(510)
Borrowings	-	(135)	(111)
Employee benefits	(839)	(298)	(285)
Non-current provisions	(2,779)	(1,323)	(991)
Total non-current liabilities	(4,828)	(2,500)	(1,897)
Total liabilities	(26,198)	(27,115)	(24,380)
Net assets	24,772	23,433	15,787
<i>Notes:</i>			
1 Amounts may not calculate exactly due to rounding			

Source: LCM Annual Reports for FY17, FY18 and Interim Report for 1H19, KPMG Corporate Finance analysis

With regard to the historical financial position summarised above, we note the following:

- the cash and cash equivalents balance at 31 December 2018 includes \$20,000 held as security against bank guarantees LCM holds with NAB
- at 31 December 2018, work in progress was recorded as contract assets. It was previously classified within trade and other receivables. Allowing for this, trade and other receivables have remained relatively unchanged since 30 June 2018

- similar to the contract assets, at 31 December 2018 deferred income was recognised as contract liabilities
- LCM is plant and equipment asset light with a financial position largely comprising working capital amounts and intangible assets
- in addition to the deferred tax assets of \$2.425 million, LCM had circa \$23.059 million in gross tax losses, which have not been recognised on the balance sheet as at 31 December 2018
- intangible assets, which form a material component of LCM's balance sheet, comprise primarily goodwill and capitalised costs of software developed in-house. Due to impairments in FY17 and 1H19, intangible assets have declined considerably, to \$13.354 million as at 31 December 2018
- as at 30 June 2018, total borrowings are made up of \$5.250 million drawn under a multi-option working capital facility with NAB, \$0.525 million of insurance premium and software license funding and \$0.180 million of asset finance provided by NAB. As at 31 December 2018, total borrowings are made up of \$5.250 million drawn under the multi-option working capital facility with NAB, \$0.500 million in insurance premium and software license funding and \$0.158 million of asset finance
- as at 30 June 2018, LCM had utilised bank guarantees of \$4.1 million. This balance had decreased to \$3.7 million as at 31 December 2018. These amounts are not shown on the balance sheet as they are contingent liabilities. LCM Management has advised that as of the date of this report, they are not aware of any claims having been made in relation to the projects to which these bank guarantees relate.

8.7 Borrowings and balance sheet repair

During FY17 LCM generated negative operating cash flows of \$9.167 million. To fund this negative cash flow, LCM borrowed \$4.000 million under the NAB multi-option working capital facility, with the remainder raised via a net \$4.456 million equity raise.

The multi-option working capital facility is in the form of a 90 day market rate loan and is rolled over each 90 days. This facility is secured by a fixed and floating charge over a portion of LCM's assets.

As at 30 June 2018, the limit of the multi-option working capital facility was \$11.000 million (being \$7.000 million working capital and \$4.000 million bank guarantee facility) and the expiry date was 31 March 2019. LCM also had access to a \$0.500 million asset finance facility with NAB.

During the year ended 30 June 2018, LCM advised NAB that it had breached or that it expected to breach certain covenants. LCM obtained a waiver from NAB for these breaches.

LCM engaged 333 Capital to undertake a strategic review of funding options with a report presented to the LCM Board in November 2018. Six funding options were identified, including equity issues, sale of assets and hybrid debt alternatives, with the preferred option selected by the LCM Board being a trade debtor finance facility combined with a convertible note issue. Work commenced on implementing this option in December 2018.

The multi-option working capital facility was amended post 30 June 2018 and as at 31 December 2018, the limit was \$10.500 million (\$6.000 million working capital and \$4.500 million bank guarantees) and the expiry date was 30 September 2019. The asset finance facility limit was increased to \$0.800 million.

As at 31 December 2018, the following covenants were in place with respect to the multi-option working capital facility:

- a finance charges cover ratio, whereby LCM's EBITDA, adjusted for onerous lease payments and any finance lease charges, must exceed interest expenses by a ratio of 2:1
- an EBITDA covenant whereby LCM's EBITDA must fall within 85.0% of the forecast EBITDA provided to the bank as part of the annual renewal process
- LCM is to make quarterly repayments into a NAB term deposit, 45 days after each quarter end, commencing February 2019, based on the greater of a fixed payment schedule or a percentage of adjusted EBITDA (a defined term in the agreement)
- Capital expenditure is limited to \$1.5 million per annum
- LCM must report to NAB the results of a strategic review of its operations and funding options by 2 November 2018 (this covenant was met)
- By 30 November 2018 LCM must provide to NAB evidence of the Board's approval to commence a course of action to execute one of its strategic funding options (this covenant was met)
- By 31 January 2019 LCM must provide to NAB evidence of the commencement of implementation of one of the strategic options along with monthly reporting of the progress of its strategy (this covenant was met).

On 26 February 2019, LCM's finance facilities with NAB were extended to 31 March 2020. There was no change to the facility limits or financial covenants under the agreement. One additional covenant was added to the agreement being that LCM must immediately notify NAB if the Transaction does not proceed and within 30 days must provide NAB with evidence satisfactory to NAB of the commencement of the implementation of one or more of the alternative refinancing options (for example, a debtor finance facility and/or convertible note issue).

8.8 Onerous Lease

As at 30 June 2018 LCM had recognised an onerous lease provision in the order of \$1.235 million in relation to LCM's lease contracts for Perth office space no longer required in the business. The provision was calculated based on the gross lease costs that will be incurred under the contract, less any estimated sublease income. As at 31 December 2018, this provision had reduced to \$0.975 million as lease payments had been made. Monthly onerous lease payments are expected to decrease from June 2019 and reduce to \$nil by mid-November 2019.

8.9 Statement of cash flows

The historical statements of cash flows of LCM for FY17, FY18 and 1H19 are summarised below.

Table 7: LCM- Statement of cash flows

Period ended (\$'000)	30-Jun-17 Audited	30-Jun-18 Audited	31-Dec-18 Reviewed
Cash flows from operating activities			
Receipts from customers	83,963	84,519	41,322
Payments to suppliers and employees	(93,446)	(85,567)	(42,085)
Interest paid	(85)	(359)	(248)
Income taxes (paid)/refunded	401	(211)	-
Net cash (out)flow from operating activities	(9,167)	(1,618)	(1,011)
Cash flows from investing activities			
Interest received	4	7	3
Proceeds from sale of property, plant and equipment	4	16	-
Acquisition of property, plant and equipment	(668)	(628)	(166)
Acquisition of intangible assets	(283)	(515)	(336)
Net cash (out)flow from investing activities	(943)	(1,120)	(499)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	4,456	-	-
Proceeds from/(repayment of) external borrowings	4,000	1,955	(46)
Net cash generated by financing activities	8,456	1,955	(46)
Net increase/(decrease) in cash and cash equivalents	(1,654)	(783)	(1,556)
Cash and cash equivalents at beginning of year	6,637	4,983	4,156
Effects of FX rate changes on cash and cash equivalents	-	(44)	109
Cash and cash equivalents at end of the year	4,983	4,156	2,709
<i>Notes:</i>			
<i>1 Amounts may not calculate exactly due to rounding</i>			

Source: LCM Annual Reports for FY17, FY18 and Interim Report for 1H19, KPMG Corporate Finance analysis

As evidenced by the statement of cash flows, LCM has been delivering operating cash flow shortfalls, which have been funded through issuing additional shares and increased borrowings during FY17 and FY18.

8.10 Dividends

LCM has not declared a dividend since 26 August 2015, which was a dividend of \$0.035 per share (paid on 25 September 2015).

8.11 Share capital and ownership

As at 29 March 2019, LCM had 82,325,964 ordinary shares on issues as summarised in the table below.

Table 8: Summary of LCM's substantial shareholders (excluding nominee holders)

Shareholder	Number of ordinary shares	Percentage of issued capital
Thorney Investment Group Australia Pty Ltd	14,741,868	17.9%
Forager Funds Management Pty Ltd	10,760,667	13.1%
Candy Blossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act)	10,700,768	13.0%
Total shares held by substantial shareholders	36,203,303	44.0%
Other shareholders	46,122,661	56.0%
Total shares on issue	82,325,964	100.0%

Source: LCM Management, KPMG Corporate Finance analysis

8.12 Options

As at the date of this report, LCM had 2,040,000 Performance Rights (**PRs**) on issue to LCM's CEO (Mr Chris O'Neill) and an Independent Director (Mr Charles Rottier). Holders of the PRs receive new LCM ordinary shares subject to the satisfaction of certain performance conditions, for nil consideration.

Of the PRs issued to Mr Chris O'Neill:

- 200,000 PRs will vest into ordinary shares on 26 November 2019, subject to certain performance conditions being satisfied
- 583,334 PRs will vest into ordinary shares within 30 days of release to the ASX of LCM's financial results for FY21, subject to certain performance conditions being satisfied
- 1,166,666 PRs will vest into ordinary shares within 30 days of release to the ASX of LCM's financial results for FY22, subject to performance conditions being satisfied
- under the Transaction the above PRs will be continued, with updates to the performance conditions to be in line with Merged LCM's performance expectations
- Under a takeover (change of control) and subject to the discretion of LCM's Board, within 12 months of the grant date, the 200,000 PRs and 50% of 583,334 PRs would be paid in cash, at an amount equal to LCM's ordinary share price as at the date of change of control. The remaining PRs would be cancelled. We have been advised that, as Mr O'Neill will be continuing as CEO of Merged LCM the LCM Board determined that Mr O'Neill will not be paid any amount under the change of control clause in Mr O'Neill's employment contract and the PRs will not be cancelled. However the earnings hurdles will be reset to reflect Merged LCM earnings targets.

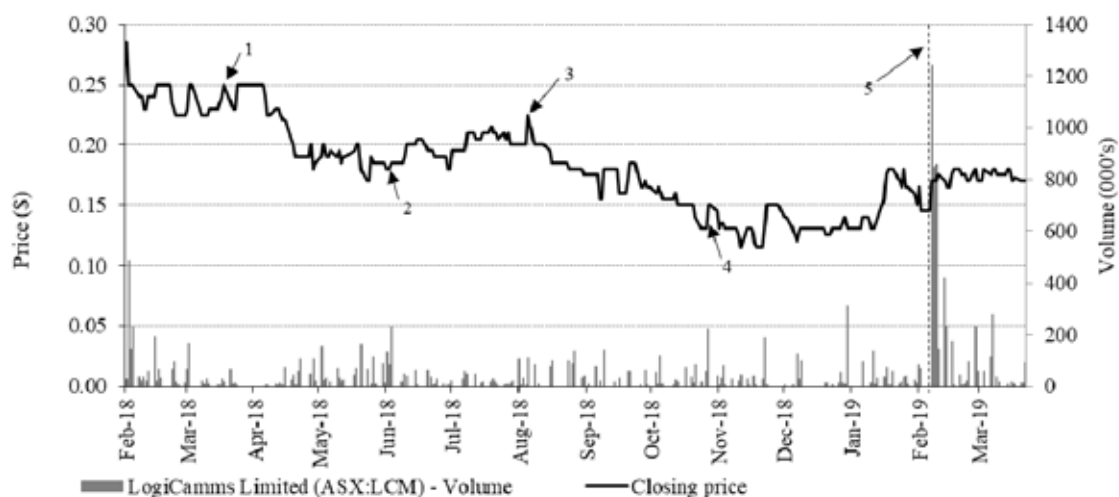
Mr Charles Rottier (as nominee for CLR Consulting Pty Ltd) holds PRs which will convert to ordinary shares as a component of the remuneration for the advisory services provided by CLR Consulting Pty Ltd. At the last annual general meeting shareholders approved the issue of 150,000 PRs to Mr Rottier (as nominee for CLR Consulting Pty Ltd). To date 60,000 PRs have vested and been converted to ordinary shares. The remaining 90,000 PRs are expected to vest and be converted to ordinary shares prior to 30

June 2019. We understand that there are no vesting conditions in relation to Mr Rottier's PRs other than LCM Board discretion.

