Veriluma Limited
And Controlled Entities

ABN: 48 142 901 353

ANNUAL REPORT

For the Year Ended 30 June 2019

CONTENTS

DIRECTORS

Andrew Grover	Executive Chairman
Elizabeth Whitelock	Managing Director and Chief Executive Officer
Steven Formica	Non-Executive Director

SECRETARY
Ben Secrett

BUSINESS OFFICE
Level 3, 33-35 Atchison Street
St Leonards NSW 2065
Telephone: +61 9146 4742

REGISTERED OFFICE
Level 11, London House
216 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103

WEBSITE & EMAIL
www.veriluma.com
info@veriluma.com

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033
Email: web.queries@computershare.com.au

AUDITORS
KPMG
Level 11, Corporate Centre One
Cnr Bundall Road and Slater Avenue
Bundall QLD 4217

SECURITIES EXCHANGE
Australian Securities Exchange [ASX: VRI]

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2019. The Consolidated Entity consists of Veriluma Limited (the Company) and the entities it controlled at year end or from time to time during the financial year.

DIRECTORS

The names of Directors who held office during or since the end of the year:

Name	Title
Andrew Grover	Executive Chairman (appointed 24 May 2019)
John Welsh	Non-Executive Chairman (resigned 24 May 2019)
Elizabeth Whitelock	Managing Director and CEO
Arunava Sengupta	Independent Non-Executive Director (resigned 10 September 2019)
Steven Formica	Independent Non-Executive Director (appointed 2 July 2018)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity are the product development, marketing and commercialisation of software products and services. The Consolidated Entity continued its focus on opportunities in defence and national security as well as legal and financial services.

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2019 was $474,916 (2018: $1,537,469).

REVIEW OF OPERATIONS

Defence and National Security

In February 2019, post a successful response and negotiation of a tender, the Consolidated Entity signed a contract which will generate up to $1.97m in revenue over 3 years, with an option to extend for a further 2 years, to supply software, training and support services to the Australian Department of Defence. This contract commenced in March 2019.

Partnerships

The corporate strategy focused on building partnerships using subject matter experts with specific industry focus. New partnerships include:

Potentiate

Veriluma Software entered a joint venture with Potentiate, an Australian based data intelligence company, focused on customer experience measurement and management, employee engagement; and market insights. The first application of the joint venture is to predict the future purchase intention within a particular category with the support of machine learning robust industry data. The Proof of Concept assessed the accuracy and validity of the model, with an 83% accuracy predicting an individual's future purchasing behaviour. This outcome provides confidence that a fully realised model will have impressive predictive power, at an individual customer level, well above what is generally possible using "look alike" methodologies.

Made In The Now

Veriluma Software entered a joint venture with global design venture studio, Made In The Now. The joint venture has developed an application to validate technology startups, AVVA. AVVA uses Veriluma's prescriptive AI software to provide early insight of the likelihood of success of new startup ventures.

As part of the testing process, AVVA was deployed in the Circular Economy Lab, an industry led, Queensland Government supported, innovation and commercialisation lab. AVVA can be used to validate multiple ideas at a single point in time, enabling like-for-like comparison, or it can be used throughout the lifespan of a startup, identifying elements that are strong or weak to advise areas of focus. Combining both objective and subjective opinion, AVVA reduces the influence of the "loudest voice in the room" when it comes to venture decision making.

www.avva.ventures

UK Business Unit

The UK business unit will serve as the primary base of operations for the Consolidated Entity's expansion into Europe and the USA. The business unit will combine technology and professional services to build solutions for vertical and horizontal markets with an initial focus on financial services and law. Blending data with human expertise and intuition, the business unit will develop 'augmented intelligence' solutions underpinned by Veriluma's patented prescriptive AI software.

CORPORATE

Fundraising and Reinstatement to Official Quotation

In March 2019, the Consolidated Entity received commitments from several sophisticated and professional investors for an aggregate of $500,000 financing by way of a short-term convertible note facility (Facility) which was entered into on 28 March 2019. As at 30 June 2019 the Facility was drawn to $430,000. The convertible notes issued are convertible on or before 28 March 2020 at a conversion price of not less than $0.002 (pre-consolidation price – on 15 August 2019 the Company effected a consolidation of its issued capital on a 10:1 basis (**Consolidation**)). Conversion was subject to obtaining shareholder approval and this was received at the Annual General Meeting on 9 August 2019. The funds were repaid subsequent to year end. The funds were used as working capital to allow the company to drive sales and deliver its prescriptive analytics software. The key terms and conditions of the convertible notes are as follows:

Terms	Details
Issuance	The convertible notes were issued over March 2019 and April 2019.
Securities	Convertible Notes (Notes) with a face value equal to A$1.10 per Note (Face Value).
Principal	Aggregate of $500,000
Purchase Price	Each Note has a purchase price of A$1.00
Advances	Each Advance must be made within 7 days of the Company's request.
Conditional	The Notes are not convertible until Shareholder Approval (defined below) has been obtained. Notes issued prior to Shareholder Approval are loan notes only and are to be exchanged for convertible notes on Shareholder Approval being obtained.
Maturity Date	28 March 2020
Interest Rate	10% per annum
Interest Payments	Bi-monthly in arrears in cash from the date of the relevant Advance until converted or redeemed
Conversion Price	The higher of:

Terms	Details
	a) A$0.002 (Fixed Conversion Price); or b) 80% of the volume weighted average price of the Company's fully paid ordinary shares (Shares) as traded on ASX on the 5 trading days immediately prior to the date of giving the Conversion Notice.
Conversion Securities	That number of fully paid ordinary shares in the capital of the Company (Shares) equal to the Face Value being converted divided by the Conversion Price, together with one option to acquire a Share (Option) for every two Shares issued. Each Option will have an exercise price equal to the Conversion Price and an expiry date of 3 years from the date of issue.
Redemption	Upon receipt of a redemption notice from the holder, the Company may either convert the notes in accordance with the Conversion Price or redeem the notes in cash. The Company may redeem the Notes in full at: a) 105% of the Face Value if repaid within 30 days of the Advance Date; b) 110% of Face Value if repaid later than 30 days and within 6 months of the Advance Date; or c) 120% of Face Value if repaid later than 6 months after the Advance Date.
Events of Default	If an event of default occurs (event of insolvency of the Company or any of its subsidiaries, default under the agreement, or the Company's securities not being reinstated to trading on ASX by 15 June 2019), the Lender may demand repayment of the Notes within 30 days.
Shareholder Approval	The Borrower must convene a shareholder meeting to be held within 90 days of the date of execution of the term sheet to seek shareholder approval for the issue of all Notes relating to Advances (Shareholder Approval). In the event the Shareholder Approval expires before the issue of all Notes, the Company must convene a further meeting within 60 days of the date of expiry of the Shareholder Approval.
Adjustments	If the Company issues Shares below the Fixed Conversion Price, excluding Shares issued under the Facility agreement, the Fixed Conversion Price will be amended down to 20% less than that issue price. In addition, where the Company conducts a reorganisation of capital (as defined in the ASX Listing Rules), the number of securities or the Conversion Price or both must be reorganized so that the holder of the Notes will not receive a benefit that holders of Shares do not receive.
Security	Repayment of the Notes will be secured over all present and after acquired property of the Company and, if required by the Lender, the Company's wholly owned subsidiary, Veriluma Software Pty Ltd (ACN 117 490 785).

The Consolidated Entity resolved to enter into a corporate advisory mandate in March 2019 with King Corporate Pty Ltd, to assist with potential capital raising including the short-term convertible notes, this mandate is for a period of six months, the terms of which are as follows:

- First right of refusal to be engaged by the Consolidated Entity for any future capital raising in the twelve months preceding the acceptance of the mandate.
- Lump Sum costs of $25,000 were paid within 7 days of acceptance of the corporate advisory mandate, additionally on 4 April 2019 the Consolidated Entity issued 10,000,000 fully paid ordinary shares and 20,000,000 options to acquire shares exercisable at $0.003 with an expiry date of 4 April 2022 from the date of issue.

On 4 April 2019, the first right of refusal was exercised by King Corporate Pty Ltd to propose a capital raising of up to $5,400,000 with a minimum of $5,200,000 by way of an issue of up to 180,000,000 fully paid ordinary shares in the Consolidated Entity at an issue price of $0.03 per share to sophisticated and professional investors.

Subsequent to the end of the reporting period, on 24 July 2019 the Consolidated Entity resolved to enter into a lead manager and corporate advisory mandate with Taurus Capital Group Pty Ltd for Taurus Capital to act as lead manager of the capital raising. This Company issued a prospectus dated 26 July 2019 (as supplemented by a supplementary prospectus dated 30 August 2018) for the capital raising, and the raising was approved by shareholders at the Annual General Meeting on 9 August 2019. The Company closed the capital raising offer closed on 3 September 2019 after raising the maximum subscription of $5,400,000. The Consolidated Entity's securities were reinstated to official quotation and trading on ASX Limited on 9 September 2019.

Corporate Strategy

Following its recent recapitalisation, Veriluma has the resources to accelerate its organic growth strategy by investing in technical, marketing and sales resources to build its client base, expand its capability to build and market bespoke applications and provide consulting solutions, and progress to developing and marketing commercial-off-the-shelf products.

Veriluma's commitment to organic growth is demonstrated in the recent expansion of its sales and marketing team through investment in people with the correct sales and marketing skills and experience for software solutions based on its patented prescriptive analytics artificial intelligence.

This investment is consistent with a key direction for the Company to enhance our software capability by growing a professional services capability which allows us to build end-to-end bespoke applications. Currently, our software is deployed with no development into environments such as Defence where the desire is to use the software in its analyst state. However, most other industries require integration for data ingestion, other forms of AI such as machine learning, visualisations of results, application/process integration. A professional services team will provide the capacity to deliver all aspects of the bespoke development. This will create additional revenue opportunities.

In our interactions with partners, prospects and clients, we are investigating opportunities to develop applications with broad appeal. By identifying the problem, working with those who understand and experience it, the Company can then develop a solution that can be marketed and sold as a 'product' on a subscription basis, where it may integrate, for example, with existing CRM systems and extend the insight which these operational systems provide.

The focus to become a product company also requires inorganic growth to fast track capability and results. In a landscape of constant change and technology advances, the need to remain relevant is paramount. Acquisitions to extend reach both functionally and client base is routine in the technology industry and Veriluma is alive to such opportunities.

Inorganic growth is essential for a number of reasons: to extend our technology offering, to gain customers, and to gain a foothold in new industries. Therefore, acquisition remains a key element of our strategy but acquisitions must meet strict criteria including being complementary in technology, markets and culture.