8.13 Share price and volume trading history

The figure below depicts LCM's daily closing price on the ASX over the period from 27 February 2018, being one year prior to the announcement of the Transaction, to 18 April 2019, along with the daily volume of shares traded on the ASX.

Figure 3: LCM daily close price and volume traded on the ASX



Source: S&P Capital IQ, KPMG Corporate Finance analysis, ASX announcements

As illustrated in the figure above, LCM's share price has generally trended down over the past year, reflecting LCM's financial performance and debt restructuring issues. The share price closed at a high of \$0.25 on a number of days in March, April and May 2018 and a low of \$0.12 in December 2018.

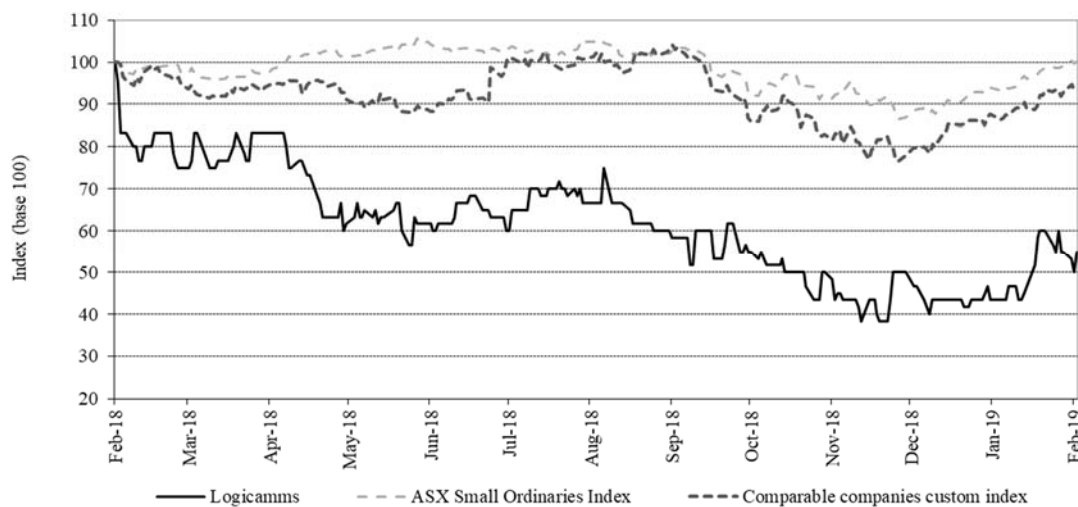
The figure above includes five markers, referencing significant announcements LCM has made to the ASX over the period to the announcement of the Transaction. These are summarised below:

1. 13 April 2018 – FY18 trading update outlining a revision downwards of forecast FY18 EBITDA
2. 28 June 2018 – Announcement of the previous CEO's (Flora Furness) resignation
3. 31 August 2018 – Release of FY18 full year results
4. 22 November 2018 – Announcement of Chris O'Neill as CEO
5. 28 February 2019 – Release of 1H19 results and Transaction announcement.

Further details in relation to all announcements made by LCM to the ASX can be obtained from either LCM's website at www.logicamms.com.au or ASX's website at www.asx.com.au.

As illustrated in the figure below, LCM's share price has significantly underperformed both the ASX Small Ordinaries index and LCM's peers over the last twelve months (LTM) ending 27 February 2019, being the day before the announcement of the Transaction.

Figure 4: LCM's performance relative to the ASX Small Ordinaries and comparable companies' indices



Source: S&P Capital IQ, KPMG Corporate Finance analysis

The comparable companies' custom index displayed above consists of the comparable companies listed in Section 11.3 of this IER.

8.13.1 Trading liquidity on the ASX

The table below presents an analysis of the volume of trading in LCM's shares on the ASX over the LTM ending 27 February 2019, being the last trading day on the ASX prior to LCM's announcement of the Transaction.

Table 9: LCM historical VWAP analysis

VWAP and liquidity analysis							
Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$million	Cumulative volume million	% of issued capital (period)	% of issued capital (annualised)
1 day VWAP	0.145	0.165	0.146	0.01	0.08	0.1	5.4
1 week VWAP	0.145	0.175	0.154	0.03	0.17	0.2	10.8
1 month VWAP	0.130	0.180	0.151	0.10	0.69	0.8	10.1
3 months VWAP	0.115	0.180	0.136	0.25	1.86	2.3	9.0
6 months VWAP	0.115	0.225	0.155	0.61	3.90	4.7	9.5
12 months	0.115	0.305	0.188	1.59	8.50	10.4	10.4

Source: S&P Capital IQ, KPMG Corporate Finance analysis

LCM shares have exhibited limited liquidity over the LTM to 27 February 2019, with only approximately 10.4% of total shares on issue traded, at an average daily volume of 0.047 million shares traded per day with an average daily value of approximately \$8,860.

9 Profile of OSD

9.1 Company overview

OSD provides multi-disciplinary engineering and O&M services to clients operating in the oil, gas, mining and petrochemical industries in Australia and internationally.

OSD is majority employee owned and primarily operates in Australia and NZ, with expertise in pipelines, upstream facilities and downstream facilities, water and hydro-transport. OSD was founded in 1992 and is headquartered in Milton, Australia.

In March 2011, OSD Pipelines merged with GWB Engineering Pty Ltd to take advantage of the CSG industry in Queensland, an industry which has been a strong area of growth for OSD over recent years.

In December 2015, OSD acquired a 30.0% stake in KEGS from Mr Geoffrey Osborn. KEGS' software products are bespoke offerings designed for oil & gas developers and owners. These products include multiple portals which streamline and automate the design of complex oil & gas gathering networks based on user defined rules.

OSD provides whole of life services to its clients. It does this by having a multi-disciplinary team of design engineers who can undertake early stage conceptual and feasibility studies through to detailed design. Delivery models used include Engineering, Engineering Procurement & Construction Management (EPCM) and Engineering Procurement & Construction (EPC). EPC projects are usually undertaken in conjunction with a construction partner. OSD's team of multi-disciplinary engineers is complimented by field services operations and maintenance personnel who undertake routine inspections and preventative maintenance on client's assets along with infrequent integrity works.

Table 10: Summary of OSD's key operations

Business/subsidiaries	Overview & capabilities	Geographic markets
Engineering and project management <ul style="list-style-type: none"> OSD Pty Ltd / OSD Pty Ltd (New Zealand branch) GWB Engineering Pty Ltd 	Conceptual and feasibility studies, preliminary designs, cost estimates, risk analyses, engineering, procurement, construction and commissioning	Australia and NZ
Specialist services <ul style="list-style-type: none"> OSD Asset Services Pty Ltd PIPEd Pty Ltd KEGS Software Pty Ltd 	Standalone or supplementary O&M, industry specific training, oil & gas field design and development software	Australia and NZ

Further details on OSD's subsidiaries are contained in Section 9.2 of the Notice of Meeting.

9.2 **Historical financial statements**

In Section 11.4 of the Notice of Meeting, LCM has included Merged LCM Pro Forma financial information including OSD's historical financial information, mapped and presented on the same basis as the historical financial information of LCM, which is reproduced below. Refer to Section 11.4 of the Notice of Meeting for the basis of preparation of the Pro Forma financial information.

9.3 **Historical financial performance**

The historical Pro Forma financial performance of OSD in FY18 and 1H19 is summarised below:

Table 11: OSD – Pro Forma financial performance

Period ended (\$'000)	30-Jun-18 Adjusted	31-Dec-18 Adjusted
Revenue	40,519	18,438
Cost of sales	(27,839)	(13,203)
Gross profit	12,679	5,235
Other income/(loss)	97	(10)
Business development expenses	(596)	(392)
Labour cost overhead	(3,345)	(1,692)
Rent and occupancy expenses	(719)	(331)
Other operating expenses	(2,207)	(987)
EBITDA	5,910	1,823
Depreciation and amortisation	(372)	(175)
Net finance (costs)/revenue	(24)	1
Profit/(loss) before tax	5,514	1,649
Income tax expense	(1,351)	(189)
Net profit after tax	4,162	1,460
Margins		
Gross margin	31.3%	28.4%
EBITDA margin	14.6%	9.9%
<i>Notes:</i>		
<i>1 Amounts may not calculate exactly due to rounding</i>		

Source: Notice of Meeting, KPMG Corporate Finance analysis

With regard to the historical financial performance summarised above, we note the following:

- in preparing the Pro Forma statement of financial performance, LCM has adjusted OSD's FY18 revenue, EBITDA and net profit after tax by deducting a one-off contract termination fee of \$1.588 million (and the associated tax on that payment of \$0.477m at the net profit after tax level)
- FY18 was a standout year for OSD, with revenues being driven by higher commodity prices namely, oil and gas, iron ore and lithium and the subsequent flow on effects to the engineering services sector. FY18 revenues grew by approximately 76.8% from an unadjusted 2017 level of \$22.920 million. 1H19 saw some of the momentum from FY18 carry through, albeit 1H19 revenues were lower than FY18 revenues on both a year-to-date and an annualised basis
- the strong FY18 revenues translated into an unusually high FY18 EBITDA. Reflecting this unusually high base, the 1H19 EBITDA margin has reduced from 14.6% to 9.9%
- prior to FY18, OSD had a significant focus on cost cutting and streamlining the business which positively impacted the FY18 and the 1H19 results.

9.4 Outlook

After a standout year in FY18, OSD has maintained momentum in 1H19 with an EBITDA of \$1.823 million. OSD is expecting to generate a slightly lower EBITDA in 2H19 compared to that of 1H19.

Going forward and in the absence of the Transaction, OSD had a vision to become the mid-tier engineering and operations service provider of choice within its target markets of energy and infrastructure with a distinct focus on the geographical markets it currently operates, namely Australia, NZ and PNG. OSD was aiming to continue to maintain strong levels of employee engagement and a highly motivated management team.

OSD was also focussed on securing multi-years O&M contracts to provide a reliable revenue base through the industry cycles.

9.5 Financial position

The Pro Forma financial position of OSD as at 31 December 2018 is summarised below:

Table 12: OSD – Pro Forma financial position

As at (\$'000)	31-Dec-18 Pro-Forma
Current assets	
Cash and cash equivalents	5,940
Trade and other receivables	7,303
Contract assets	119
Current tax assets	1,196
Total current assets	14,558
Non-current assets	
Investment in equity accounted investees	417
Property, plant and equipment	709
Deferred tax assets	1,313
Intangible assets	1,204
Total non-current assets	3,643
Total assets	18,202
Current liabilities	
Trade and other payables	(2,608)
Borrowings	(340)
Current tax liability	(650)
Employee benefits	(849)
Contract liabilities	(929)
Total current liabilities	(5,376)
Non-current liabilities	
Trade and other payables	(477)
Borrowings	(165)
Employee benefits	(255)
Deferred tax liability	(10)
Total non-current liabilities	(908)
Total liabilities	(6,283)
Net assets	11,918
<i>Notes:</i>	
1 Amounts may not calculate exactly due to rounding	

Source: Notice of Meeting, KPMG Corporate Finance analysis

With regard to the historical financial position summarised above, we note the following:

- cash and cash equivalents were \$5.940 million, of which \$0.536 million was restricted cash, held in relation to bank guarantees
- contract assets comprises unbilled contract work in progress and contract liabilities comprises billings received in advance
- the investment in equity accounted investees relates to the 30% investment OSD holds in KEGS
- intangible assets comprises internal software of \$0.081 million, as well as \$1.123 million in goodwill

- provisions for annual leave and long service leave are included in employee benefits
- borrowings of \$0.505 million (current and non-current) relates to finance leases of \$0.228 million and \$0.277 million in insurance premium funding

9.6 Cash flows

The historical Pro Forma operating cash flows for OSD for FY18 and 1H19 are summarised below.