Overseas expansion is a key factor in growing the business of Veriluma. Our recent first step into the UK sees two IT veterans spearheading the sales effort to build awareness and traction in the UK. With over 30 years' experience in delivering solutions to global banking and finance organisations, their network will allow Veriluma to expand beyond the UK, and into Europe and the USA.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the items mentioned within the operations review and corporate, there have been no significant changes in the state of affairs of the Consolidated Entity. During the prior year, the Directors believed that it was likely that the Company may at some point in the future, not be able to meet all financial commitments as and when they fell due, which resulted in an administrator being appointed to the Company and its subsidiary Veriluma Software Pty Ltd on 15 November 2017. On 19 February 2018 the creditors of the Consolidated Entity voted in favour of the Company and its subsidiary entering into a Deed of Company Arrangement (DOCA) to enable the recapitalisation of the Consolidated Entity and establishment of a Creditors Trust. On 12 March 2018 the Company and its subsidiary entered into the Deed of Company Arrangement with Mr Sule Arnautovic and Ms Amanda Young of Jirsch Sutherland as Deed Administrators and Canary Capital Pty Ltd (Canary) as the Proponent, the DOCA was effectuated on 28 June 2018.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below.

Current Directors

Director	Details
Andrew Grover	
Qualifications	
Position	Executive Chairman
Appointment Date	24 May 2019
Resignation Date	N/A
Length of Service	4 months
Biography	Andrew has 25 years' experience in management, business development, sales & marketing, administration and technology across a diverse range of industries. As a founder and investor in numerous innovative companies, Andrew's businesses have been featured in BRW Fast 100 and Deloitte's Fast 50 over several years. Andrew has had several successful exits and has consulted to medium and top 100 companies. Andrew was also CEO of an executive recruitment agency which was acquired by an ASX listed company.
Committee Memberships	The full Board carries out the role and functions of each of the Audit and Risk, Remuneration and Nomination Committees.
Other Current ASX Listed Directorships	None
Former ASX Listed Directorships	None

Elizabeth Whitelock	
Qualifications	
Position	Managing Director and CEO
Appointment Date	8 September 2016
Resignation Date	N/A
Length of Service	3 years
Biography	Elizabeth is a co-founder of Veriluma Pty Ltd and is the Consolidated Entity's CEO. Elizabeth started her career in the UK working for the Metropolitan Police Force and has over 25 years' experience in senior management and CEO roles. Elizabeth has worked with organisations such as IBM, Information Builders, SAS, Ingres and Microstrategy. These roles have all shared a focus on Information Management Products and Services and have highlighted her strengths in strategic communications, sales, marketing partner programs while cementing customer relationships.
Committee Memberships	The full Board carries out the role and functions of each of the Audit and Risk, Remuneration and Nomination Committees.
Other Current ASX Listed Directorships	None
Former ASX Listed Directorships	None
Steven Formica	
Qualifications	
Position	Independent Non-Executive Director
Appointment Date	2 July 2018
Resignation Date	N/A
Length of Service	1 year 2 months
Biography	Steven brings to the Consolidated Entity practical management and business development experience. He has been a successful businessman and operations manager for over 30 years in several privately held business ventures including manufacturing, construction, landscape contracting, property development and integrated wholesale and retail businesses. More recently he has been a successful investor and non-executive director in mineral resource companies.
Committee Memberships	The full Board carries out the role and functions of each of the Audit and Risk, Remuneration and Nomination Committees.
Other Current ASX Listed Directorships	Bowen Coking Coal Limited (4 August 2015 to present) High Grade Metals Limited (3 January 2017 to present) Ragnar Metals Limited (2 September 2019 to present)
Former ASX Listed Directorships	Lindian Resources Limited (15 July 2014 to 11 June 2019) Orminex Limited (19 June 2017 to 16 April 2018)

Former Directors

Director	Details
John Welsh	
Qualifications	AICD
Position	Non-Executive Chairman
Appointment Date	12 March 2018
Resignation Date	24 May 2019
Length of Service	1 year 2 months
Biography	Mr Welsh has extensive operational and investment banking experience. As a board director and business executive, he has experience across fintech, industrial, and equity capital markets. He is a graduate of the Australian Institute of Company Directors.
Committee Memberships	The full Board carries out the role and functions of each of the Audit and Risk, Remuneration and Nomination Committees.
Current ASX Listed Directorships	None
Other Former ASX Listed Directorships	None
Arunava Sengupta	
Qualifications	
Position	Non-Executive Director
Appointment Date	12 March 2018
Resignation Date	10 September 2019
Length of Service	1 year, 6 months
Biography	Arunava has over 30 years' experience working in the financial markets, private equity and corporate finance sector. He began his career working in Treasury at Westpac Banking Corporation before starting his own trading business in 1992 and has been involved in a broad range of corporate advisory, funds management, and principal investment activities. He has been involved in private equity and the establishment, fundraising and operation of ASX listed companies.
Committee Memberships	The full Board carries out the role and functions of each of the Audit and Risk, Remuneration and Nomination Committees.
Current ASX Listed Directorships	None
Other Former ASX Listed Directorships	None

CURRENT COMPANY SECRETARY

Company Secretary	Details
Ben Secrett	
Qualifications	BEc, JD, GradDip AppCorpGov
Position	Company Secretary
Appointment Date	24 May 2019
Resignation Date	N/A
Biography	Ben has over 10 years' experience providing corporate law, governance and advisory services as a corporate lawyer and most recently a Principal Adviser with ASX Listings Compliance. Ben holds qualifications in economics, law and corporate governance.

FORMER COMPANY SECRETARY

Company Secretary	Details
Patrick Raper	
Position	Company Secretary
Appointment Date	16 April 2018
Resignation Date	24 May 2019

MEETINGS OF DIRECTORS

The number of meetings held during the year and the number of meetings attended by each Director was as follows:

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Number of Meetings Held	**10**	**-**	**-**	**-**
Number of Meetings Attended:				
Andrew Grover	1[1]	-	-	-
John Welsh	9[2]	-	-	-
Elizabeth Whitelock	10	-	-	-
Arunava Sengupta	10	-	-	-
Steven Formica	10	-	-	-

The Consolidated Entity does not have an Audit, Remuneration or Nomination Committee with the full Board carrying out the functions that would otherwise be dealt with by such Committees.

[1] Only eligible to attend one Board Meeting since appointment date, 24 May 2019.
[2] Attended all eligible Board Meetings until date of resignation, 24 May 2019.

SHARE OPTIONS

As at the date of this report:

No. Options	Exercise Price	Expiry Date	Listed / Unlisted
2,000,000[3]	$0.03	04-Apr-22	Unlisted
35,000,000[4]	$0.04	30-Jun-22	Unlisted
35,000,000[5]	$0.08	30-Jun-23	Unlisted

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares as a result of the exercise of the options were issued as at the date of this report.

PERFORMANCE SHARES

As at the date of this report:

No. Performance Shares	Class	Expiry Date	Listed / Unlisted
1,500,000	Class B	08-Sep-19	Unlisted
1,500,000	Class C	08-Sep-20	Unlisted
5,000,000	Class D	30-Aug-22	Unlisted
5,000,000	Class E	30-Aug-22	Unlisted

REMUNERATION REPORT [AUDITED]

<u>Introduction</u>
The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2019. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the Corporations Act 2001 and its regulations.

<u>Principles Used to Determine the Nature and Amount of Remuneration</u>
The remuneration policy of Veriluma Limited and its controlled entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board of Veriluma Limited and its controlled entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Consolidated Entity, as well as create goal congruence between Directors, Executives and shareholders.

[3] Reduction in number due to the securities consolidation that occurred on 15 August 2019.
[4] As approved by shareholders on 9 August 2019, on 30 August 2019 3,000,000 Class A options were granted to Andrew Grover; 2,000,000 Class A options were granted to Elizabeth Whitelock; 2,000,000 Class A options were granted to Arunava Sengupta; and 2,000,000 Class A options were granted to Steven Formica (as described in the Notice of Annual General Meeting dated 25 June 2019).
[5] As approved by shareholders on 9 August 2019, on 30 August 2019 3,000,000 Class B options were granted to Andrew Grover; 2,000,000 Class B options were granted to Elizabeth Whitelock; 2,000,000 Class B options were granted to Arunava Sengupta; and 2,000,000 Class B options were granted to Steven Formica (as described in the Notice of Annual General Meeting dated 25 June 2019).

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity. Key management personnel comprise the Directors of the Consolidated Entity. Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally and the objectives of the Consolidated Entity's remuneration strategy. The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Remuneration packages include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Options may only be issued to Directors subject to approval by shareholders in a general meeting. The Board has no established retirement or redundancy schemes.

The remuneration structure that has been adopted by the Consolidated Entity consists of the following components:

- Fixed remuneration being base fees as well as compulsory employer contributions to superannuation funds; and
- Fixed remuneration being base fees exclusive of employer contributions to superannuation funds;
- Short term incentives and bonuses; and
- Long term incentives (as referred to below).

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Consolidated Entity. In addition, external consultants may provide analysis and advice to ensure the Directors' and senior executives' compensation is competitive in the market place. During the period, no such remuneration consultant was used and no senior executives other than Directors were employed.

While the Company and its subsidiary were in Voluntary Administration (refer to Significant Changes in the State of Affairs within the Directors' Report), the remuneration policy was amended accordingly to reduce KMP salaries and no short-term incentives or long-term incentives were paid during the period.

<u>Performance Based Remuneration</u>

Short-term incentives
No short-term incentives in the form of cash bonuses were granted during the year.

Long-term incentives
The Board has a policy of granting incentive options to executives with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Consolidated Entity increases sufficiently to warrant exercising the incentive options granted. No incentive options were issued during the year ended 30 June 2019.

Details of Remuneration

Details of remuneration of the Directors and KMP of the Consolidated Entity (as defined by AASB 124 Related Party Disclosures) and specified executives are set out below:

	Year	Salary and fees $	Other Fees $	Super $	Share Based Payments[6] $	Incentive Payments $	Accrued Employee Benefits $	Total $	Proportion of Remuneration Performance Related
Non-Executive Directors									
John Welsh[7]	2019	**48,944**	**-**	**5,138**	**9,014**	**-**	**-**	**63,096**	**-%**
	2018	25,873	-	2,458	3,014	-	-	31,345	-%
Arunava Sengupta[8]	2019	**36,200**	**-**	**3,800**	**10,000**	**-**	**-**	**50,000**	**-%**
	2018	11,942	-	1,135	3,014	-	-	16,091	-%
Steven Formica[9]	2019	**35,250**	**-**	**4,750**	**9,973**	**-**	**-**	**49,973**	**-%**
Henry Capra[10]	2018	3,378	-	321	-	-	-	3,699	-%
Richard Anstey[11]	2018	22,831	-	2,169	-	-	-	25,000	-%
Laurence Hammond[12]	2018	5,682	-	540	-	-	-	6,222	-%
Total Non-Executive Directors	2019	**120,394**	**-**	**13,688**	**28,987**	**-**	**-**	**163,069**	**-%**
	2018	69,706	-	6,623	6,028	-	-	82,357	-%
Executive Directors									
Andrew Grover[13]	2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-%**
Elizabeth Whitelock	2019	**98,645**	**-**	**10,335**	**-**	**-**	**11,949**	**120,929**	**-%**
	2018	161,998	-	15,390	-	-	(65,281)[14]	112,107	-%
Total Executive Directors	2019	**98,645**	**-**	**10,335**	**-**	**-**	**11,949**	**120,929**	**-%**
	2018	161,998	-	15,390	-	-	(65,281)	112,107	-%

[6] Refer to information on page 15.
[7] Resigned 24 May 2019.
[8] Resigned 10 September 2019.
[9] Appointed 2 July 2018.
[10] Resigned 27 July 2017.
[11] Resigned 18 December 2017.
[12] Resigned 18 December 2017.
[13] Appointed 24 May 2019.
[14] Other long term benefit movement negative due to the reduction in salary in the prior year which lead to a reduction in leave balances.