Table 13: OSD – Pro Forma cash flows

Period ended (S'000)	30-Jun-18 Pro-Forma	31-Dec-18 Pro-Forma
EBITDA	5,910	1,823
Net interest paid	(24)	1
Income tax (paid) / refunded	192	(1,437)
Change in working capital and other non-cash items	(1,957)	2,058
Net operating cash flows	4,120	2,446
Capital expenditure	(253)	(37)
Net operating cash flows after capital expenditure	3,867	2,409
<i>Notes:</i>		
1 Amounts may not calculate exactly due to rounding		

Source: Notice of Meeting, KPMG Corporate Finance analysis

With regard to the Pro Forma operating cash flows after capex summarised above, we note the following:

- in preparing the Pro Forma operating cash flows, LCM has adjusted OSD's FY18 EBITDA by deducting a one-off contract termination fee of \$1.588 million (and the associated tax on that payment of \$0.477m)

As shown in the table above, OSD has been cash flow positive at a net operating cash flow (after capex) level in FY18 and 1H19, on a Pro Forma basis.

9.7 Share capital and ownership

As at 28 February 2019, OSD had 11,032,410 ordinary shares on issue and 120,000 share rights. These share rights are triggered in the event of a transaction. The vesting and conversion of these share rights would result in 11,152,410 shares on issue, post conversion.

The three largest shareholders in OSD, as at 28 February 2019 are:

- Mr Brian O'Sullivan (controlling 7,258,310 shares) including shares held by BOS Holdings Australia Pty Ltd
- Mr Greg Bartley (controlling 1,719,000 shares through GFNA Bartley Family Pty Ltd), and
- Mr Andrew Horstmann (controlling 644,380 shares through HSF SMSF Pty Ltd as trustee for the Horstmann Superannuation Fund and 325,000 shares through the Jockey Family Trust).

9.8 Options

As at 28 February 2019, OSD had 450,000 options on issue. As part of the Transaction, current OSD option holders will have their existing OSD options cancelled and will be issued with Merged LCM Options, with the quantum and strike price intended to mirror the economic entitlement of their cancelled OSD options. The proposed terms of the new Merged LCM Options to be issued to current OSD option holders are set out in Section 13.2 of the Notice of Meeting.

10 Merged LCM

10.1 Company overview

The Transaction will create an ASX-listed mid-tier engineering entity trading under the LCM name, with approximately 550 employees. The OSD name and brand will be retained for Merged LCM's pipelines and associated facilities division. Merged LCM will have an expanded expertise and client base in comparison to LCM, in combination with an improved balance sheet. As a result, LCM Management considers Merged LCM will have the ability to pursue the larger more complex projects in the market, with increased confidence.

Merged LCM will focus on engineering, project delivery, technology, asset services and training, with specialist offerings across a range of industries throughout Australia, NZ and the Pacific.

10.2 Historical performance

LCM has prepared the Merged LCM Pro Forma financial information, showing:

- the combined financial performance of LCM and OSD for FY18 and 1H19 as if the Transaction had occurred on 1 July 2017
- the combined financial position of LCM and OSD as at 31 December 2018 as if the Transaction had occurred on 31 December 2018 and
- the combined operating cash flows after capital expenditure of LCM and OSD for FY18 and 1H19 as if the Transaction had occurred on 1 July 2017.

These are set out in Section 11.4 of the Notice of Meeting and are discussed further below.

10.3 Financial performance

The Pro Forma historical financial performance of Merged LCM in FY18 and 1H19 is summarised below. We have added a Merged LCM Pro Forma forecast FY19 revenue and normalised FY19 EBITDA (before impairment, transition costs and restructuring costs) for comparative purposes.

Table 14: Merged LCM – Pro Forma statement of financial performance

Period ended	30-Jun-18	31-Dec-18	30-Jun-19
(\$'000)	Merged LCM Pro-Forma	Merged LCM Pro-Forma	Merged LCM Guidance
Revenue	122,269	59,447	120,000
Cost of sales	(80,514)	(39,926)	
Gross profit	41,755	19,520	
Other income/(loss)	484	(127)	
Business development expenses	(4,549)	(1,496)	
Labour cost overhead	(21,690)	(9,841)	
Impairment charge	-	-	
Rent and occupancy expenses	(2,921)	(1,722)	
Other operating expenses	(5,328)	(3,509)	
EBITDA	7,752	2,826	6,700
Depreciation and amortisation	(2,118)	(1,021)	
Net finance costs	(255)	(94)	
Profit/(loss) before tax	5,380	1,711	
Income tax expense	(1,906)	(750)	
Net profit/(loss) after tax	3,474	961	
Margins			
Gross margin	34.2%	32.8%	
EBITDA margin	6.3%	4.8%	
Notes:			
1 Amounts may not calculate exactly due to rounding			

Source: Notice of Meeting, KPMG Corporate Finance Analysis

With regard to the historical financial performance summarised above, we note the following:

- Merged LCM's reported revenue, EBITDA and NPAT in FY18 were adjusted by deducting a one-off contract termination fee of \$1.588 million (and the associated tax on that payment of \$0.477 million at NPAT), relating to OSD
- Merged LCM's Pro Forma NPAT for FY18 was adjusted by reducing the post-tax interest expense by \$0.085 million, being the estimated impact on interest costs of the reduced borrowings of \$3.0 million expected to be drawn subsequent to the completion of the Transaction, assuming the reduced facility had been fully drawn from 1 July 2017 (refer Section 10.6 below)
- Merged LCM's Pro Forma NPAT for 1H19 was adjusted by adding back LCM's goodwill impairment of \$8.0 million as well as reducing the post-tax interest expense by \$0.105 million being the estimated impact on interest costs of the reduced borrowings of \$3.0 million expected to be drawn subsequent to the completion of the Transaction, assuming the reduced facility had been fully drawn from 1 July 2018 (refer Section 10.6 below)
- The above does not include any potential synergies or business improvements that are expected to arise as a result of the Transaction.

10.4 Outlook

Merged LCM's strategy will focus on building a highly engaged workforce for delivering fit-for-purpose solutions to clients in a range of industries, including mining & minerals, oil & gas pipelines, refining & chemicals and infrastructure & defence, across Australia, NZ, PNG and the Pacific.

LCM Management has stated that Merged LCM will look to build on the strong common culture LCM and OSD currently have individually as well as encouraging shared ownership and alignment of interests through the use of short-term and long-term incentives to align their employees' remuneration with the performance of Merged LCM.

LCM and OSD have identified initial cost synergies of approximately \$3 million per annum with additional cost synergies and revenue synergies expected over time. Realising these cost synergies will result in Merged LCM having a lower overhead per billable hour, strengthening its competitive position by providing more pricing flexibility. LCM Management believes this will provide Merged LCM with the opportunity to win a higher proportion of future tendered work.

LCM Management has issued guidance in the Notice of Meeting indicating a Merged LCM Pro Forma forecast FY19 revenue of approximately \$120 million and a Pro Forma forecast and normalised FY19 EBITDA (before impairment, transition costs and restructuring costs) of approximately \$6.7 million. This is supported by work in hand of \$57 million, on a combined basis, as of January 2019.

10.5 Financial position

The table below summarises the Pro Forma balance sheet of Merged LCM as at 31 December 2018.

Table 15: Merged LCM – Pro Forma statement of financial position

As at	31-Dec-18
(S'000)	Merged LCM Pro-Forma
Current assets	
Cash and cash equivalents	3,359
Trade and other receivables	21,817
Contract assets	4,825
Current tax assets	1,285
Total current assets	31,285
Non-current assets	
Investment in equity accounted investees	417
Property, plant and equipment	3,079
Deferred tax assets	3,738
Intangible assets	13,590
Total non-current assets	20,824
Total assets	52,109
Current liabilities	
Trade and other payables	(9,901)
Borrowings	(1,887)
Current tax liability	(650)
Employee benefits	(4,562)
Provisions	(1,789)
Contract liabilities	(4,820)
Total current liabilities	(23,609)
Non-current liabilities	
Trade and other payables	(987)
Borrowings	(2,276)
Employee benefits	(540)
Deferred tax liability	(10)
Provisions	(991)
Total non-current liabilities	(4,805)
Total liabilities	(28,413)
Net assets	23,696
<i>Notes:</i>	
1 Amounts may not calculate exactly due to rounding	

Source: Notice of Meeting, KPMG Corporate Finance Analysis

With regard to the Pro Forma statement of financial position summarised above, we note the following:

- Cash and cash equivalents has been adjusted to reflect the payment of transaction costs of \$2.710 million associated with the Transaction. Additionally adjustments have been made for the payment of a pre-completion dividend of \$0.331 million to OSD shareholders as well as the use of cash, totalling \$2.250 million, to pay down debt.

- LCM's gross tax losses of approximately \$23.059 million are not reflected in the deferred tax assets. LCM Management has obtained advice that it should be possible for Merged LCM to satisfy the continuity of ownership test requirements of the Income Tax Assessment Act 1997 immediately post the acquisition of OSD and accordingly be able to utilise LCM's tax losses post-merger. Merged LCM will need to continue to monitor the position under the modified continuity of ownership test rules moving forward.
- Borrowings have been reduced by \$2.250 million to reflect the proposed partial repayment of LCM's multi option facility out of existing cash. In addition, the refinancing discussed below is expected to result in \$2.000 million of debt being reclassified from a current to a non-current liability.

10.6 Borrowings

A condition precedent of the Transaction is the receipt of a binding refinancing package for Merged LCM on terms acceptable to both LCM and OSD.

LCM has received indicative terms in relation to providing a new debt facility for Merged LCM from financiers. The proposed debt facility is likely to include:

- a facility to refinance a portion of the existing LCM debt
- an overdraft facility to assist Merged LCM with short-term working capital requirements
- a bank guarantee facility to meet contract performance and lease security requirements
- an asset finance facility and
- a corporate credit card facility.

LCM will negotiate the terms of the debt facility in conjunction with OSD. The proposed debt facility will be finalised and take effect at completion of the Transaction and LCM Management have stated that the debt facility will be subject to usual financial covenants.

10.7 Cash flows

The Pro Forma historical operating cash flows of Merged LCM for FY18 and 1H19 are summarised below.

Table 16: Merged LCM – Pro Forma statement of cash flows

Period ended	30-Jun-18	31-Dec-18
	Merged LCM	Merged LCM
(\$'000)	Pro-Forma	Pro-Forma
EBITDA	7,752	2,826
Net interest paid	(255)	(94)
Income tax (paid) / refunded	(55)	(1,482)
Change in working capital and other non-cash items	(3,755)	290
Net operating cash flows	3,686	1,540
Capital expenditure	(1,396)	(539)
Net operating cash flows after capex	2,290	1,001
<i>Notes:</i>		
<i>1 Amounts may not calculate exactly due to rounding</i>		

Source: Notice of Meeting, KPMG Corporate Finance Analysis

With regard to the Pro Forma operating cash flows after capex summarised above, we note that in preparing the Pro Forma operating cash flows:

- LCM's reported FY18 net operating cash flows before capital expenditure were adjusted by adding back \$1.1m (pre-tax) of restructuring redundancies provided for at 30 June 2017 and paid in FY18
- OSD's FY18 EBITDA was adjusted by deducting a one-off contract termination fee of \$1.588 million (and the associated tax on that payment of \$0.477m)
- As discussed above the post-tax interest expense in both FY18 and 1H19 were reduced to reflect the estimated impact on interest costs of the reduced borrowings of \$3.0 million expected to be drawn subsequent to the completion of the Transaction.