Service Agreements
On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for the Managing Director and the Executive Chairman are set out in formal service agreements as summarised below. The compensation for executive directors was determined by the Board having considered the Company’s financial condition and the Board’s knowledge of remuneration levels for executives with similar skills and experience in software businesses of comparable size and complexity.

Ms Elizabeth Whitelock
On 8 September 2016, the Company entered into an executive employment contract with Ms Elizabeth Whitelock as a Managing Director and Chief Executive Officer of the Consolidated Entity. On 20 August 2018, the Company entered into an Agreement and Deed of Variation with Ms Elizabeth Whitelock. On 24 July 2019, the Company entered into an Agreement and Deed of Variation and Acknowledgement with Ms Whitelock. Under the varied Executive Employment Contract, Ms Whitelock is employed by the Consolidated Entity on the following terms:

- from 12 June 2018 a salary of $109,500 per annum, inclusive of superannuation and other statutory entitlements;
- from 1 July 2019 a salary of $150,000 per annum, exclusive of superannuation and other statutory entitlements;
- a salary review will be conducted every 12 months on the anniversary of employment contract;
- a notice period of one month subject to any greater statutory entitlement to notice under the *Fair Work Act 2009* (Cth);
- four weeks' paid annual leave each year and ten days' paid personal leave per year;
- all intellectual property developed by Ms Whitelock during her employment will belong to the Consolidated Entity; and
- a 12 month non-compete throughout Australia restricting Ms Whitelock from providing services to a direct competitor of the Consolidated Entity, or soliciting or enticing away customers or employees of the Consolidated Entity, during which period of restraint Ms Whitelock will be paid her usual remuneration.

The issue of the following securities were issued separate to the terms of Ms Whitelock’s agreement:

- Securities – subject to shareholder approval (which was obtained at the Company Annual General Meeting of shareholders held on 9 August 2019), the following securities were issued to Ms Whitelock (or her nominee/s) as part of her remuneration on 30 August 2019:
  - 2,000,000 Class A options exercisable at $0.04 on or before 30 June 2022 (post-Consolidation).
  - 2,000,000 Class B options exercisable at $0.08 on or before 30 June 2023 (post-Consolidation).

- 2,500,000 Class D performance shares convertible into shares if the Company's 30 trading day VWAP of shares traded on ASX is not less than $0.08 on or before 3 years after the date of issue (post-Consolidation).
- 2,500,000 Class E performance shares convertible into shares if the Company's 30 trading day VWAP of shares traded on ASX is not less than $0.12 on or before 3 years after the date of issue (post-Consolidation).

Mr Andrew Grover

As from Mr Grover's appointment as Executive Chairman of the Consolidated entity on 24 May 2019 he was employed by the Consolidated Entity on the following terms:

- Salary – $120,000 per annum, exclusive of superannuation, to commence from date of reinstatement. The Company will issue 4,000,000 fully paid ordinary shares at a deemed issue price of $0.03 to Mr Grover (or his nominee/s) (post-consolidation) in lieu of cash payments for his director's remuneration (excluding superannuation) for the first 12 months following reinstatement of the Company's securities to official quotation. The Company obtained approval at its Annual General Meeting of shareholders held on 9 August 2019 to issue these shares after the remuneration liability has accrued.
- Salary Review – Mr Grover's remuneration shall be reviewed by the Board acting as the Remuneration Committee and any change to his remuneration must be approved by the Board.
- Securities – subject to shareholder approval (which was obtained at the Company Annual General Meeting of shareholders held on 9 August 2019), and in addition to the above proposed issue of shares in lieu of payment of his director's remuneration, it is proposed to issue the following securities to Mr Grover (or his nominee/s) as part of his remuneration:
  - 3,000,000 options exercisable at $0.04 on or before 30 June 2022 (post-Consolidation).
  - 3,000,000 options exercisable at $0.08 on or before 30 June 2023 (post-Consolidation).
  - 2,500,000 performance shares convertible into shares if the Company's 30 trading day VWAP of shares traded on ASX is not less than $0.08 on or before 3 years after the date of issue (post-Consolidation).
  - 2,500,000 performance shares convertible into shares if the Company's 30 trading day VWAP of shares traded on ASX is not less than $0.12 on or before 3 years after the date of issue (post-Consolidation).
- Notice – either party may terminate Mr Grover's employment on one (1) months' notice, unless agreed otherwise.
- Termination – Mr Grover's employment may be terminated without notice due to serious misconduct.

On 26 July 2019, the Company entered into a formal executive employment agreement with Mr Andrew Grover as Executive Chairman of the Consolidated Entity which reflects the above arrangement.

Securities Received that are Not Performance Related

Effective from 12 March 2018 Non-Executive Directors were entitled to receive $10,000 of their $50,000 per annum directors' fees as non-performance related, share based remuneration. This arrangement has not been continued for financial year 2020 and non-executive directors will have their directors' fees paid wholly in cash. Conversion to shares is based on the following terms:

- eligibility is from commencement as a Non-Executive Director and the director continues to be eligible while engaged as a Non-Executive Director;
- initial shares will be allocated once approved at the 2019 Annual General Meeting;
- subsequent shares will be ratified for conversion bi-annually in December and June and final approval of the allocation by shareholders would be sought at the relevant Annual General Meeting;
- initial shares will be allocated per the below pricing:
    - while the shares are suspended from quotation on the ASX, the shares will be allocated in line with the most visible pricing. If the shares are quoted on the ASX, the shares will be allocated at the volume weighted average price for the respective month
    - for the period 12 March 2018 to 30 June 2019 the shares will be priced at the DOCA capital raise price being $0.003 per share (pre-Consolidation).

The total non-performance related share-based payment accrual is as follows:

Non-Executive Director	Appointment Date	Resignation Date	Year End	Total Days Entitled	Annual Fee	Pro-rata Accrual
John Welsh	12-Mar-18	24-May-19	30-Jun-19	438	$10,000	$12,028
Arunava Sengupta	12-Mar-18	10-Sep-19	30-Jun-19	475	$10,000	$13,014
Steven Formica	02-Jul-18	N/A	30-Jun-19	364	$10,000	$9,972
Total						**$35,104**

DIRECTORS' INTERESTS AND BENEFITS

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Shares Held at 30 June 2018	Share Based Payments	Exercise of Options	Other Changes	No. Shares Held at 30 June 2019	No. Shares Held at Date of this Report
Andrew Grover						
Directly	-[15]	-	-	-	-	-
Indirectly	-[16]	-	-	-	-	-
John Welsh						
Directly	-	-	-	-	-[17]	N/A
Indirectly	-	-	-	-	-[18]	N/A
Elizabeth Whitelock						
Directly	45,156,001	-	-	-	45,156,001	4,515,601[19]
Indirectly	-	-	-	-	-	-
Arunava Sengupta						
Directly	1,982,571	-	-	-	1,982,571	N/A
Indirectly	5,624,716	-	-	-	5,624,716	N/A
Steven Formica						
Directly	-[20]	-	-	-	-	-
Indirectly	-[21]	-	-	33,333,334[22]	33,333,334	7,833,335[23]
Total	**52,763,288**	**-**	**-**	**33,333,334**	**86,096,622**	**13,546,467**

[15] As at date of appointment, 24 May 2019.
[16] As at date of appointment, 24 May 2019.
[17] As at date of resignation, 24 May 2019.
[18] As at date of resignation, 24 May 2019.
[19] Reduction resulting from consolidation.
[20] As at date of appointment, 2 July 2018.
[21] As at date of appointment, 2 July 2018. Reduction resulting from consolidation.
[22] Share issue on 30 July 2018 and 22 November 2018 under shareholder approved Deed of Company Arrangement.
[23] Resulting from consolidation and participation in capital raising.

The following table sets out the details of unlisted share option movements during the year ended 30 June 2019.

	Exercise Price	Expiry Date	Balance at 30 June 2018	Grant Date	Granted as Remuneration	Fair Value per Option at Grant Date	Exercised	Expired	Balance at 30 June 2019
Non-Executive Directors									
John Welsh	N/A	N/A	-	N/A	-	-	-	-	-
Arunava Sengupta	N/A	N/A	-	N/A	-	-	-	-	-
Steve Formica	N/A	N/A	-	N/A	-	-	-	-	-
Total Non-Executive Directors	N/A	N/A	**-**	N/A	**-**	**-**	**-**	**-**	**-**
Executive Directors									
Elizabeth Whitelock	N/A	N/A	-	N/A	-	-	-	-	-
Andrew Grover	N/A	N/A	-	N/A	-	-	-	-	-
Total Executive Directors	N/A	N/A	**-**	N/A	**-**	**-**	**-**	**-**	**-**
Total	N/A	N/A	**-**	N/A	**-**	**-**	**-**	**-**	**-**

The movement during the reporting period in the number of performance shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Performance Shares Held at 30 June 2018	Issued	Lapsed	Other Changes	No. Performance Shares Held at 30 June 2019	No. Performance Shares Vested at 30 June 2019	No. Performance Shares Held at Date of this Report
Andrew Grover							
Directly	-[24]	-	-	-	-	-	-
Indirectly	-[25]	-	-	-	-	-	-
John Welsh							
Directly	-	-	-	-	-[26]	-	N/A
Indirectly	-	-	-	-	-[27]	-	N/A
Elizabeth Whitelock							
Directly	9,031,200	-		-	9,031,200	-	5,903,120[28]
Indirectly	-	-	-	-	-	-	-
Arunava Sengupta							
Directly	-	-	-	-	-	-	-[29]
Indirectly	-	-	-	-	-	-	-[30]
Steven Formica							
Directly	-[31]	-	-	-	-	-	-
Indirectly	-[32]	-	-	-	-	-	-
Total	**9,031,200**	**-**	**-**	**-**	**9,031,200**	**-**	**5,903,120**

[24] As at date of appointment, 24 May 2019.
[25] As at date of appointment, 24 May 2019.
[26] As at date of resignation, 24 May 2019.
[27] As at date of resignation, 24 May 2019.
28 Resulting from consolidation, lapse of performance shares and issue of new performance shares.
[29] As at date of resignation, 10 September 2019.
[30] As at date of resignation, 10 September 2019.
[31] As at date of appointment, 2 July 2018.
[32] As at date of appointment, 2 July 2018.

The issue of any ordinary shares from the conversion of the 30,000,000 performance shares (referred to above) is contingent on the Company achieving the following milestones:

Performance Shares Class	Performance Milestone
451,560 C Class Performance Shares	C Class Performance Share milestone will be taken to have been satisfied if, on or before 8 September 2020, the Veriluma business achieves annual sale revenues of not less than A$10 million.
2,500,000 D Class Performance Shares	D Class Performance Share milestone will be taken to have been satisfied if, on or before 30 August 2022, the Company's 30 trading day VWAP of Shares as traded on ASX being not less than $0.08.
2,500,000 E Class Performance Shares	E Class Performance Share milestone will be taken to have been satisfied if, on or before 30 August 2022, the Company's 30 trading day VWAP of Shares as traded on ASX being not less than $0.12.