As shown in the table above, Merged LCM has historically generated positive net operating cash flows, after capex, on a Pro Forma basis.

10.8 Dividends

Pending positive cash flows, Merged LCM's Board will consider dividend payments. Where a dividend payment is to be made, the expectation is this to be in the range of 40.0% to 60.0% of NPAT.

10.9 Share capital and ownership post Transaction

Immediately post the Transaction, Merged LCM will have 200,795,034 ordinary shares on issue (on an undiluted basis) as summarised in the table below.

In addition, Merged LCM will have:

- 2,040,000 PRs on issue to Mr Chris O'Neill and Mr Charles Rottier (as nominee for CLR Consulting Pty Ltd). Holders of the PRs receive new Merged LCM ordinary shares subject to the satisfaction of certain performance conditions, for nil consideration.

- 4,780,229 Merged LCM Options on issue, with no vesting conditions and expiry date of 21 July 2021 and strike prices ranging from \$0.0857 to \$0.1252 (refer Section 10.10 below).

Table 17: Merged LCM significant shareholders

Shareholder	Number of ordinary shares	Percentage of issued capital (undiluted)	Percentage of issued capital (diluted)
Brian O'Sullivan and BOS Holdings Australia Pty Ltd (being associates under the Corporations Act) ²	77,103,087	38.4%	37.1%
GFNA Bartley Family Pty Ltd	18,260,477	9.1%	8.8%
Thorney Investments	14,741,868	7.3%	7.1%
Forager Funds Management	10,760,667	5.4%	5.2%
HSF SMSF Pty Ltd as trustee for Horstmann Superannuation Fund and Andrew Keith Horstmann, Jenny Ann Horstmann and Rhys Andrew Horstmann as trustees for Jockey Family Trust (being associates under the Corporations Act)	10,722,374	5.3%	5.2%
Candyblossom Pty Ltd and Bloemhof Pty Ltd (being associates under the Corporations Act)	10,700,768	5.3%	5.2%
Total shares held by significant shareholders	142,289,241	70.9%	68.5%
Other shareholders	58,505,793	29.1%	28.2%
Total shares on issue (undiluted)	200,795,034	100.0%	96.7%
Performance Rights on issue as at 28 February 2019	2,040,000	n/a	1.0%
OSD converted options in Merged LCM	4,780,229	n/a	2.3%
Total shares on issue post completion (diluted)	207,615,263	100.0%	100.0%
<i>Notes:</i>			
1 Amounts may not calculate exactly due to rounding			
2 BOS Holdings Australia Pty Ltd is an entity controlled by Brian O'Sullivan			

Source: Notice of Meeting, KPMG Corporate Finance analysis

10.10 Options and Performance Rights

The OSD shareholders who hold share options in OSD pursuant the OSD Option Plan, will also be issued with share options in Merged LCM, as discussed in Section 9.8 of this IER. The conversion of these share options is summarised in the table below.

Table 18: Merged LCM share options

Option holder	Current OSD options (#)	Strike Price (\$)	Converted to LCM options (#)	Strike Price (\$)	Proceeds if exercised (\$)
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust	100,000	1.33	1,062,273	0.1252	133,000
Linton Burns as trustee for Linton Burns Superannuation Fund	100,000	1.16	1,062,273	0.1092	116,000
Craig Sheather	100,000	1.16	1,062,273	0.1092	116,000
Laurie Paxton	50,000	0.91	531,137	0.0857	45,500
Giffard Services Pty Ltd	100,000	1.16	1,062,273	0.1092	116,000
Total	450,000		4,780,229		526,500

Source: LCM Management, KPMG Corporate Finance analysis

If exercised, the above options in Merged LCM would constitute, in aggregate, approximately 2.3% of the total Merged LCM shares on issue (inclusive of the shares that would be issued as a result of exercising the Merged LCM Options).

The PRs will continue to be on issue in Merged LCM. Mr Chris O'Neill will hold a total of 1,950,000 PRs. The performance conditions will be unchanged, however the earnings targets for FY21 and FY22 will be amended to reflect Merged LCM earnings rather than LCM standalone earnings.

Mr Charles Rottier (as nominee for CLR Consulting Pty Ltd) has been issued with 90,000 PRs, which are expected to vest and be converted to ordinary shares prior to 30 June 2019.

10.11 Board of directors and management

On completion of the Transaction, the Merged LCM Board will be constituted as follows:

- Mr Peter Watson (currently LCM Chairman) will step down as Chairman and from the Board
- Mr Charles Rottier (currently an LCM Director) will become the Independent Chairman of Merged LCM
- Mr Brian O'Sullivan (currently OSD's Executive Chairman and General Manager, Corporate Development) and Mr Linton Burns (currently OSD's Managing Director) will both join the Merged LCM board as Executive Directors
- Mr Richard Robinson will continue his position as independent director of Merged LCM
- An additional independent director will be selected by the Board to join the Board of Merged LCM in due course, to complement the existing capabilities and experience.

Mr Brian O'Sullivan has a perpetual contractual right to appoint one representative to the Merged LCM Board, for so long as he personally or through his controlled entities or associated parties controls at least 15% of the ordinary shares in Merged LCM. Mr O'Sullivan's first nomination pursuant to this right will be himself.

On completion of the Transaction, Merged LCM management will be as follows:

- Mr Chris O'Neill (currently LCM's CEO) will continue his role as CEO
- Mr Dan Drewe (currently LCM's CFO) will continue in his role as CFO
- Mr Linton Burns (currently OSD's Managing Director) will be appointed to Merged LCM as Director Transition with responsibility for leading the integration of the two businesses
- Mr Brian O'Sullivan (currently OSD's Executive Chairman and General Manager, Corporate Development) will be appointed to Merged LCM as Director, Corporate Development (employed executive)
- Ms Laurie Paxton (currently OSD's General Manager Corporate) will be appointed as Merged LCM's Head of People and Culture.

The remainder of the senior management team for Merged LCM will be determined and appointed drawing on individuals with the strongest capability from each of OSD and LCM and will evolve post-completion, as the businesses are integrated.

10.12 Synergies

LCM Management and OSD Management have undertaken a detailed analysis of the current cost base of both LCM and OSD and based on this analysis, have identified initial pre-tax cost synergies of approximately \$3 million per annum. The quantum of these synergies has been estimated having regard principally to a decrease in labour costs, for which the majority is expected to be realised shortly after the completion of the Transaction. The remainder of the initial costs synergies are expected to be realised at the end of FY20/early FY21.

The labour synergies are expected to be derived from savings following redundancies of duplicate roles in both Australia and NZ as well the elimination of management roles and board positions. The majority of the redundancy costs are estimated to be incurred at the end of FY19 or early FY20, with a smaller portion at the end of FY20/early FY21.

LCM Management believe there is the potential for further cost and revenue synergies to be extracted over time.

11 Valuation

11.1 General

We have assessed the fairness of the Transaction by comparing the assessed underlying value of a LCM share, on a controlling basis, as at the Valuation Date with the assessed value range of a Merged LCM share post the completion of the Transaction, on a minority basis.

This section sets out our assessment of the underlying value of LCM, inclusive of a premium for control and our assessed value for a Merged LCM share post completion of the Transaction, on a minority basis.

11.2 Valuation methodology

Our valuation of LCM and Merged LCM has been prepared on the basis of 'market value', that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, each acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of a sustainable level of earnings (**Capitalised Earnings**)
- the discounting of expected future cash flows (**DCF**)
- the estimation of the net proceeds from an orderly realisation of assets (**Net Assets**)
- trading prices for LCM's securities on an exchange.

These methodologies are discussed in greater detail in Appendix 4. Each of the above methodologies is applicable in different circumstances. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information.

For the purpose of this report we have adopted a Capitalised Earnings approach in valuing both LCM and Merged LCM as this approach is a commonly adopted method for the valuation of industrial businesses. Further, there is sufficient market evidence available from which a meaningful earnings multiple can be derived. In particular, there are a number of comparable companies that perform similar services and/or operate within similar markets and/or have similar geographic presence to LCM and Merged LCM. Additionally, a number of transactions have occurred over the last five years involving engineering consulting services companies, predominantly operating within Australia.

Whilst a DCF approach can also be used in the valuation of established engineering businesses, the inherent uncertainty associated with the project-driven nature and cyclicity of operations, means that preparing reliable cash flow projections beyond the current work in hand schedule is particularly challenging. Accordingly, we do not consider there to be sufficient certainty in any projections to conclude that there is a reasonable basis to adopt the DCF approach.

We did not consider the net realisable assets approach to be appropriate as this method would not capture the potential for value to exist in a going concern business over and above the reference solely to its underlying assets.

Given LCM has historically had limited share trading volume on the ASX, we did not consider historical trading prices could be adopted as a primary valuation approach.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including EBITDA, EBIT and NPAT.

Given the nature of the industry in which LCM and Merged LCM operate, we consider EBITDA to be a superior metric as it provides a view of operating performance that is not distorted by the different depreciation and amortisation treatments (i.e. amortisation of intangible assets such as customer relationships arising from past business combinations) or capital structures across comparable companies.

On this basis, we have adopted EBITDA as the earnings base to estimate both LCM and Merged LCM's future maintainable earnings (**FME**) and consequently refer to EBITDA multiples in our analysis of trading and transaction earnings multiples.

11.3 Earnings multiples

As Merged LCM will continue to operate in the same general business and sectors as LCM, we consider that the same companies and transactions can be used as comparators for both LCM and Merged LCM. These comparators are discussed further below.

Trading multiples

The table below sets out the historical and forecast EBITDA multiples implied by the current share prices of companies selected for comparison along with each companies' corresponding EBITDA margins.

Table 19: Historical and forecast trading multiples

Company name	Market Cap	EV	EBITDA Margin			EBITDA multiple		
			FY	FY+1	FY+2	FY	FY+1	FY+2
	\$m	\$m	%	%	%	times	times	times
LCM ¹	12	15	2.1	n/a	n/a	8.8	n/a	n/a
CIMIC Group	16,261	14,598	11.5	9.9	9.8	8.7	8.1	8.0
WorleyParsons	6,886	4,840	7.5	7.8	8.6	13.4	9.4	5.2
Downer EDI	4,399	5,658	6.5	6.5	6.7	7.2	6.5	6.2
Monadelphous Group	1,677	1,512	6.5	6.8	7.0	13.3	13.9	11.8
Cardno	508	619	5.1	4.8	5.3	10.9	10.4	8.9
Lycopodium	202	141	14.3	13.7	12.7	5.1	6.0	5.6
Decmil Group	207	113	2.3	3.9	5.0	14.7	4.5	2.9
GR Engineering	181	155	6.4	6.6	8.1	8.5	12.8	8.1
Southern Cross Electrical Engineering	145	100	5.3	5.5	5.8	5.4	4.5	3.9
AJ Lucas Group	98	196	19.5	10.6	10.7	8.1	14.5	14.1
Primero Group	64	41	10.6	8.2	8.2	4.6	3.5	3.3
Valmec	31	35	4.5	6.7	6.8	7.7	4.9	3.9
EVZ	25	23	5.7	n/a	n/a	6.4	n/a	n/a
Synertec	11	7	(3.3)	n/a	n/a	n/a	n/a	n/a
Mean						8.8	8.3	6.8
Median						8.1	7.3	5.9
Mean (excl. outliers)						7.2	7.1	5.6
Median (excl. outliers)						7.4	6.3	5.4

Notes:

- 1 LCM has not been included in the calculation of the mean and median
- 2 EV means enterprise value
- 3 FY represents the most recent full year reported, being year ended 30 June 2018 for all companies with the exception of CIMIC Group which is year ended 31 December 2018
- 4 Multiples are calculated based on EBITDA position of the company as per the latest annual report published prior to the announcement of the transaction, as sourced from S&P Capital IQ
- 5 n/a means there was no data available from S&P Capital IQ
- 6 Outliers (shaded) have been calculated based on an 80% confidence interval about the mean

Sources: S&P Capital IQ (data as at 28 February 2019), KPMG Corporate Finance analysis

In assessing the comparability of the companies detailed above to LCM, we have considered the following:

- **Growth prospects** – the forecast multiples of each of the comparable companies generally lie below their historical multiples suggesting an expectation of improving trading results
- **Scale** – size is typically a substantial advantage for engineering and construction services companies for a number of reasons. Firstly, larger companies tend to be more competitive for the largest contracts. Secondly, the larger company typically benefit from economies of scale. Thirdly, larger companies have greater capacity to absorb losses on specific projects given the larger number of projects in their portfolio. Lastly, larger companies tend to have lower levels of earnings volatility as a result of their greater diversity in their service and/or market mix.



Multiples implied by recent transactions

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from recent transactions involving comparable businesses/assets and listed comparable companies, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

The table below sets out the EBITDA multiples implied by recent transactions involving companies operating in the engineering and related services sector in Australia and NZ for which sufficient financial data is available.

Table 20: Transaction multiples

Close date	Target	Acquirer	Percentage acquired	Transaction value ¹	LTM ² EBITDA Multiple
			%	\$m	times
Jan-19	Comdain Infrastructure	Service Stream	100	164	7.4
Oct-18	Calibre Group ³	Jupiter	100	99	18.5
Jun-18	NDY Management	Tetra Tech	100	69	10.4
Nov-17	Opus International Consultants	WSP Global	100	252	8.0
Oct-17	Seymour Whyte ⁴	Vinci Construction	100	87	41.1
Dec-16	UGL	CIMIC Group	86	618	nmf
Aug-16	SMEC Holdings	Surbana Jurong Private	100	420	nmf
Sep-16	Ausenco	Resource Capital Funds	60	153	nmf
Mar-16	Scope Australia	Decmil Group	100	2	1.1
Feb-16	J & P Richardson Industries	VINCI Energies	100	79	4.0
Mar-16	Sedgman	CIMIC Group	63	167	5.7
Jan-16	Coffey International	Tetra Tech	100	173	8.2
Nov-15	Cardno	Crescent Capital	21	735	8.9
Apr-14	Production Solutions	GR Engineering	100	6	2.4
Dec-13	Sinclair Knight Merz	Jacobs Australia	100	1,329	7.4
Dec-13	Clough Limited	Murray & Roberts	38	691	6.9
Oct-13	Transfield Worley	WorleyParsons	50	49	4.0
Mean					9.6
Median					7.4
Mean (excl. outliers)					6.2
Median (excl. outliers)					7.1
<i>Notes:</i>					
1 Transaction value refers to the enterprise value of the company as of the date of completion					
2 LTM multiples calculated based on EBITDA and net debt position of the target company as per the latest annual report published prior to the announcement of the transaction, as sourced from S&P Capital IQ					
3 Implied normalised historical EBITDA multiple is circa 4.6 per relevant IER					
4 Implied normalised historical EBITDA multiple is circa 7.3 per relevant IER					
5 n/a means there was no data available from S&P Capital IQ					
6 nmf means the data is not meaningful, in this case due to negative EBITDA					
7 Outliers (shaded) have been calculated based on an 80% confidence interval about the mean.					

Source: S&P Capital IQ, KPMG Corporate Finance Analysis

The multiples implied by the transactions set out above will reflect a range of factors, including:

- **Size of transaction** – acquisitions of larger companies generally tend to occur on higher multiples, for various reasons including increased resources/capabilities to undertake larger projects, scale economies and lower earnings volatility (which are typically driven by greater product/geographic diversity and increased capacity to absorb single project losses)

- **Historical multiples** – the multiples calculated above reflect historical multiples, that is, based on the LTM results prior to the transaction. In circumstances of expected growth in forecast earnings it would be reasonable to expect forecast multiples would lie below those based on historical results.
- **Timing** – the transactions included above have occurred between 2013 and 2019. Accordingly these transactions will have been completed under differing prevailing (and forecast) economic conditions. As set out in the industry overview at Appendix 3, revenues for the engineering consulting services sector have recorded a modest year on year growth since 2015/16, but are forecast to remain relatively flat for the medium term forecast period.
- **Control premium** – it is reasonable to expect that the final price paid to acquire the target will reflect a pure control premium, as well as any general and specific synergies. Accordingly, we note that the implied multiples above are likely to be at a premium to the multiple implied with no control premium.

A description of the activities of the target companies and the transactions set out in the table above is included in Appendix 6.

11.4 Valuation of LCM

11.4.1 Determination of future maintainable earnings

Maintainable earnings represent that level of earnings that the business can sustainably generate in real terms in the future. In assessing the appropriate level of future maintainable EBITDA in respect of LCM, we have considered the outlook for the industries in which LCM operates and also specific factors that have and/or are likely to impact upon the future trading results of LCM. Further to our discussions in sections 8.4 of this report, we have also taken into account the following:

- no one-off significant items impacting historical EBITDA were identified through discussion with LCM, other those items already adjusted for in the underlying normalised EBITDA results
- potential upside and downside risks to future profitability have been separately captured in our selection of an appropriate multiple range
- we have not adjusted maintainable earnings for the cost savings available to any acquirer of 100% of a company as these types of general synergies are commonly subsumed within a premium for control that is reflected in our calculation of equity value.

Having regard to LCM's normalised 1H19 EBITDA of \$1.304 million, discussed in Section 8.4 as well as to:

- forecasts prepared by LCM as a part of the Transaction process, which have not been made public for confidentiality reasons
- LCM's year-to-date performance, based on management accounts and discussions with LCM Management
- LCM's January and February 2019 order book and work in hand levels,

we have adopted a forecast EBITDA for FY19 of \$3.4 million as LCM's FME.

11.4.2 Determination of earnings multiple

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business's operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from recent transactions involving comparable businesses/assets and listed comparable companies, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

The multiples derived from listed comparable companies are based on share prices generally reflective of the trades of small parcels of shares. As such, they reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock.

Selection of an appropriate multiple

In determining an appropriate range of forecast capitalisation multiples for LCM, we have:

- had regard to the mean / median EBITDA multiple range of the comparable companies (Section 11.3)
- had regard to the mean and median EBITDA multiples observed in recently completed transactions, recognising these multiples will include an element of control premium (Section 11.3)
- considered LCM's moderate growth prospects, on a standalone basis, beyond FY19 compared to the comparable companies
- considered LCM's relatively low EBITDA margin, relative to the identified comparable companies
- considered LCM's size relative to the comparable companies. With the exception of one, all the comparable companies are larger in size than LCM. As a result our starting multiple range implicitly includes a degree of size premium, which we have adjusted by applying a discount for LCM's relatively smaller size
- considered the risks involved in relation to LCM's current debt structure and position, including the possibility that this limits LCM's opportunities to win larger contracts and the NAB's requirement that the debt structure and levels be addressed
- considered LCM's relatively low diversification as compared to the comparable companies and companies acquired in recent transactions.

Having regard to these considerations, we have adopted a FY19 EBITDA multiple, on a minority basis, of 4.0 times to 4.5 times.

11.4.3 Valuation of LCM

As summarised in the table below, KPMG Corporate Finance has determined the underlying value of LCM, inclusive of a premium for control, to be in the range of \$15.0 million to \$17.7 million.

Table 21: Summary of assessed value of LCM shares

Valuation summary (\$'000)	Section ref	Value range	
		Low	High
Future maintainable earnings	11.4.1	3,400	3,400
EBITDA multiple	11.4.2	4.0x	4.5x
Enterprise value		13,600	15,300
Add: Cash and cash equivalents	8.6	2,709	2,709
Less: Borrowings	8.6	(5,908)	(5,908)
Add: Accumulated tax losses	11.4.4	1,903	2,236
Less: Onerous lease provision net of tax	11.4.5	(639)	(639)
Less: Performance Rights liability	11.4.6	(91)	(106)
Implied equity value (minority basis)		11,575	13,592
Control premium	11.4.7	30.0%	30.0%
Implied equity value (control basis)		15,047	17,670
Ordinary shares - diluted (thousands)	11.4.8	82,416	82,416
Implied value per share (\$) (control basis) - diluted		0.18	0.21

Source: KPMG Corporate Finance Analysis

Our determination of the value of LCM on a controlling basis has been based on the following factors.

11.4.4 Accumulated tax losses

The value range for LCM's tax losses has been determined based on an estimate of the net present value (NPV) of the cash tax expense that could be saved as a result of utilising the carry forward gross tax losses of approximately \$23.059 million, as set out in Section 8.6. This estimate is based on LCM's standalone maintainable earnings and depreciation, and industry forecast growth rates. We have also considered the risks associated with utilising the tax losses, including timing risks.

11.4.5 Onerous lease

We have estimated the value of the onerous lease liability based on the schedule of remaining lease payments, adjusted for tax. This results in a surplus liability of \$0.639 million. As the onerous lease payments will cease within the next 12 months we have not net present valued these cash flows. Refer to Section 8.8 for further details regarding the onerous lease.

11.4.6 Performance rights liability

We have recognised a surplus liability in respect of the notional cash payout of the PRs issued to Mr Chris O'Neill, which would theoretically arise on a change of control in LCM (consistent with a control valuation). We have calculated this payout based on the details set out in Section 8.12 and the value per share implied by our valuation of LCM on a control basis.

We have assumed PRs issued to Mr Charles Rottier (as nominee for CLR Consulting Pty Ltd) would convert to shares and accordingly have calculated the total number of shares on issue inclusive of these PRs (see Section 11.4.8 below). Given this, we have excluded Mr Rottier's PRs from the performance rights liability.

This resulted in a range of \$0.91 million to \$0.106 million for this surplus liability.

11.4.7 Control premium

Consistent with the requirements of RG 111, in valuing LCM we have assumed 100% ownership, and therefore included a premium for control.

In order to assess a reasonable range for implied acquisition premia in Australia, we have analysed transaction data included in various relevant classifications of the Global Industry Classification Standard (GICS) over the period April 2007 to 11 May 2017. These classifications included Metal Mining Services, Coal Mining Services, Oil and Gas Field Services, Nonmetallic Minerals Services, Engineering Services, Surveying Services and Business Consulting Services. A data set of 94 takeovers was sourced from Mergerstat, constituting successful bids, where data on implied market values utilising twenty-day post transaction premia was available. Including all 94 transactions, our analysis indicated these premia had an average and median of approximately 42.8% and 30.7% respectively.

Excluding those transactions considered by us to be outliers (based on an 80.0% confidence level about the mean) and/or not comparable to LCM, the average and median premia are approximately 43.4% and 36.0% respectively. We also note that approximately 38% of those takeovers reviewed, excluding outliers, had premia greater than 40%.

It is apparent from our review of these transactions that there is a wide dispersion of observed acquisition premia. This is not unexpected given that acquisition premia can be affected by a wide range of factors, including:

- market speculation prior to the official announcement of a takeover
- the level of pre-existing ownership by the offeror
- the level of operating synergies and/or special benefits that may exist to an offeror
- the impact of contested/hostile takeovers
- the liquidity of the stock prior to the offer
- the level of gearing employed by the target company.