Transactions with Key Management Personnel

The Consolidated Entity acquired the following services from entities that are controlled by the members of the Consolidated Entity's key management personnel. Some of the Directors of the Consolidated Entity hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities.

Entity	Nature of Transactions[33]	Key Management Personnel	Payable at 30 June 2018	Transactions	Payable at 30 June 2019
Canary Capital Pty Ltd	Loan to Consolidated Entity for funding of legal fees in relation to the DOCA	Arunava Sengupta	$56,869	$-	$56,869
Canary Capital Pty Ltd	Loan to Consolidated Entity for funding of wages and operating costs	Arunava Sengupta	$74,102	($55,245)	$18,857
Canary Capital Pty Ltd	Loan to Consolidated Entity to fund administration costs in relation to the DOCA	Arunava Sengupta	$95,760	$-	$95,760
Elizabeth Whitelock	Loan to Consolidated Entity for funding of legal fees under the DOCA	Elizabeth Whitelock	$90,931	$29	$90,960
Total			**$317,662**	**($55,216)**	**$262,446[34]**

There were no other Director and KMP transactions.

[33] No interest payable.
[34] The Company paid this amount in full subsequent to the reporting date.

End of Audited Remuneration Report.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to payment of dividends.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial years other than the following:

- On 10 September 2019, Mr Arunava Sengupta resigned as a Non-Executive Director.
- In the week commencing 9 September 2019, the Company repaid debt and paid costs of the offer (**Offer**) made under the prospectus dated 26 July 2019 (as supplemented by the supplementary prospectus dated 30 August 2019) in accordance with the use of funds detailed in section 3.2 of the prospectus dated 26 July 2019.
- On 9 September 2019, the Company's securities were reinstated to official quotation on the official list of ASX and recommenced trading.
- On 3 September 2019, the Company issued the following securities following close of the Offer having raised the maximum subscription of $5,400,000.
    - 180,000,000 ordinary shares pursuant to the Offer.
    - 26,000,000 unquoted options exercisable at $0.04 on or before 30 June 2022 in satisfaction of assistance in marketing and product development.
    - 26,000,000 unquoted options exercisable at $0.08 on or before 30 June 2023 in satisfaction of assistance in marketing and product development.
- On 30 August 2019, the Company issued the following securities to related parties.
    - 1,170,134 ordinary shares in lieu of cash payment of accrued directors' fees.
    - 9,000,000 unquoted options exercisable at $0.04 on or before 30 June 2022 as performance linked incentive component of remuneration.
    - 9,000,000 unquoted options exercisable at $0.08 on or before 30 June 2023 as performance linked incentive component of remuneration.
    - 5,000,000 Class D performance shares as performance linked incentive component of remuneration.
    - 5,000,000 Class E performance shares as performance linked incentive component of remuneration.
- On 15 August 2019, the Company effected a consolidation on a 10:1 basis of its issued capital.
- On 9 August 2019, the Company held its 2018 annual general meeting at which the following resolutions were approved.
    - Adoption of remuneration report.
    - Election of Andrew Grover and Steve Formica as directors.
    - Re-election of Arunava Sengupta.
    - Ratification of prior issues of securities.
    - Approval to issue convertible notes.
    - Consolidation of capital on a 10:1 basis.

- Approval to issue capital raising securities.
- Approval for related parties to participate in capital raising – Steven Formica and related parties of Steve Formica and Andrew Grover.
- Approval to issue options.
- Approval to issue options to related parties.
- Approval to issue performance shares to related parties.
- Approval to issue shares in lieu of directors' fees.
- Approval of employee incentive scheme.
- Approval of new constitution (special resolution).
- Approval of Listing rule 7.1A 10% placement capacity (special resolution).

- On 26 July 2019, the Company issued a prospectus dated 26 July 2019 (as supplemented by a supplementary prospectus dated 30 August 2019) in respect of the Offer.
- On 26 July 2019, the Company entered into a formal executive employment agreement with Mr Andrew Grover as Executive Chairman of the Consolidated Entity on the terms as disclosed in the Remuneration Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

During or since the end of the financial year the Consolidated Entity has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Consolidated Entity has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Consolidated Entity. The agreement provides for the Consolidated Entity to pay all damages and costs which may be awarded against the Directors.
- The Consolidated Entity has paid premiums to insure each of Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings to arising out of their conduct while acting in the capacity of Director of the Consolidated Entity, other than conduct involving wilful breach of duty in relation to the Consolidated Entity. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

The Board of Veriluma Limited and its subsidiary Veriluma Software Pty Ltd appointed Jamieson Louttit and Associates as Administrators effective 15 November 2017 pursuant to section 447A of the Corporations Act. On 15 December 2017 Jamieson Louttit and Associates was retired as Administrator and Jirsch Sutherland was appointed. On 12 October 2018, Jamieson Louttit and Associates lodged a Form 16 Notice of Intention to Apply for Remuneration with the Federal Court of New South Wales against Veriluma Limited and its subsidiary Veriluma Software Pty Ltd. The Directors have been advised that the payment awarded by the Federal Court to Jamieson Louttit has been satisfied during the year and as such there is no further claims against the Consolidated Entity for fees.

NON-AUDIT SERVICES

There was no non-audit services provided by KPMG, the Consolidated Entity's auditor, during the year ended 30 June 2019.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2019 has been received and is included within the financial statements.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporation Act 2001. Signed in accordance on behalf of the Directors.

____

Andrew Grover
Executive Chairman

30 September 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Veriluma Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Veriluma Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adam Twemlow

Partner

Gold Coast

30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
Revenue	5	**824,530**	14,635
Government grant income		**54,810**	201,898
Other income	6	**183**	216
Creditor relief	7	**-**	452,949
Audit fees	8	**(89,725)**	(88,938)
Consulting and professional fees		**(307,857)**	(569,353)
Employee costs		**(568,900)**	(635,397)
Finance expenses	16	**(104,941)**	(2,508)
Marketing and public relations expense		**-**	(81,313)
Non-Executive Directors' fees		**(134,082)**	(75,823)
Other expenses		**(68,071)**	(310,687)
Share based payments expenses – Directors' and consultants' fees		**(78,955)**	(6,027)
Share of net profits/(losses) of equity accounted associates and joint ventures		**2,140**	158
Share registry and listing fees		**(34,022)**	(25,463)
Voluntary administration credit/(expense)	9	**29,974**	(875,933)
Loss before tax		**(474,916)**	(2,001,586)
Income tax benefit/(expense)	10	**-**	-
		(474,916)	(2,001,586)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	11	**-**	464,117
Net loss for the year		**(474,916)**	(1,537,469)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(474,916)**	(1,537,469)
Basic loss per share (cents)	12	**(0.07)**	(0.43)
Diluted loss per share (cents)	12	**(0.07)**	(0.43)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	13	**714,039**	473,855
Trade and other receivables	14	**157,192**	313,381
Other assets		**762**	-
Total Current Assets		**871,993**	787,236
Non-Current Assets			
Investments in associates and joint ventures		**3,961**	1,821
Plant and equipment		**153**	240
Total Non-Current Assets		**4,114**	2,061
Total Assets		**876,107**	789,297
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**427,265**	376,723
Borrowings	16	**782,746**	317,663
Employee benefits	17	**116,106**	148,360
Provisions	18	**-**	87,500
Total Current Liabilities		**1,326,117**	930,246
Non-Current Liabilities			
Employee benefits	17	**14,686**	6,441
Total Non-Current Liabilities		**14,686**	6,441
Total Liabilities		**1,340,803**	936,687
Net Assets		**(464,694)**	(147,389)
EQUITY			
Contributed equity	19	**15,530,264**	15,410,653
Reserves	20	**63,400**	25,400
Accumulated losses		**(16,058,358)**	(15,583,442)
Total Equity		**(464,694)**	(147,389)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Entity	Note	Contributed Equity	Options Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2018		**15,410,653**	**25,400**	**(15,583,442)**	**(147,389)**
Equity issues	19	119,611	-	-	119,611
Share based payments	20	-	38,000	-	38,000
Loss for the year		-	-	(474,916)	(474,916)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(474,916)	(474,916)
Balance at 30 June 2019		**15,530,264**	**63,400**	**(16,058,358)**	**(464,694)**

Consolidated Entity	Note	Contributed Equity	Options Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2017		**14,361,745**	**150,950**	**(14,171,523)**	**341,172**
Equity issues	19	1,048,908	-		1,048,908
Lapsed options	20	-	(125,550)	125,550	-
Loss for the period		-	-	(1,537,469)	(1,537,469)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(1,537,469)	(1,537,469)
Balance at 30 June 2018		**15,410,653**	**25,400**	**(15,583,442)**	**(147,389)**

The accompanying notes form part of these consolidated financial statements.

	Note	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
Cash flows from operating activities			
Receipts from customers		**774,530**	8,951
Payments to suppliers and employees		**(1,186,969)**	(2,070,303)
Interest received		**183**	494
Interest paid		**(5,615)**	(2,786)
Receipts from grants		**215,659**	401,682
Net cash (used in) operating activities	21	**(202,212)**	(1,661,962)
Cash flows from investing activities			
Disposal of discontinued operation	11	**-**	410,000
Purchase of plant and equipment		**-**	(3,026)
Net cash from / (used in) investing activities		**-**	406,974
Cash flows from financing activities			
Proceeds from equity issues	19	**67,612**	1,048,908
Payment for costs of equity issues		**-**	-
Proceeds from issue of convertible notes		**430,000**	-
Proceeds from related party borrowings		**29**	317,662
Repayment of borrowings		**(55,245)**	-
Net cash provided from financing activities		**442,396**	1,366,570
Net increase/(decrease) in cash held		**240,184**	111,582
Cash and cash equivalents at beginning of the year		**473,855**	362,273
Cash and cash equivalents at year end	13	**714,039**	473,855

The accompanying notes form part of these consolidated financial statements.

The consolidated financial report covers Veriluma Limited and its controlled entities ('the Consolidated Entity). Veriluma Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity primarily involved in product development, marketing and commercialisation of software, products and services. Each of the entities within the Consolidated Entity prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The financial report was authorised for issue by the Directors on 30 September 2019.

1. *Basis of preparation*

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going concern

The financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business. The Consolidated Entity recorded a loss for the year ended 30 June 2019 of $474,916 (2018: loss of $1,537,469). The Consolidated Entity had cash and cash equivalents of $714,039 (2018: $473,855) and a net asset deficiency of $464,694 at 30 June 2019 (2018: $147,389)and used $202,212 of cash in operations for the year ended 30 June 2019 (2018: $1,661,962). Subsequent to year end:

- The Consolidated Entity issued 180,000,000 ordinary shares for cash totalling $5,400,000 (before costs);
- Upon full receipt of these cash funds from investors, the Consolidated Entity repaid all loans and borrowings under its convertibles note facilities and related party borrowings to Canary Capital Pty Ltd and Elizabeth Whitelock; and
- On 9 September 2019, the Consolidated Entity was officially reinstated to the ASX.