Having considered these factors and the nature of the distribution of our observed data, we consider, on balance, that it is reasonable to suggest that in Australia, successful transactions in LCM's sector are typically likely to currently complete within an acquisition premia in the vicinity of 35.0%. Recognising that LCM is relatively smaller and less diversified than the majority of the entities making up the sample, we adopted a control premium of 30.0%.

11.4.8 Shares on issue

For the purposes of assessing LCM's value per share we have included Mr Charles Rottier's 90,000 PRs (refer Section 8.12) in the total number of shares on issue, on the expectation they will be converted to shares prior to 30 June 2019. This results in a total number of shares on issue equal to 82,415,964.

We note that the controlling enterprise value derived from the equity value range shown in Table 21, implies a control EBITDA multiple range of 5.0 times to 5.7 times.

11.5 *Summary of value of a Merged LCM share post completion of the Transaction*

11.5.1 Determination of future maintainable earnings

In assessing the appropriate level of future maintainable EBITDA for Merged LCM, we have considered the outlook for the industries in which LCM and OSD operate and also specific factors that have and/or are likely to impact upon the future trading results of Merged LCM. Further to our discussions in sections 11.3 and 11.4 of this report we have also taken into account the following:

- Merged LCM has issued guidance indicating a Pro Forma forecast and normalised FY19 EBITDA (before impairment, transition costs and restructuring costs) of approximately \$6.7 million
- this EBITDA guidance is supported by work in hand of \$57 million, on a combined basis, as of January 2019
- Merged LCM's Pro Forma 1H19 EBITDA of \$2.826 million
- potential upside and downside risks to future profitability, which have been separately captured in our selection of an appropriate multiple range
- LCM's and OSD's performance year-to-date, based on management accounts and discussions with management of both companies.

Based on the above, we have adopted a forecast EBITDA for FY19 of \$6.7 million for Merged LCM's FME.

11.5.2 Determination of earnings multiple

Selection of an appropriate multiple

In determining an appropriate range of forecast capitalisation multiples for Merged LCM, we have had regard to the minority Forecast FY19 EBITDA multiple range we adopted for LCM on a standalone basis of 4.0x to 4.5x and considered the following factors:

- Merged LCM, will be materially larger than LCM, resulting in a size premium for Merged LCM (as compared to the LCM multiple range)
- with the addition of the OSD service offerings and operations, Merged LCM will be more diversified than LCM, resulting in a diversification premium for Merged LCM (as compared to the LCM multiple range)
- with the combination of OSD's cash balance and the new debt facilities that will be finalised and take effect at completion of the Transaction, Merged LCM will have a stronger balance sheet and lower financial risk than LCM, resulting in a premium for Merged LCM (as compared to the LCM multiple range)
- the combination of the above factors, should result in Merged LCM having stronger growth prospects than LCM, resulting in a premium for Merged LCM (as compared to the LCM multiple range).

Having regard to these considerations, we have adopted a FY19 EBITDA multiple, on a minority basis, of 5.0 times to 6.0 times.

We have compared this multiple range against the EBITDA multiple range of the comparable companies and the comparable transaction and consider that our adopted multiple range is reasonable having regard to these comparators.

11.5.3 Valuation of Merged LCM

As summarised in the table below, KPMG Corporate Finance has determined the underlying value of Merged LCM, on a diluted and minority basis, to be in the range of \$43.7 million to \$52.5 million. We have taken into account the dilution effect of "in the money" Merged LCM Options.

Table 22: Summary of assessed value of Merged LCM shares

Valuation summary (\$'000)	Section ref	Value range	
		Low	High
Future maintainable earnings	11.5.1	6,700	6,700
EBITDA multiple	11.5.2	5.0x	6.0x
Capitalised earnings		33,500	40,200
Synergies	10.12	3,000	3,000
Synergies multiple	11.5.4	3.0x	3.5x
Capitalised synergies		9,000	10,500
Enterprise value		42,500	50,700
Add: Cash and cash equivalents	10.5	3,359	3,359
Less: Borrowings	10.5	(4,163)	(4,163)
Add: Accumulated tax losses	11.5.5	3,082	3,764
Less: Onerous lease provision net of tax	11.5.6	(639)	(639)
Less: Performance Rights liability	11.5.7	(173)	(208)
Less: Redundancy costs	11.5.9	(828)	(828)
Implied equity value (minority basis)		43,137	51,984
Ordinary shares - diluted (thousands)	11.5.8	200,885	200,885
Implied value per share (minority basis)		0.21	0.26
Dilution through conversion of options			
Ordinary shares - diluted (thousands)		200,885	200,885
Merged LCM Options	11.5.10	4,780	4,780
Ordinary shares - diluted (thousands)		205,665	205,665
Implied equity value (minority basis)		43,137	51,984
Add: Cash resulting from conversion of options	11.5.10	527	527
Implied equity value (minority basis)		43,664	52,511
Implied value per share (\$) (minority basis)		0.21	0.26

Source: KPMG Corporate Finance Analysis

Our determination of the underlying value of Merged LCM has been based on the following:

- the addition of Pro Forma cash and cash equivalents of \$3.359 million, which represents the aggregated LCM and OSD cash balances at 31 December 2018, less the payment of transaction costs of \$2.710 million, a pre-completion dividend to OSD shareholders of \$0.331 million and the repayment of \$2.250 million of LCM's debt
- the deduction of Pro Forma borrowings of \$4.163 million, being the aggregated LCM and OSD borrowings less the repayment of \$2.250 million of LCM's debt

We have also had regard to the following factors.

11.5.4 Synergies

LCM Management and OSD Management have undertaken a detailed analysis of the current cost base of both LCM and OSD and based on this analysis, have identified initial pre-tax cost synergies of approximately \$3 million per annum.

In estimating the value of these synergies, we have adopted a multiple of range of 3.0 times to 3.5 times, being a discount to the FME EBITDA multiple range, reflecting the risks associated with the timing and achievement of the cost synergies.

11.5.5 Accumulated tax losses

The value range for Merged LCM's tax losses has been determined based on an estimate of the NPV of the cash tax expense that could be saved as a result of utilising the carry forward gross tax losses of approximately \$23.059 million, as set out in Section 10.5. This estimate is based on Merged LCM's maintainable earnings and depreciation, initial cost saving synergies, deductible restructuring costs and industry forecast growth rates. We have also considered the risks associated with utilising the tax losses, including timing risks.

11.5.6 Onerous lease

We have estimated the value of the onerous lease liability based on a schedule of remaining lease payments, adjusted for tax, resulting in a surplus liability of \$0.639 million. As the onerous lease payments will cease within the next 12 months we have not net present valued these cash flows. Refer to Section 8.8 for further details regarding the onerous lease.

11.5.7 Performance rights liability

We have estimated the value of the PRs issued to Mr Chris O'Neill, and recognised this as a surplus liability. We have been advised that as Mr O'Neill is continuing as CEO, the LCM Board determined that Mr O'Neill will not be paid any amount under the change of control clause in Mr O'Neill's employment contract and the PRs will not be paid out or cancelled. However the earnings hurdles will be reset to reflect Merged LCM earnings targets. Accordingly, we have treated Mr O'Neill's PRs as if they were reissued as at the Valuation Date. We have valued these PRs based on the above, details set out in Section 10.10, discussions with LCM Management and their expectations regarding the likely achievability of any revised vesting hurdles.

We have assumed PRs issued to Mr Charles Rottier (as nominee for CLR Consulting Pty Ltd) will be converted to shares and accordingly we have excluded Mr Rottier's PRs from the performance rights liability.

This resulted in a liability in the range of \$0.173 million to \$0.208 million.

11.5.8 Shares on issue

For the purposes of assessing the value per share of Merged LCM we have assumed Mr Rottier's 90,000 PRs are converted to ordinary shares. This results in a total number of shares on issue of 200,885,034 shares (pre Merged LCM Options dilution).

11.5.9 Restructuring payments

The restructuring payments required to deliver the forecast initial labour cost synergies are estimated to be \$1.309 million and are expected to be incurred during FY20 and FY21. We have recognised a surplus liability of \$0.828 million, being the tax adjusted present value of these restructuring expenses.

11.5.10 Merged LCM Options

As discussed previously and set out in Sections 10.9 and 10.10 of this report, OSD option holders will be granted Merged LCM Options as a result of the Transaction. As the strike price of all the Merged LCM Options is below the KPMG Corporate Finance assessed per share value range (on a non-diluted basis), we have assumed that all of the Merged LCM Options are converted to Merged LCM shares immediately post the Transaction.

This would result in 4,780,229 additional Merged LCM shares being issued and Merged LCM would receive cash proceeds of approximately \$0.527 million.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Jason Hughes. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Bill Allen is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Bill has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia, a member of the Australasian Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance’s opinion as to whether the Transaction is in the best interests of the non-associated LCM shareholders. KPMG Corporate Finance expressly disclaims any liability to any LCM shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Notice of Meeting and Explanatory Memorandum or any other document prepared in respect of the Transaction. Accordingly, we take no responsibility for the content of the Notice of Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Transaction.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of LCM and OSD for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.



Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Notice of Meeting and Explanatory Memorandum to be issued to the shareholders of LCM. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd
- financial information from Bloomberg and Connect 4.

Non-public information

In addition, we have had discussions with the following persons:

LCM

- Mr Dan Drewe, CFO of LCM
- Mr Peter Watson, Chairman of LCM
- Mr Richard Robinson, Non-Executive Director of LCM
- Mr Michael Cherry, Financial Controller of LCM

OSD

- Mr Linton Burns, Managing Director of OSD

Appendix 3 – Industry overview

To provide a context for assessing the future prospects for each of LCM and Merged LCM, we have set out below an overview of Australia's Engineering Consulting and Mining industries. All data is sourced from IBIS World Pty Ltd (**IBISWorld**), unless otherwise stated.

Engineering Consulting

Market concentration within the Engineering Consulting industry is relatively low, with the four largest companies expected to account for less than 40% of industry revenue in FY19.

Firms range from large multinationals which possess capabilities across an asset's lifecycle and servicing multiple industries (i.e. AECOM Australia Pty Ltd, Bechtel Australia Proprietary Limited) to either sector specialists (i.e. Arcadis NV and TechnipFMC plc) or capability specialists (i.e. LCM), and smaller boutique firms and sole proprietor companies.

The Engineering Consulting industry is highly competitive, and competition continues to intensify due to an increase in the number of sole proprietor and boutique firms and the entry of large global consultancy companies. Intense competition between the large multidisciplinary consulting firms is further exacerbated by the limited number of large-scale complex multidisciplinary projects available.

Outlook

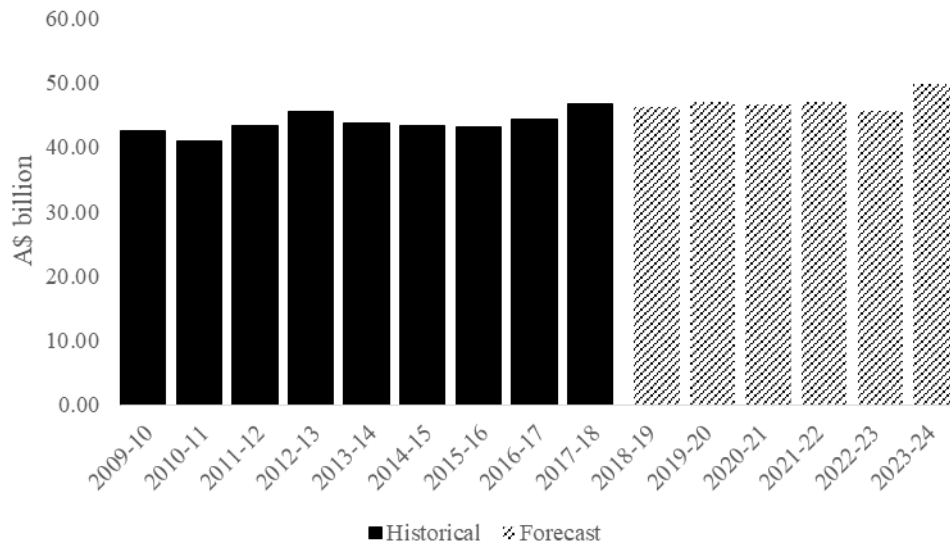
Improved public sector capital expenditure is projected to drive demand for Engineering Consulting, as governments tender large infrastructure projects to stimulate the economy. Engineering Consulting firms are also anticipated to benefit from rising private capital expenditure on non-residential construction, as companies invest in several new industrial projects.

However, with the mining (including oil and gas extraction) sector expected to continue with subdued activity, a decline in capital expenditure on mining is anticipated to limit overall industry revenue growth given the mining sector is one of the industry's largest markets.

Overall industry revenue is projected to increase by a real annualised rate of 1.6% over the five years through 2023-24¹.

¹ IBISWorld

Figure 5: Revenue for the Engineering Consulting industry in Australia



Source: IBISWorld, KPMG Corporate Finance analysis

Mining

The major products and service segments in this industry are metal ore, oil and gas, coal, non-metal ore and mining services. Market concentration within the Mining industry is relatively low, with the four largest companies expected to account for approximately 35.6% of industry revenue in FY19².

Firms range from large multinationals that strongly influence the sector, to small joint ventures in mainly the oil & gas industry. Large multinationals are generally better placed to negotiate better with mineral ore, oil & gas and other buyers (i.e. BHP Group Limited, Rio Tinto Plc – Rio Tinto Limited, Glencore Operations Australia Pty Ltd). Other players mainly cover gas and oil extraction, petroleum exploration and mining for metal ores and coal (i.e. Fortescue Metals Group Limited, Woodside Petroleum Ltd, Hancock Prospecting Pty Limited and South32 Limited)

Since 2000, the rising demand from emerging economies, particularly China, led to a boom in the Australian resources sector with high commodity prices and demand driving increased investment in mines and associated infrastructure. During this ‘capital investment phase’, resource companies focused on expansion and readily outsourced various services to third party contractors and consultants. However, in recent years, market conditions have become increasingly challenging with falling commodity prices, driven by:

- slower demand growth for commodities from emerging countries, in particular China

² IBISWorld

- capacity over-supply as a number of large mining and associated infrastructure projects have completed and subsequently shifted towards the production phase which is less capital-intensive.

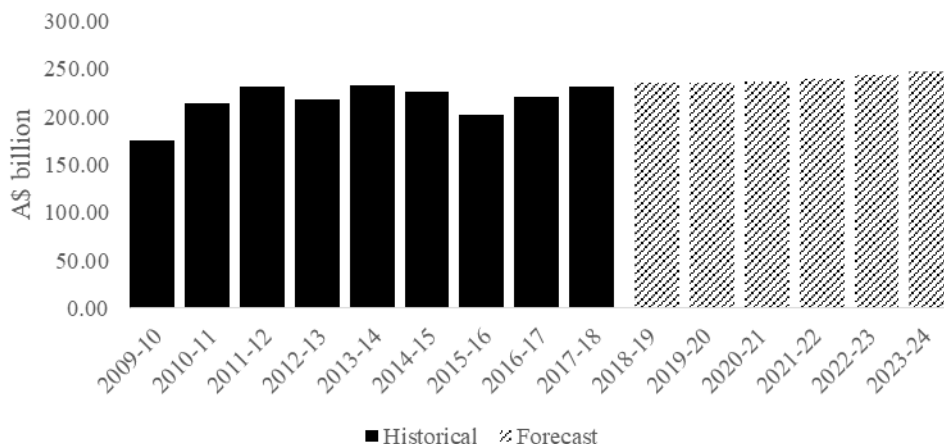
Outlook

The performance of the Mining sector in Australia is generally cyclical, depending on commodity prices, forecast exchange rates and the timing of new supply (which can take years to develop).

Even though capital investments are expected to decrease for the industry as a whole, the oil and gas extraction industry is expected to develop several new large-scale projects. Further, key changes in technology and systems are causing an increase in the use of contract mining services throughout the Mining industry. Additionally, more mining companies are implementing more automation functions in their materials handling, transport and process control.

Even though over the next five years existing major projects are reaching completion and weaker capital expenditure is expected to negatively impact the development of new projects, growth in volumes is expected to drive an overall industry revenue growth over this period.

Figure 6: Revenue for the Mining industry in Australia



Source: IBISWorld, KPMG Corporate Finance analysis

Implications for mining engineering consulting services in Australia

Mining activity in Australia is expected to increasingly focus on output and productivity, rather than capital expenditure growth. However, the recovery of the commodity prices and the (modest) increasing demand of resources (metals, minerals and oil & gas) from Asia are expected to drive investment growth in new brownfield and greenfield projects in Australia. Additionally, capital expenditure by the public sector is expected to significantly influence demand for engineering consultants.

Pipeline construction

This industry mainly builds pipelines that connect energy resources to end users and also provide work for industrial markets. Market concentration is relatively high in the upstream markets and include companies in the oil and gas extraction, pipeline transport and gas supply industries.

Fluctuations in investments in export related gas pipeline construction projects heavily influence the volatility in the industry. The decline in investment at the end of the mining boom therefore negatively affected the industry.

The major players in this industry are companies such as McConnell Dowell Corporation Limited, MPC Kinetic, AJ Lucas Group Limited and Monadelphous Group Limited. However, none of these parties have a market share of more than 5.0%.

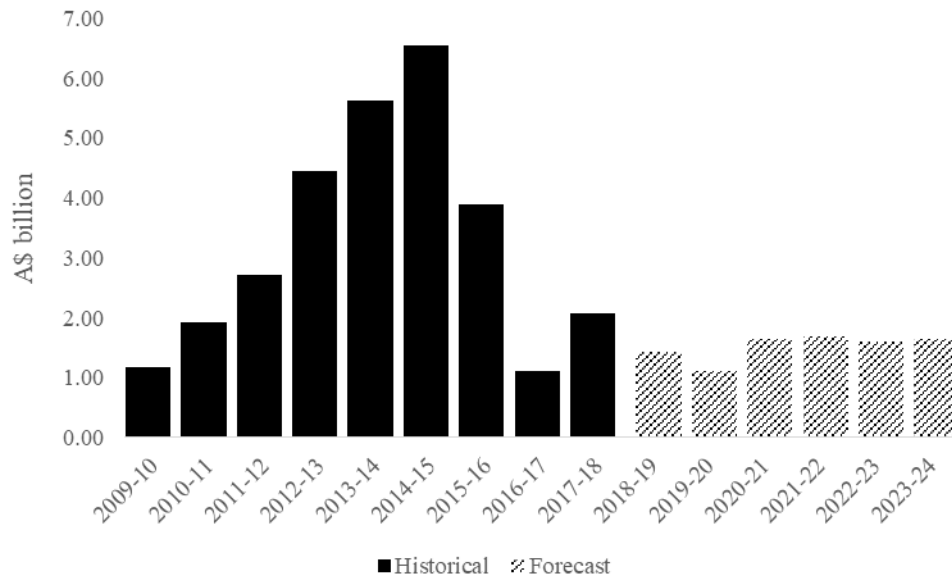
Outlook

The demand for pipeline construction has decreased over the last five years due to the sharp fall in natural gas and crude oil prices over this period, improved energy efficiencies and increased global production. While prices have increased, they are still well below the previous highs. Even though the outlook of many new pipelines is subdued, businesses invested in LNG have generally entered into long-term contracts, requiring repairs and maintenance on existing pipelines.

Investment is anticipated to be directed towards improvement and maintenance works on existing pipeline infrastructure over the next five years. Increasing demand for natural gas for domestic and industrial use will likely increase the need to improve pipeline networks and remove bottlenecks. In particular, demand for natural gas as a fuel for power generation is expected to increase over the period as coal-fired power plants close. Additionally, household demand for natural gas for cooking, hot water and heating is forecast to drive steady demand for upgrade works on existing infrastructure over the next five years.

Profit performance is expected to gradually improve over the next five years, as a result of efficiency improvements on scheduled maintenance programs reducing labour requirements and as a result labour costs are expected to marginally decline.

Figure 7: Revenue for the Pipeline construction industry in Australia



Source: IBISWorld, KPMG Corporate Finance analysis

Appendix 4 – Valuation Methodology

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is often used as a main valuation approach where the entity subject to valuation operates a mature business in a mature industry such as LCM and Merged LCM or where there is insufficient forecast data to utilise the DCF methodology (i.e. in cyclical industries).

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The discount rate should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The discount rate most generally employed is the Weighted Average Cost of Capital, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results

in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset values or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Comparable companies

- CIMIC Group Limited provides construction, mining, mineral processing, engineering, and operation and maintenance services to the infrastructure, resource, and property markets. The company also provides operation and maintenance services for transport, oil and gas, mining, power, utilities, social building, and commercial building sectors; and designs, constructs, and operates mineral processing plants and related mine site infrastructure. CIMIC Group Limited was founded in 1949 and is based in North Sydney, Australia.
- WorleyParsons Limited provides professional services to resources and energy sectors comprising hydrocarbons, minerals, metals, chemicals, and infrastructure. The company provides engineering design and project delivery services, including maintenance, reliability support, and advisory services. WorleyParsons Limited was founded in 1971 and is based in North Sydney, Australia.
- Downer EDI Limited operates as a services provider in Australia, New Zealand, the Asia-Pacific, South America, and Southern Africa. The company provides services through its Transport, Utilities, Rail, Mining and Spotless segments. Downer EDI Limited is headquartered in North Ryde, Australia.
- Mondadelphous Group Limited, an engineering group, provides construction, maintenance, and industrial services to the resources, energy, and infrastructure sectors in Australia. It operates through Engineering Construction, and Maintenance & Industrial Services divisions. Monadelphous Group Limited was founded in 1972 and is headquartered in Perth, Australia.
- Cardno Limited, a professional infrastructure and environmental services company, engages in the development and improvement of physical and social infrastructure for communities worldwide. It serves the building, land, coastal and ocean, environment, international development, management services, energy and resources, transportation, water, and defence market sectors. Cardno Limited was founded in 1945 and is headquartered in Fortitude Valley, Australia.
- Lycopodium Limited provides engineering consultancy services in the mining, metallurgical, rail, and manufacturing industries in Australia and internationally. Lycopodium Limited was founded in 1992 and is based in East Perth, Australia.
- Decmil Group Limited provides design, engineering, and construction works for natural resources, government, and infrastructure sectors in Australia and internationally. It operates through three segments: construction and engineering, accommodation, and other. Decmil Group Limited was founded in 1979 and is headquartered in Osborne Park, Australia.
- GR Engineering Services Limited is an engineering, consulting, and contracting company, providing engineering design and construction services to the mining and mineral processing industries in Australia and internationally. It operates through mineral processing, and oil and gas segments. Its services cover various aspects of projects, including initial evaluation and study phase, as well as design, construction, commissioning, and operational support. GR Engineering Services Limited was founded in 1986 and is based in Ascot, Australia.
- Southern Cross Electrical Engineering Limited provides electrical, instrumentation, communication, and maintenance services in Australia, South America, and the Caribbean. Southern Cross Electrical Engineering Limited serves various markets, such as commercial developments; mining, and oil and

gas; public infrastructure and defence; telecommunications and data centres; and industrial, utilities, and energy. The company was founded in 1978 and is headquartered in Perth, Australia.