Management have prepared cash flow projections for the period up to 30 September 2020 that support the Consolidated Entity's ability to continue as a going concern. These cash flows assume the Consolidated Entity will incur net operating cash outflows in the 2020 financial year, as it continues to invest in the research, development and commercialisation of its technology and that the Consolidated Entity maintains expenditures in line with available funding. Sufficient cash reserves are forecast to be maintained during the forecast period.

2. *Basis for consolidation*

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. When the Consolidated Entity loses control over a Subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end. A list of controlled entities is contained in Note 27 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns through its power to direct the relevant activities of the entity.

Interests in equity accounted investees

The Consolidated Entity's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Consolidated Entity has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Consolidated Entity's share of the profit and loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity. The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date. Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss. All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities. Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date.

2. *Basis for consolidation (continued)*

If the contingent consideration is classified as equity, then it is not remeasured, and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

3. *Critical accounting estimates and judgements*

The Directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances. These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates. The significant estimates and judgements made have been described below.

Key estimates: receivables
The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgements
In addition to the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation of uncertainty applied to the consolidated financial statements, management has made significant judgements and estimates in relation to the following transactions that occurred during the period:

- Going concern (see Note 1)
- Revenue (see Note 5)
- Creditor relief (see Note 7)

4. *New Standards*

Changes in significant accounting policies
The Consolidated Entity has initially applied AASB 15 and AASB 9 from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Consolidated Entity’s financial statements. Due to the transition methods chosen by the Consolidated Entity in applying these standards, comparative information through these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards has not had a material impact on the financial report.

A. AASB 15 *Revenue from Contracts with Customers*
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

4. *New Standards (continued)*

The Consolidated Entity has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of the initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented as previously reported, under AASB 118.
For additional information about the Consolidated Entity's accounting policies relating to revenue recognition, refer to the Revenue Accounting Policy note.

B. AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

i. Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The classification and measurements of the Consolidated Entity's financial assets are shown below:

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Consolidated Entity's accounting policies related to financial liabilities. The classification and measurements of the Consolidated Entity's financial assets and liabilities are shown below:

Financial Assets/Liabilities	Original Classification	New Classification	Impact
Receivables	Loans and Receivables	Amortised cost	No changes
Cash and cash equivalents	Loans and Receivables	Amortised cost	No changes
Loans and Borrowings	Other financial liabilities	Other financial liabilities	There was no change in the classification of this financial liability
Payables	Other financial liabilities	Other financial liabilities	There was no change in the classification of this financial liability

4. *New Standards (continued)*

ii. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Consolidated Entity has determined that the application of AASB 9's impairment requirements at 1 July 2018 has not resulted in additional allowance for impairment.

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Consolidated Entity are set out below. The Consolidated Entity does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Consolidated Entity has not yet completed a detailed assessment of the potential impact of applying AASB 16 on the financial statements. However, the Consolidated Entity does not have material lease arrangements and therefore, this standard is not expected to have a significant impact.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
5. *Revenue*		
Proof of concept revenue	**70,743**	14,635
Software licence and installation revenue	**745,600**	-
Sundry service revenue	**8,187**	-
	824,530	14,635

A contract asset of $50,000 has been recognised in respect of an existing revenue contract as referred to in Note 14. Of the above revenue $745,600 (2018: $nil) has been recognised at a point in time. The remaining $78,930 has been recognised over time.

Accounting policy (from 1 July 2018)
Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control (i.e. at a point in time or over time) requires judgement. The Consolidated Entity assessed its revenue streams and the following performance obligations and measurement methods have been identified and adopted in the preparation of these financial statements:

Performance Obligation:	Timing of Revenue Recognition:
Proof of concept	Over time on a proportion of work performed. The stage of completion for determining the amount of revenue is based on time spent on the respective project as this reflects the most appropriate measure of stage of completion.
Provision of software licences and installation	Point in time on acceptance by the customer. The Consolidated Entity has assessed that the customer obtains control of the licence when it has been installed and the customer can benefit from the use of the asset. Revenue is recognised at that point in time.
Software updates, help desk and related support services	Over time, over the term of the contracted service period.
Integration services	Point in time, on integration of the software.
Training services	Over time as and when performed. Revenue is recognised based on the time spent on the provision of training services by the Consolidated Entity.

Under the transition method chosen, comparative amounts have not been restated. There was no material impact to the Consolidated Entity's opening retained earnings as at 1 July 2018 as a result of the adoption of AASB 15. Revenue from existing contracts with unsatisfied or partially unsatisfied performance obligations as at 30 June 2019 are $1,108,753. The Consolidated Entity expects to recognise $405,455 of this amount in the next 12 months. This revenue will be recognised when or as these performance obligations are satisfied over the life of the contract. The Consolidated Entity recognises contract assets in relation to the Consolidated Entity's right to consideration for work completed but not invoiced at the reporting date. Certain arrangements with customers require the customer to formally accept the product before an invoice can be raised.

5. ***Revenue (continued)***

The contract assets are transferred to receivables when the rights become unconditional. The timing of invoicing and payment is dependent on the specific terms and conditions of the underlying contract. However, invoices are typically payable within 30 days.

Accounting policy (prior to 1 July 2018)

Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Consolidated Entity and specific criteria relating to the type of revenue as noted below, has been satisfied. Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. All revenue is stated net of the amount of goods and services tax (GST).

Software sales

Revenue is recognised when the significant risk and rewards of ownership have been transferred to the customer. The timing of the transfer of risks and rewards depends on the individual terms of the sale agreement.

Supporting services

Unearned income is recognised upon the receipt of payment for support contracts and is brought to account overt time as it is earned. The timing depends on the individual terms of the sale agreement.

Licences

Revenue from licensing is recognised on a straight line basis over the period of the licence reflecting the period over which the services are supplied.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
6. *Other income*		
Interest income	**183**	216
	183	216

Accounting policy

Interest revenue

Interest is recognised using the effective interest method.

7. Creditor relief

During the prior year, the Directors believed that it was likely that the Company may at some point in the future, not be able to meet all financial commitments as and when they fell due, which resulted in an administrator being appointed to the Company and its subsidiary Veriluma Software Pty Ltd on 15 November 2017. When the Company entered into voluntary administration in 2017, various claims were made against it with respect to general trade creditors. On 19 February 2018 the creditors of the Consolidated Entity voted in favour of the Company and its subsidiary entering into a Deed of Company Arrangement (DOCA) to enable the recapitalisation of the Consolidated Entity and establishment of a Creditors Trust. On 12 March 2018 the Company and its subsidiary entered into the Deed of Company Arrangement with Mr Sule Arnautovic and Ms Amanda Young of Jirsch Sutherland as Deed Administrators and Canary Capital Pty Ltd (Canary) as the Proponent, the DOCA was effectuated on 28 June 2018. The creditor relief of $452,949 in 2018 represents the amount of claims recorded by the Company and its subsidiary that were extinguished on effectuation of the DOCA.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
8. *Auditor's remuneration*		
Audit of the financial statements: KPMG	**89,725**	88,938
	89,725	88,938
9. *Voluntary administration expense*		
Administrator fees and amounts paid to creditors trust (credit due to write-back) (see Note 18)	**(29,974)**	598,363
Legal fees	**-**	277,570
	(29,974)	875,933

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $

10. ***Income tax benefit/(expense)***

A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
Loss before tax	**(474,916)**	(1,537,469)
Statutory income tax rate for the Consolidated Entity at 27.5% (2018: 27.5%)	**(130,602)**	(422,804)
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income:		
Non-deductible expenditure	**84,591**	300,107
Current year tax losses not recognised	**127,442**	-
Movement in unrecognised temporary differences	**-**	247,258
Non-assessable income	**(62,330)**	(124,561)
Movement in unrecognised temporary differences	**(19,101)**	-
Income tax expense reported in the statement of comprehensive income	**-**	-

The deductible differences and tax losses do not expire under the current tax legislation. Deferred tax assets of $911,372 (2018: $846,438) have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits of the deferred tax asset.

Accounting policy

Income tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense. Current tax is the amount of income taxes payable/(recoverable) in respect of the taxable profit/(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 laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority. 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.

10. *Income tax benefit/(expense) (continued)*

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Consolidated Entity 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 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 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.

<u>Goods and services and sales tax</u>
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 payable 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 consolidated statement of financial position. Cash flows in the consolidated 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. *Discontinued operation*

On 24 July 2017, the Consolidated Entity finalised the sale of its wholly owned subsidiary, Toro Mining Pty Ltd. This occurred due to a strategic decision to divest the exploration and evaluation permits held by the Consolidated Entity to focus on the product development, marketing and commercialisation of software, products and services in Australia.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
Results of discontinued operations:		
Expenses	-	(34,464)
Results from operating activities	-	(34,464)
Income tax expense	-	-
Results from operating activities, net of tax	-	(34,464)
Proceeds from sale of discontinued operation	-	498,581
Gain/(loss) for the year	-	464,117
Basic and diluted loss per share (cents)	-	0.128c
Cashflows from/(used in) discontinued operation:		
Net cash used in operating activities	-	(34,464)
Net cash from investing activities	-	410,000
Cashflows from discontinued operation	-	375,536

12. *Loss per share*

The following reflects the loss and number of shares used in the calculation of the basic and diluted loss per share.

	Consolidated Entity 30 June 2019	Consolidated Entity 30 June 2018
Basic and diluted loss per share (cents per share)	**(0.07)**	(0.43)
Net loss attributable to ordinary shareholders ($)	**(474,916)**	(1,537,469)
	Shares	**Shares**
Weighted average number of ordinary shares used in the calculation of basic loss per share	**704,145,819**	359,131,459
Weighted average number of ordinary shares used in the calculation of diluted loss per share	**704,145,819**	359,131,459

12. *Loss per share (continued)*

Accounting policy

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share adjusts the basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
13. *Cash and cash equivalents*		
Cash at bank	**714,039**	473,855
	714,039	473,855

Accounting policy

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

14. *Trade and other receivables*

Contract assets	**50,000**	-
Government grant receivable	**54,810**	241,897
GST receivable	**28,952**	12,850
Other receivables[48]	**61,017**	61,019
Related party receivables[49]	**-**	1,106
Trade receivables	**23,430**	-
Voluntary administrator receivable	**-**	57,526
Provision for impairment of other receivables[48]	**(61,017)**	(61,017)
	157,192	313,381

[48]Balance of Toro Mining Pty Ltd share sale proceeds receivable from the purchaser, this amount was fully impaired as it is unlikely to be recovered. As at 30 June 2018, the Consolidated Entity had a further amount of $10,259 owed from Legal Logix Holdings Pty Ltd, was fully written off and an expense was included in other expenses in the profit and loss for the year ended 30 June 2018.

14. *Trade and other receivables (continued)*

[49]Loan to Elizabeth Whitelock as a result of overpayment of wages due to variation of remuneration package. Repaid out of wages during the year ended 30 June 2019.

Accounting policy
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Consolidated Entity's trade and other receivables fall into this category of financial instruments. The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
15. *Trade and other payables*		
Accrued share based payments – Directors' fees	**25,104**	6,027
PAYG and superannuation payable	**72,629**	37,970
Sundry payables and accrued expenses	**221,529**	268,367
Trade creditors	**108,003**	64,359
	427,265	376,723

Accounting policy
Trade and other payables are unsecured, non-interest bearing and are normally settled within 90 days. The carrying amounts are considered to be a reasonable approximation of fair value.