- AJ Lucas Group Limited operates as a diversified infrastructure, construction, and mining services company in Australia and Europe. The company operates through three segments: Drilling, Oil and Gas, and Engineering and Construction. The company was incorporated in 1990 and is headquartered in North Sydney.
- Primero Group Limited provides design, construction, engineering, and operational services to the minerals, energy, and infrastructure sectors in Australia. Its services include full plant design and feasibility studies; project management and planning; turnkey in house construction services in civil, structural, mechanical, piping, electrical, instrumentation, and control systems disciplines; commissioning; and operations and maintenance. The company was founded in 2011 and is headquartered in Osborne Park, Australia.
- Valmec Limited, a diversified energy and infrastructure services company, provides equipment, construction, commissioning, and maintenance services to the oil and gas, resources, and infrastructure sectors in Australia. The company is headquartered in Kewdale, Australia.
- EVZ Limited operates in the engineering and energy services sectors in Australia and Asia. It operates through Engineering, Energy, and Water segments. The company also provides design, construction, on-site installation, maintenance, and shutdown of engineering services to the mining, wood chip, petrochemical, aluminium, glass, cement, defence, and agriculture industries. EVZ Limited was incorporated in 1984 and is headquartered in Docklands, Australia.
- Synertec Corporation Limited provides specialist engineering and compliance consulting services in Australia and internationally. The company offers services in the areas of project and construction management; process and mechanical engineering; LNG custody transfer system; analyser systems; automation and control engineering; and functional safety, as well as compliance and validation services. The company is headquartered in Richmond, Australia.

Appendix 6 – Comparable transactions

The below information is sourced from S&P Capital IQ and MergerMarket, unless otherwise stated.

- Comdain Infrastructure Pty Ltd provides engineering and asset management services to utility and energy providers across Australia. The company was founded in 1962 and is based in Epping, Australia. As of January 2, 2019, Comdain Infrastructure Pty Ltd operates as a subsidiary of Service Stream Limited. Service Stream Limited (ASX:SSM) entered into a binding agreement to acquire Comdain Infrastructure Pty Ltd for approximately AUD 170 million on a cash and debt free basis. Service Stream Limited acquired Comdain Infrastructure with the goal of enhancing revenue diversification³
- Calibre Group Limited provides engineering, consulting, project delivery, construction, maintenance, and asset management services in Australia and internationally. David O'Connor and John Paul O'Connor made an offer to acquire Calibre Group Limited from First Reserve Corporation and other shareholders for AUD 2.6 million. Subsequent to the takeover, Calibre Group was privatised.
- NDY Management Pty Limited operates an engineering consulting firm in Australia. Tetra Tech, Inc. (NasdaqGS: TTEK) signed a definitive agreement to acquire NDY Management Pty Limited. The branding of NDY Management Pty Limited has remained in place. The acquisition of NDY Management Pty Limited was made in order to leverage NDY Management Pty Ltd's expertise in sustainable infrastructure⁴
- Opus International Consultants Limited (**Opus**) is a New Zealand based consulting firm providing services in areas of infrastructure, architecture, water, environment, asset development and management solutions. WSP Global (a Canada-based consultancy service provider) announced the transaction in August 2017, stating its intention to merge Opus with its existing New Zealand operations in order to position itself to participate in expected large infrastructure works
- Seymour Whyte Limited is an engineering and construction company in Australia, with a special focus in civil and utilities infrastructure. Vinci Construction SA (subsidiary of Vinci SA, a listed France-based company involved in building, heavy construction, civil engineering and other industrial projects) announced the transaction in June 2017, stating the acquisition would enable it to expand synergies with its existing operations in Australia
- UGL Limited provides outsourced engineering, construction, and asset management and maintenance services to blue-chip companies, government agencies, private enterprise, and public institutions in Australia and internationally. CIMIC Group Ltd, an Australian construction company, announced the transaction in October 2016, which involved the acquisition of the remaining 86 percent stake in UGL Limited. Given the negative results of the UGL operations in FY16, the implied EBITDA multiple is not meaningful
- SMEC Holdings Pty Ltd, a professional services company, provides engineering consultancy services to private organisations, government agencies, and international financial institutions in Australia, New Zealand, the Asia Pacific, South Asia, the Middle East, Africa, and the Americas. Surbana

³ Service Stream Limited ASX & Media Release dated 2 January 2019

⁴ Australian Financial Review article 'Tetra Tech buy Australia's Norman Disney & Young' dated 1 January 2018

International Consultants Pte Ltd signed a scheme implementation agreement to acquire SMEC Holdings Limited for approximately AUD 390 million, by scheme of arrangement. Surbana International Consultants Pte Ltd has cited synergies and complementary strengths as the reason for the acquisition

- Ausenco Limited provides engineering, construction, and project management services to the resources and energy markets in Australia and internationally. RCF Capital Fund announced the acquisition of a 94.8 percent interest in Ausenco Limited in a leveraged buyout transaction in May 2016. Given the negative results of the Ausenco Limited operations at the time of the transaction, the implied EBITDA multiple is not meaningful
- Scope Australia Pty Ltd. provides engineering design solutions. Decmil Group Limited. (ASX:DCG) acquired all the assets of Scope Australia Pty Ltd from Scott Criddle and other shareholders for AUD 1.7 million on March 24, 2016. It was announced prior to the transaction that Scope Australia will continue under its same brand and approximately 40 engineering professionals will join Decmil Group
- J&P Richardson Industries Pty Ltd provides services in the fields of engineering, installation and maintenance of electricity networks, water utilities, telecommunications and industrial processes. VINCI Energies S.A announced the acquisition of J & P Richardson Industries Pty Ltd. for €69 million in February 2016, stating the acquisition confirmed its momentum in the oceanic region and reflected its strategy of expansion in countries with high economic growth rates
- Sedgman Limited provides mineral processing and associated infrastructure solutions to the resources industry in Australia, Canada, Chile, Mozambique, and internationally. CIMIC Group Ltd, an Australian construction company, announced the acquisition via an unsolicited bid of the remaining 63 percent interest, which it did not already own
- Coffey International Limited provides consulting services in the geoservices, international development, and project management areas worldwide. Tetra Tech, Inc., a listed US-based provider of consulting and engineering services, announced the transaction in October 2015. Tetra Tech stated the acquisition would make the combined group the leading consulting firm for international development, supporting the US Agency for International Development, Australia's Department for Foreign Affairs and Trade and the UK's Department for International Development
- Cardno Limited is an infrastructure and environment services provider operating in the physical and social infrastructure industries both in Australia and globally. Crescent Capital Partners announced the potential transaction in September 2015, following a period of sustained share price depreciation for Cardno and the mining services industry throughout 2014 and 2015. The purchase was undertaken in order to consolidate the firm's current 19.62% ownership in Cardno
- Production Solutions is an engineering services, maintenance and well management service in the Australian oil and gas sector. GR Engineering purchased Production Solutions in April 2014 during a period of historically high oil prices. The purchase was undertaken in order to extend the services GR Engineering could provide in the Australian hydrocarbon market
- Sinclair Knight Merz provides a range of engineering services, including consulting, planning architecture, and construction management services within civil and mining infrastructure development industries. Jacobs Australia's purchase of Sinclair Knight Merz occurred in late 2013, at

the height of the mining investment boom. The purchase was undertaken in order to expand Jacobs' global market share and service offering across further markets

- Clough provides engineering, procurement, construction and commissioning services within the oil, gas and minerals sector in Australia. Murray Roberts acquisition of the remaining free floating shares in Clough in late 2013 consolidated its Australian operations
- Transfield Worley was a joint venture between Transfield Services Limited and WorleyParsons Limited and provides construction, maintenance and design services in the power, oil, gas, refining and petrochemical industry in New Zealand. The acquisition enabled WorleyParsons the opportunity to expand an existing presence in the New Zealand hydrocarbon market.

Appendix 7 – Glossary of key terms

Abbreviation	Description
\$	Australian dollars
1H19	The first half of FY19
2H19	The second half of FY19
the Act	Corporations Act 2001 (Cth)
AIDE	Automated Infrastructure Design Engine
APESB	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange operated by ASX Limited
Capex	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSG	Coal Seam Gas
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPC	Engineering Procurement & Construction
EPCM	Engineering Procurement & Construction Management
FME	Future maintainable earnings
FY	Financial year ended 30 June
GICS	Global Industry Classification Standard
IBISWorld	IBIS World Pty Ltd
IER	Independent Expert Report
KEGS	KEGS Software Pty Ltd
KEGS Software	Software produced by KEGS designed for Oil & Gas developers and owners
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LCM	LogiCamms Limited
LCM Directors	The directors of LCM
LCM Management	Management of LCM
LNG	Liquefied natural gas
LTM	Last twelve months
Merged LCM	LCM following completion of the Transaction
Merged LCM Options	4,780,229 share options in Merged LCM issued to OSD executives (and former executives) who currently hold unexercised share options in OSD
Net Assets	The estimation of the net proceeds from an orderly realisation of assets
NAB	National Australia Bank
NPAT	Net profit after tax
NPV	Net Present Value
NZ	New Zealand



Abbreviation	Description
O&M	Operations and maintenance
OSD	OSD Pty Ltd
OSD Management	Management of OSD
PNG	Papua New Guinea
Proposed Merger	The proposed scrip-for-scrip acquisition of OSD Group by LCM whereby LCM will acquire 100% of the issued capital in OSD in consideration for the issue of the Consideration Shares in LCM to the OSD shareholders.
RG	Regulatory Guide
SPA	The share sale and purchase agreement entered into on 22 March 2019 between LCM and OSD
Transaction	The proposed scrip-for-scrip acquisition of OSD by LCM whereby LCM will acquire 100% of the issued capital in OSD in consideration for the issue of new ordinary shares in LCM to the OSD shareholders.
Valuation Date	28 February 2019
VWAP	Volume Weighted Average Price

Part Two – Financial Services Guide

Dated 26 April 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Bill Allen and Jason Hughes as authorised representatives of KPMG Corporate Finance (**Authorised Representatives**), authorised representative numbers 405336 and 404183 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

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KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by LogiCamms Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Explanatory Memorandum (**Document**) prepared by the Client in relation to the merger with OSD Pty Ltd (**Transaction**).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.



General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report. You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$83,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report. KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

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Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

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Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities have provided tax services to the Client for which professional fees totalling circa \$235,000 (excl. GST) were received over the past two years. None of those services have related to the Transaction or alternatives to the Transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287

Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.



Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Level 38, Tower Three, International Towers Sydney
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**LogiCamms Limited**

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ABN 90 127 897 689

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Location of Share Registry

Link Market Services
Level 21, 10 Eagle Street,
Brisbane QLD 4000
Tel. + 61 7 3320 2200



Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

LCMQ

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 9:00am AEST Saturday 22 June 2019

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Logicomms Limited hereby appoint

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the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Logicomms Limited to be held at **Stamford Plaza (Raffles Room), 39 Edward Street, Brisbane on Monday 24 June 2019 at 9:00am AEST** and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolution 1

An ordinary resolution, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, to approve:

- (1) LCM's acquisition of the OSD Group; and
- (2) the issue of the 118,469,070 fully paid ordinary Consideration Shares to the OSD Shareholders (in their Respective Proportions) as consideration for the acquisition of the OSD Group, including the issue of 42,786,349 Shares to Mr Brian O'Sullivan and the issue of 34,316,738 Shares to BOS Holdings (an entity controlled by Mr Brian O'Sullivan), which will increase Mr O'Sullivan's voting power in LCM from 0% to 38.4%.

For Against Abstain

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 2

An ordinary resolution, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, to approve the issue of the issue of the 4,780,229 LCM Options to the OSD Option Holders, which if all LCM Options were exercised, would constitute in aggregate approximately 2.33% of the total Shares on issue in LCM upon such exercise.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / _____ / _____

Date

LCMQ

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