16. *Borrowings*

Convertible notes[50]	**520,300**	-
Related party borrowings:		
Canary Capital Pty Ltd[51]	**171,486**	226,733
Elizabeth Whitelock[51]	**90,960**	90,930
	782,746	317,663

VERILUMA

16. *Borrowings (continued)*

[50]The above borrowings were fully repaid, with interest and the face value uplift after reinstatement of the Consolidated Entity to quotation on the ASX, subsequent to year end. The total proceeds received during the year were $430,000, an amount of $43,000 was recognised for the face value uplift and an amount of $47,300 was recognised for the 10% redemption uplift of face value. An amount of $104,941 has been recognised as finance expense in the profit or loss for the year ended 30 June 2019 in relation to these notes. Accrued interest payable of $7,708 has been recognised in sundry payables and accrued expenses.
[51]The above borrowings include $247,829 payable in accordance with the DOCA. This amount has been paid after reinstatement of the Consolidated Entity to quotation on the ASX, subsequent to year end. The above amounts are unsecured and interest free.

The key terms and conditions of the convertible notes are as follows:

Terms	Details
Issuance	The convertible notes were issued over March 2019 and April 2019.
Securities	Convertible Notes (Notes) with a face value equal to A$1.10 per Note (Face Value).
Principal	Aggregate of $500,000
Purchase Price	Each Note has a purchase price of A$1.00
Advances	Each Advance must be made within 7 days of the Company's request.
Conditional	The Notes are not convertible until Shareholder Approval (defined below) has been obtained. Notes issued prior to Shareholder a pproval are loan notes only and are to be exchanged for convertible notes on Shareholder Approval being obtained.
Maturity Date	28 March 2020
Interest Rate	10% per annum
Interest Payments	Bi-monthly in arrears in cash from the date of the relevant Advance until converted or redeemed
Conversion Price	The higher of: a) A$0.002 (Fixed Conversion Price); or b) 80% of the volume weighted average price of the Company's fully paid ordinary shares (Shares) as traded on ASX on the 5 trading days immediately prior to the date of giving the Conversion Notice.
Conversion Securities	That number of fully paid ordinary shares in the capital of the Company (Shares) equal to the Face Value being converted divided by the Conversion Price, together with one option to acquire a Share (Option) for every two Shares issued. Each Option will have an exercise price equal to the Conversion Price and an expiry date of 3 years from the date of issue.
Redemption	Upon receipt of a redemption notice from the holder, the Company may either convert the notes in accordance with the Conversion Price or redeem the notes in cash. The Company may redeem the Notes in full at: a) 105% of the Face Value if repaid within 30 days of the Advance Date; b) 110% of Face Value if repaid later than 30 days and within 6 months of the Advance Date; or c) 120% of Face Value if repaid later than 6 months after the Advance Date.
Events of Default	If an event of default occurs (event of insolvency of the Company or any of its subsidiaries, default under the agreement, or the Company's securities not being reinstated to trading on ASX by 15 June 2019), the Lender may demand repayment of the Notes within 30 days.
Shareholder Approval	The Borrower must convene a shareholder meeting to be held within 90 days of the date of execution of the term sheet to seek shareholder approval for the issue of all Notes relating to Advances (Shareholder Approval). In the event the Shareholder Approval expires before the issue of all Notes, the Company must convene a further meeting within 60 days of the date of expiry of the Shareholder Approval.
Adjustments	If the Company issues Shares below the Fixed Conversion Price, excluding Shares issued under the Facility agreement, the Fixed Conversion Price will be amended down to 20% less than that issue price. In addition, where the Company conducts a reorganisation of capital (as defined in the ASX Listing Rules), the number of securities or the Conversion Price or both must be reorganized so that the holder of the Notes will not receive a benefit that holders of Shares do not receive.
Security	Repayment of the Notes will be secured over all present and after acquired property of the Company and, if required by the Lender, the Company's wholly owned subsidiary, Veriluma Software Pty Ltd (ACN 117 490 785).

16. *Borrowings (continued)*

The fair value of the debt component is equal to the face value. As such, these convertible notes have been 100% debt classified. No components have been recognised in equity.

Accounting policy

Finance costs

Finance cost includes all interest-related expenses, interest expense is recognised using the effective interest rate method.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
17. *Employee benefits*		
Current		
Annual leave	**84,773**	103,288
Long service leave	**31,333**	45,072
	116,106	148,360
Non-Current		
Long service leave	**14,686**	6,441
	14,686	6,441

Accounting policy

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

18. *Provisions*

The Board of Veriluma Limited and its subsidiary Veriluma Software Pty Ltd appointed Jamieson Louttit and Associates as Administrators effective 15 November 2017 pursuant to section 447A of the Corporations Act. On 15 December 2017 Jamieson Louttit and Associates was retired as Administrator and Jirsch Sutherland was appointed. On 12 October 2018, Jamieson Louttit and Associates lodged a Form 16 Notice of Intention to Apply for Remuneration with the Federal Court of New South Wales against Veriluma Limited and its subsidiary Veriluma Software Pty Ltd. The Directors have been advised during the year that the payment awarded by the Federal Court to Jamieson Louttit has been satisfied and as such there is no further claims against the Consolidated Entity for fees. Of the $87,500 provision recognised in the prior year, $57,526 was utilised and the remaining $29,974 was written back due to amounts paid from the Creditors' Trust. See Note 9.

Accounting policy

Provisions are recognised when the Consolidated Entity 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.

19. *Contributed equity*

	Consolidated Entity 30 June 2019 No.	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 No.	Consolidated Entity 30 June 2018 $
Share capital at beginning of year	**359,131,459**	**15,410,653**	359,131,459	14,361,745
Share issue: DOCA[52]	**372,173,333**	**67,611**	-	1,048,908
Share issue: Performance A shares conversion[53]	**7**	**-**	-	-
Share issue: Corporate advisor shares[54]	**10,000,000**	**30,000**	-	-
Non-Executive Director shares to be issued	**-**	**22,000**	-	-
Share capital at end of year	**741,304,799**	**15,530,264**	359,131,459	15,410,653

[52]Whilst recognition of the value of the DOCA shares occurred during the year ended 30 June 2018, the actual share issues didn't occur until during the year ended 30 June 2019.
[53]Conversion of the Performance A shares occurred on 22 November 2018.
[54]On 4 April 2019 the Consolidated Entity issued 10,000,000 fully paid ordinary shares to King Corporate for corporate advisory services during the year.

Subsequent to year end the Company completed a 10:1 share consolidation.

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

	Consolidated Entity 30 June 2019 No.	Consolidated Entity 30 June 2018 No.
19. *Contributed equity (continued)*		
Performance shares		
Balance at beginning of period[55]	**30,000,000**	40,000,000
Lapsed performance shares	**-**	(10,000,000)
Balance at end of period	**30,000,000**	30,000,000
Unlisted options		
Balance at beginning of year	**1,000,000**	1,000,000
Options granted[55] (see Note 20)	**20,000,000**	-
Balance at end of year	**21,000,000**	1,000,000

[55]The issue of the 30,000,000 performance shares is contingent on achieving the following milestones:
15,000,000 B Performance Shares - B Performance Share milestone will be taken to have been satisfied if, on or before the 3rd anniversary of the issue of the B Performance Shares, the Veriluma business achieves annual sale revenues of not less than A$3 million.
15,000,000 C Performance Shares - C Performance Share milestone will be taken to have been satisfied if, on or before the 4th anniversary of the issue of the C Performance Shares, the Veriluma business achieves annual sale revenues of not less than A$10 million.

Share option program
Options are granted under the Company's Incentive Option Scheme. Eligible participants shall be full time or part time employees or consultants of the Company or an Associate Body Corporate. Options issued pursuant to the Scheme will be issued free of charge. The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the Incentive Option Scheme. The exercise period may also be affected by other events as detailed in the terms and conditions in the Incentive Option Scheme. Each option entitles the holder to subscribe for and be allotted one share. Shares issued pursuant to the exercise of options including bonus issues and new issues rank equally and carry the same rights and entitlements as other shares on issue. The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The KMP options vested immediately after the issue date.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $
20. *Reserves*		
Options reserve		
Balance at beginning of year	**25,400**	150,950
Options granted[56]	**38,000**	-
Options lapsed	**-**	(125,550)
Balance at end of year	**63,400**	25,400

[56]20,000,000 share options were granted to King Corporate for corporate advisory services during the year. These amounts were fully vested during the year ended 30 June 2019 and are exercisable. Variables used to calculate the option valuations using the Black-Scholes model are as follows:

Inputs	Corporate Advisor Options
Number of options	20,000,000
Exercise price	$0.003
Expiry date	4 April 2022
Grant date	4 April 2019
Share price at grant date	$0.03
Risk free interest rate	1.44%
Volatility	100%
Option value	$0.0019

Accounting policy

The Consolidated Entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions. Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Consolidated Entity revises its estimate of the number of options which are expected to vest based on the non- market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $

21. *Reconciliation of cashflows from operating activities*

Loss before tax	**(474,916)**	(1,537,469)
Amortisation and depreciation	**87**	1,468
Impairment of related party loans	**-**	10,259
Impairment of trade and other receivables	**-**	61,017
Creditor relief	**-**	(452,949)
Share based payments	**78,955**	6,027
Share of net profits of equity accounted associates	**(2,140)**	(158)
Change in trade & other receivables	**156,189**	218,185
Change in other assets	**(762)**	55,344
Change in trade & other payables	**(23,116)**	33,452
Change in employee benefits	**(24,009)**	(57,138)
Change in provisions	**87,500**	-
Net cash used in operating activities	**(202,212)**	(1,661,962)

22. *Operating segments*

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the Directors. The Consolidated Entity has identified it only operates in one business segment, being the product development, marketing and commercialisation of software, products and services in Australia. As all significant assets and liabilities and the financial result relates to the one business segment, no detailed segment analysis has been performed. No seasonality in the business segment has been identified that would have a significant impact on the results of the Consolidated Entity.

23. *Events after the end of the reporting year*

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial years other than the following:

- On 10 September 2019, Mr Arunava Sengupta resigned as a Non-Executive Director.
- In the week commencing 9 September 2019, the Company repaid debt and paid costs of the offer (**Offer**) made under the prospectus dated 26 July 2019 (as supplemented by the supplementary prospectus dated 30 August 2019) in accordance with the use of funds detailed in section 3.2 of the prospectus dated 26 July 2019.
- On 9 September 2019, the Company's securities were reinstated to official quotation on the official list of ASX and recommenced trading.

23. *Events after the end of the reporting year (continued)*

- On 3 September 2019, the Company issued the following securities following close of the Offer having raised the maximum subscription of $5,400,000.
  - 180,000,000 ordinary shares pursuant to the Offer.
  - 26,000,000 unquoted options exercisable at $0.04 on or before 30 June 2022 in satisfaction of assistance in marketing and product development.
  - 26,000,000 unquoted options exercisable at $0.08 on or before 30 June 2023 in satisfaction of assistance in marketing and product development.
- On 30 August 2019, the Company issued the following securities to related parties.
  - 1,170,134 ordinary shares in lieu of cash payment of accrued directors' fees.
  - 9,000,000 unquoted options exercisable at $0.04 on or before 30 June 2022 as performance linked incentive component of remuneration.
  - 9,000,000 unquoted options exercisable at $0.08 on or before 30 June 2023 as performance linked incentive component of remuneration.
  - 5,000,000 Class D performance shares as performance linked incentive component of remuneration.
  - 5,000,000 Class E performance shares as performance linked incentive component of remuneration.
- On 15 August 2019, the Company effected a consolidation on a 10:1 basis of its issued capital.
- On 9 August 2019, the Company held its 2018 annual general meeting at which the following resolutions were approved.
  - Adoption of remuneration report.
  - Election of Andrew Grover and Steve Formica as directors.
  - Re-election of Arunava Sengupta.
  - Ratification of prior issues of securities.
  - Approval to issue convertible notes.
  - Consolidation of capital on a 10:1 basis.
  - Approval to issue capital raising securities.
  - Approval for related parties to participate in capital raising – Steven Formica and related parties of Steve Formica and Andrew Grover.
  - Approval to issue options.
  - Approval to issue options to related parties.
  - Approval to issue performance shares to related parties.
  - Approval to issue shares in lieu of directors' fees.
  - Approval of employee incentive scheme.
  - Approval of new constitution (special resolution).
  - Approval of Listing rule 7.1A 10% placement capacity (special resolution).
- On 26 July 2019, the Company issued a prospectus dated 26 July 2019 (as supplemented by a supplementary prospectus dated 30 August 2019) in respect of the Offer.
- On 26 July 2019, the Company entered into a formal executive employment agreement with Mr Andrew Grover as Executive Chairman of the Consolidated Entity on the terms as disclosed in the Remuneration Report.

	Consolidated Entity 30 June 2019 $	Consolidated Entity 30 June 2018 $

24. *Related party transactions*

KMP compensation		
Short-term employee benefits	**272,049**	259,745
Post-employment benefits	**-**	-
Long-term benefits[57]	**11,949**	(65,281)
Total	**283,998**	194,464

[57]Other long term benefit movement negative due to the reduction in salary in the prior year which lead to a reduction in leave balances.

Effective from 12 March 2018 Non-Executive Directors were entitled to receive $10,000 of their $50,000 per annum directors' fees as non-performance related, share based remuneration. This arrangement has not been continued for financial year 2020 and non-executive directors will have their directors' fees paid wholly in cash. Conversion to shares is based on the following terms:

- eligibility is from commencement as a Non-Executive Director and the director continues to be eligible while engaged as a Non-Executive Director;
- initial shares will be allocated once approved at the 2019 Annual General Meeting;
- subsequent shares will be ratified for conversion bi-annually in December and June and final approval of the allocation by shareholders would be sought at the relevant Annual General Meeting;
- initial shares will be allocated per the below pricing:
    - while the shares are suspended from quotation on the ASX, the shares will be allocated in line with the most visible pricing. If the shares are quoted on the ASX, the shares will be allocated at the volume weighted average price for the respective month
    - for the period 12 March 2018 to 30 June 2019 the shares will be priced at the DOCA capital raise price being $0.003 per share (pre-Consolidation).

The total non-performance related share-based payment accrual is as follows:

Non-Executive Director	Appointment Date	Resignation Date	Year End	Total Days Entitled	Annual Fee	Pro-rata Accrual
John Welsh	12-Mar-18	24-May-19	30-Jun-19	438	$10,000	$12,028
Arunava Sengupta	12-Mar-18	10-Sep-19	30-Jun-19	475	$10,000	$13,014
Steven Formica	02-Jul-18	N/A	30-Jun-19	364	$10,000	$9,972
Total						**$35,014**

24. *Related party transactions (continued)*

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report.

Transactions with related parties

The Consolidated Entity acquired the following services from entities that are controlled by the members of the Consolidated Entity's key management personnel. Some of the Directors of the Consolidated Entity hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities.

Entity	Nature of Transactions	Key Management Personnel	Payable at 30 June 2018	Transactions	Payable at 30 June 2019
Canary Capital Pty Ltd	Loan to Consolidated Entity for funding of legal fees in relation to the DOCA (interest free)	Arunava Sengupta	$56,869	$-	$56,869
Canary Capital Pty Ltd	Loan to Consolidated Entity for funding of wages and operating costs (interest free)	Arunava Sengupta	$74,102	($55,245)	$18,857
Canary Capital Pty Ltd	Loan to Consolidated Entity to fund administration costs in relation to the DOCA (interest free)	Arunava Sengupta	$95,760	$-	$95,760
Elizabeth Whitelock	Loan to Consolidated Entity for funding of legal fees under the DOCA (interest free)	Elizabeth Whitelock	$90,931	$29	$90,960
Total			**$317,662**	**($55,216)**	**$262,446**

Outstanding balances arising from sales/purchases of goods and services

There are no outstanding balances arising from sales/purchases of goods and services at the end of the reporting year.

Loan to Directors and their related parties

No loans have been made to any Director or any of their related parties, during the reporting year.

25. *Financial risk management*

Financial risk management objectives and policies

The Consolidated Entity's financial instruments comprise deposits with banks, receivables, other deposits, trade and other payables, convertible notes and from time to time short term loans from related parties. The Consolidated Entity does not trade in derivatives or in foreign currency. The Consolidated Entity manages its risk exposure of its financial instruments in accordance with the guidance of the audit and risk management committee and the Board of Directors. The main risks arising from the Consolidated Entity's financial instruments are market risk, credit risk and liquidity risk. This note presents information about the Consolidated Entity's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Consolidated Entity's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. Informal risk management policies are established to identify and analyse the risks faced by the Consolidated Entity. The primary responsibility to monitor the financial risks lies with the CEO and the Company Secretary under the authority of the Board.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Consolidated Entity's maximum exposure to credit risk in relation to financial assets. The Consolidated Entity mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia. Credit risk of trade and other receivables is low as it usually consists predominantly of amounts recoverable from taxation and other government authorities in Australia. The Trade and other receivables included a receivable from Legal Logix Holdings Pty Ltd totalling $10,259 this been fully written off at 30 June 2019. The Trade and other receivables included the balance of the Toro Mining Pty Ltd share sale proceeds receivable from the purchaser of $61,017, the amount was fully impaired as it is unlikely to be recovered. The remaining balance of trade and other receivables are not impaired, and the Consolidated Entity has credit risk exposure to a single debtor under financial instruments entered into by the Consolidated Entity.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation. Ultimate responsibility for liquidity management rests with the Board. The Consolidated Entity monitors rolling forecasts of liquidity on the basis of expected fund raisings, trade payables and other obligations for the ongoing operation of the Consolidated Entity. The following are the contractual maturities of financial liabilities, including estimated interest payments:

25. *Financial risk management (continued)*

	Carrying Amount $	Contractual Cashflows $	<1 Year $	1-5 Years $	Interest $
30 June 2019					
Trade and other payables	(427,265)	(427,265)	(427,265)	-	-
Borrowings	(782,746)	(792,954)	(792,954)	-	(10,208)
Total	**(1,210,011)**	**(1,220,219)**	**(1,220,219)**	**-**	**(10,208)**
30 June 2018					
Trade and other payables	(376,723)	(376,723)	(376,723)	-	-
Borrowings	(317,663)	(317,663)	(317,663)	-	-
Total	**(694,386)**	**(694,386)**	**(694,386)**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risks
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

Interest rate risk
The Consolidated Entity's income statement is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents and interest-bearing security deposits. A change of 100 basis points in interest rates throughout the reporting period would not have increased (decreased) profit or loss by a significant amount. The Consolidated Entity did not have any variable interest rate financial liabilities in the current or prior year. The Consolidated Entity does not have interest rate swap contracts. The Consolidated Entity always analyses its interest rate exposure when considering the renewals of existing positions including alternative financing.

Currency risk
The Consolidated Entity is not exposed to any foreign currency risk as at 30 June 2019 (2018: nil).

Capital management
The Board's policy is to maintain a strong capital base, where possible, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Consolidated Entity is not subject to externally imposed capital requirements.

Estimation of fair values
The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable interest rates.

VERILUMA

25. *Financial risk management (continued)*

Accounting policy (from 1 July 2018)

<u>Non-derivative financial assets</u>

Recognition and initial measurement

The Consolidated Entity initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument. The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Consolidated Entity may irrevocably elect to present subsequent changes in the investment's fair value through OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Consolidated Entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

25. ***Financial risk management (continued)***

Impairment of financial assets

The Consolidated Entity recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;
- The Consolidated Entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Consolidated Entity expects to receive). At each reporting date, the Consolidated Entity assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income. The gross carrying amount of a financial asset is written off when the Consolidated Entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost. The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Consolidated Entity becomes a party to the contractual provisions of the instrument. The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Other financial liabilities comprise convertible notes, loans and borrowings and trade and other payables.

Accounting policy (prior to 1 July 2018)

Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Consolidated Entity becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred). Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

25. *Financial risk management (continued)*

Impairment of financial assets

At the end of the reporting period the Consolidated Entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default. The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. In some circumstances, the Consolidated Entity renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Consolidated Entity does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Financial liabilities

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. The Consolidated Entity's financial liabilities include convertible notes, borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

	Consolidated Entity 30 June 2019 $	**Consolidated Entity 30 June 2018 $**
26. *Commitments and contingencies*		
a. Commitments relating to operating expenditures		
Not longer than 1 year	**-**	-
More than 1 year but not longer than 5 years	**-**	-
More than 5 years	**-**	-
	-	-

There are no other material commitments as at 30 June 2019.

b. Contingent assets

There are no contingent assets as at 30 June 2019.

26. *Commitments and contingencies (continued)*

c. Contingent liabilities

There are no contingent liabilities as at 30 June 2019.

27. *Interests in controlled entities*

Company Name	Place of Incorporation	30 June 2019 % Ownership	30 June 2018 % Ownership
Veriluma Software Pty Ltd	Australia	100%	100%
St Nicholas Mines Pty Ltd	Australia	100%	100%
Niquaero LLC	Mongolia	100%	100%

28. *Parent entity*

	Company 30 June 2019 $	Company 30 June 2018 $
Statement of financial position		
ASSETS		
Total Current Assets	**30,208**	4,507
Total Non-Current Assets	**-**	-
Total Assets	**30,208**	4,507
LIABILITIES		
Total Current Liabilities	**923,489**	695,685
Total Non-Current Liabilities	**-**	-
Total Liabilities	**923,489**	695,685
Net (Deficiency)/Assets	**(893,281)**	(691,178)
EQUITY		
Contributed equity	**15,530,264**	15,410,652
Reserves	**63,400**	25,400
Accumulated losses	**(16,486,945)**	(16,127,230)
Total Equity	**(893,281)**	(691,178)
Statement of profit or loss and other comprehensive income		
Loss for the year	**(359,715)**	(1,927,929)
Total comprehensive income	**(359,715)**	(1,927,929)

1. In the opinion of the Directors of Veriluma Limited (the Company):

   a. The consolidated financial statements and notes that are set out on pages 24 to 56 and the remuneration report set out on pages 10 to 19 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2019.

3. The Directors draw attention to Note 1 in the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors

____
Andrew Grover
Executive Chairman

30 September 2019

Independent Auditor's Report

To the shareholders of Veriluma Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Veriluma Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Veriluma Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Going concern basis of accounting
- Revenue recognition
- Accounting for convertible notes

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of accounting

Refer to Note 1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following: • the Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding, particularly in light of loss making operations; and • the Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included	Our procedures included: • We analysed the cash flow projections by: – Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, and their consistency with the Group's intentions, as outlined in Directors minutes and strategy documents; – Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from sensitivity analysis on key cash flow projection assumptions. – Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, particularly in light of the loss making operations, results since year end, and our understanding of the business, industry and economic conditions of the Group; • We read Directors' minutes and relevant correspondence to understand and assess the Group's ability to raise additional shareholder

source of funds, availability of fund type, feasibility and status of securing those funds. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.	funds; • We checked the receipt of shareholder cash funds from capital raising activities conducted post year end to the Group's bank statements; • We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

Recognition of provision of software and software related services revenue AUD $824,530	
Refer to Note 5 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Revenue from the provision of software and software related services is a key audit matter due to the significant audit effort and judgement we have applied in assessing the Group's recognition and measurement of revenue. This was driven from the: • Multiple revenue types with different recognition criteria across different products and services, increasing the possibility of the Group inappropriately identifying performance obligations and incorrectly recognising revenue using AASB 15 *Revenue from Contracts with Customers* ('AASB 15'). • Complexity arising from the various terms and conditions included in the significant revenue contract entered into with the Australian Government during the financial year ('Government contract'). The various complex terms and conditions increases the risk of interpretational differences in accounting outcomes against the principles based criteria contained in AASB 15. • New disclosure requirements as a result of the adoption of AASB 15 from 1 July 2018. We involved senior audit team members in addressing this key audit matter.	Our procedures included: • Considering the appropriateness of the Group's revenue recognition policies against the requirements of AASB 15 and our understanding of the business; • Reading the executed Government contract to understand the key terms and conditions. We clarified elements of our understanding of the contract through inquiries with the Group; • Comparing the relevant features of the underlying Government contract to the criteria in the accounting standard, those in the Group's policies, and against what the Group identified as performance obligations; • Checked the timing of revenue recognised by the Group for the provision of software and software-related services to underlying documentation such as proof of acceptance from the customer, and against the Group's revenue recognition policies; • Recalculating the amount of revenue recognised by the Group, including the Group's allocation of revenue to identified performance obligations. We used underlying evidence obtained from our audit procedures above, such as, revenue contracts and proof of acceptance from the customer. We compared our assessment to the amount recorded by the

	Group. We also checked customer receipts to the Group's bank statements; • Assessing the adequacy of the Group's revenue disclosures using our understanding obtained from our testing against the requirements of AASB 15.

Accounting for convertible notes AUD $520,300	
Refer to Note 16 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Accounting for convertible notes is a key audit matter due to the: • Significant audit effort we applied in assessing the Group's recognition of convertible notes; and • Complexity arising from the Group's convertible note agreements, and the risk of inappropriate recognition in accordance with the accounting standards. Convertible notes may be recognised as equity, debt, or a combination of both, based on the terms and conditions of the underlying convertible note agreements and the conversion features of the convertible notes. We involved our senior audit team members in addressing this key audit matter.	Our procedures included: • Reading the convertible note agreements to understand the associated terms and conditions, including the conversion features of the convertible notes; • Considering the appropriateness of the Group's recognition policy for convertible notes against the requirements of the relevant accounting standard; • Clarifying elements of our understanding of the agreements through inquiries with the Group; • Checking the recognised amount of convertible notes to the face value of the convertible notes issued; • Checking receipt of convertible note proceeds to the Group's bank statements; • Assessing the related disclosures using our understanding obtained from our procedures against the requirements of the relevant accounting standards.

Other Information

Other Information is financial and non-financial information in Veriluma Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Veriluma Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 19 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Adam Twemlow

Partner

Gold Coast

30 September 2019

The Board is committed to achieving and demonstrating high standards of corporate governance. The Board has implemented corporate governance policies and practices which it considers appropriate for the scale and maturity of the Company's business and operations.

The Company has reviewed its corporate governance practices against the 'Corporate Governance Principles and Recommendations (3^{rd} Edition)' published by the ASX Corporate Governance Council.

The Company's Corporate Governance Statement for the financial year ended 30 June 2019 has been approved by the Board and is dated 28 October 2019. The Company's Corporate Governance Statement and Corporate Governance Plan are both available on the Company's website at www.veriluma.com.

The Company sets out below additional information required by ASX Listing Rule 4.10 and not disclosed elsewhere in this report, along with information required to be disclosed as a condition of ASX Listing Rule waivers and confirmations given to the Company by ASX. This information is current as at 22 October 2019.

Substantial Shareholders

Shareholder	Number of Shares
Mr Antanas Guoga	30,684,833
Citicorp Nominees Pty Limited	20,079,267
A22 Pty Limited	12,916,667

Number and Distribution of Holders

	Fully Paid Ordinary Shares	Class C Performance Shares	Class D Performance Shares	Class E Performance Shares	Options ($0.03, 4/4/2022)	Options ($0.04, 30/6/2022)	Options ($0.08, 30/6/2023)
1 – 1,000	129	0	0	0	0	0	0
1,001 – 5,000	184	3	0	0	0	0	0
5,001 – 10,000	110	0	0	0	0	0	0
10,001 – 100,000	267	1	0	0	0	0	0
100,001 and over	221	3	2	2	2	15	15
TOTAL	**911**	**7**	**2**	**2**	**2**	**15**	**15**

There are 446 holders holding less than a marketable parcel of fully paid ordinary shares.

Voting Rights

Fully paid ordinary shares: every member present at a meeting in person or by proxy has one vote on a show of hands, and one vote for each share on a poll

Performance shares and options: no voting rights.

Top 20 Shareholders

Details of the 20 largest holdings of quoted fully paid ordinary shares are set out below.

Rank	Shareholder	Number of Shares	%
1	Mr Antanas Guoga	30,684,833	12.02
2	Citicorp Nominees Pty Limited	20,079,267	7.86
3	A22 Pty Limited	12,916,667	5.06
4	Shah Nominees Pty Ltd	9,550,000	3.74
5	Stevsand Investments Pty Ltd <Steven Formica Family A/C>	6,166,668	2.42
6	Mr Paul Cozzi	5,025,001	1.97
7	Arredo Pty Ltd	5,000,000	1.96
8	Ms Elizabeth Whitelock	4,515,601	1.77
9	Rojul Nominees Pty Ltd<RR Martin Super Fund A/C>	4,000,000	1.57

Rank	Shareholder	Number of Shares	%
10	Ms Laura Bailey	3,850,000	1.51
11	Lake Springs Pty Ltd <The Lake Springs S/F A/C>	3,533,333	1.31
12	D&R Super Pty Ltd <D&R Kaplan Superannuation A/C>	3,333,333	1.31
13	Mr Thomas Corr	3,000,000	1.18
13	Mikado Corporation Pty Ltd <JFC Superannuation A/C>	3,000,000	1.18
13	Mr Marcel Reuben	3,000,000	1.18
16	Mr Paul Madden	2,919,886	1.14
17	Mr Keiran Slee	2,508,667	0.98
18	Corby Investments Pty Ltd <Anstey Super Fund A/C>	2,500,000	0.98
18	First One Realty Pty Ltd	2,500,000	0.98
18	Harshell Investments Pty Ltd <Kaplan Family A/C>	2,500,000	0.98
18	J&J Bandy Nominees Pty Ltd <J&J Bandy Super Fund A/C>	2,500,000	0.98
	TOTAL LARGEST HOLDERS	**133,083,256**	**52.13**
	OTHER HOLDERS	**122,217,448**	**47.87**
	TOTAL	**255,300,704**	**100.00**

Unquoted Equity Securities

			Holders of 20% or More	
Class	Number of Securities	Number of Holders	Name	Number of Securities
Class C Performance Shares	1,500,000	7	Corby Investments Pty Ltd	513,081
			Maneki Pty Ltd	508,359
			Ms Elizabeth Whitelock	451,560
Class D Performance Shares	5,000,000	2	A22 Pty Limited	2,500,000
			Ms Elizabeth Whitelock	2,500,000
Class E Performance Shares	5,000,000	2	A22 Pty Limited	2,500,000
			Ms Elizabeth Whitelock	2,500,000
Options ($0.03, 4/4/2022)	2,000,000	2	King Corporate Pty Ltd	10,000,000
			Redirv Investments Pty Ltd	10,000,000
Options ($0.04, 30/6/2022)	35,000,000	15	-	-
Options ($0.08, 30/6/2023)	35,000,000	15	-	-

Restricted Securities

The Company has no restricted securities or securities subject to voluntary escrow on issue.

Other

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period in respect of an employee incentive scheme.

Waiver and Confirmation Conditions

ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the Company to issue 4,000,000 fully paid ordinary shares at a deemed issue price of $0.03 to Mr Grover, Executive Chairman, in lieu of cash payment of remuneration (**Remuneration Shares**), later than one month but less than 13 months after Shareholder approval was obtained on 9 August 2019. The Company is required to provide the following information as a condition of the waiver being granted.

- No Remuneration Shares the subject of the waiver were issued during the reporting period.
- 4,000,000 Remuneration Shares remain to be issued.
- The Remuneration Shares will be issued no later than 30 days after the end of the financial year ending 30 June 2020 to settle in part of in full Mr Grover's remuneration accruing during that period.

ASX confirmed to the Company that the terms of the Company's performance shares are appropriate and equitable pursuant to ASX Listing Rule 6.1. The Company is required to provide the following information as a condition of the confirmation being given.

- 1,500,000 Class B, 1,500,000 Class C, 5,000,000 Class D and 5,000,000 Class E performance shares were on issue during the reporting period.
- The full terms and conditions of the Class B and Class C performance shares are set out in Schedule 1 of the Company's notice of general meeting dated 8 June 2019. The full terms and conditions of the Class D and Class E performance shares are set out in Schedule 7 of the Company's notice of annual general meeting dated 25 June 2019. Each Class B, Class C, Class D or Class E performance share converts into 1 Share upon satisfaction of the relevant performance milestone.
    - Class B: the software business operated by Veriluma Software Pty Ltd achieves sales revenue of not less than $3,000,000 on or before 8 September 2019.
    - Class C: the software business operated by Veriluma Software Pty Ltd achieves sales revenue of not less than $10,000,000 on or before 8 September 2020.
    - Class D: the Company's 30 trading day volume weighted average price (**VWAP**) of shares traded on ASX is not less than $0.08 on or before 3 years after the date of issue.
    - Class E: the Company's 30 trading day VWAP of shares traded on ASX is not less than $0.12 on or before 3 years after the date of issue.
- No Class B, Class C, Class D or Class E performance shares were converted or cancelled during the reporting period.
- None of the performance milestones for the Class B, Class C, Class D or Class E performance shares were met during the period.