

30 January 2017

Velpic Quarterly Activities Report

Quarter Ended 31 December 2016

Highlights

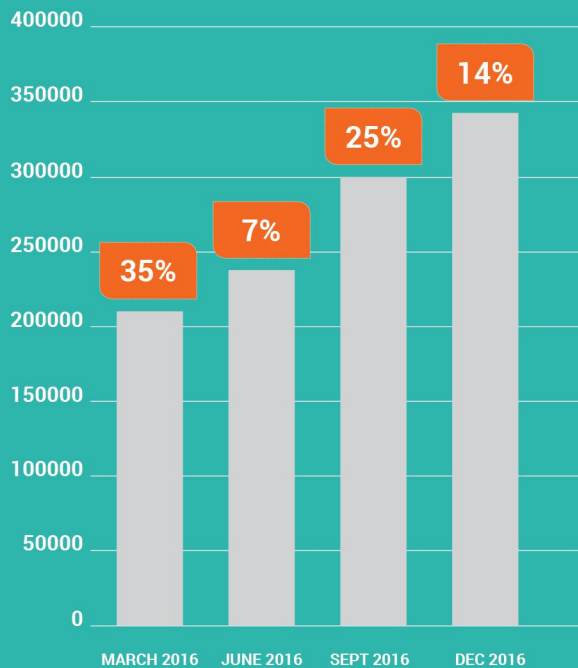
- Revenue (unaudited) totalled \$420k, with recurring Software as a Service (SaaS) revenue becoming a larger contributor to the revenue mix
- Annualised Committed Monthly Revenue or Annualised Recurring Revenue (ARR) continues to trend upwards achieving growth of 14% for the December quarter
- Marketplace strategy strengthened with launch of online marketplace and launch on AppDirect marketplace increasing international presence
- 50 client milestone reached in the December quarter, 16% higher than the previous quarter, including first client in the education sector
- Version 3.2 launched with new capabilities added in response to demand from existing and potential clients, expected to drive new customer sign ups in 2017

Velpic Limited (ASX: VPC) ("Velpic" or "the Company") is pleased to provide an update of the Company's activities for the three months to the end of 31 December 2016.

FINANCIAL

Total unaudited revenue for the December quarter totalled \$420k. Revenue from Software as a Service subscription and content creation revenue contributed 24% vs 19% in the previous September quarter. Annualised committed monthly revenue or annualised recurring revenue (ARR) for the quarter continued to grow showing a 14% increase for the December quarter. Revenue from the established brand technology agency business was lower than the previous quarter, reflecting the end of some projects and the impact of Christmas holidays but continues to make a significant contribution.

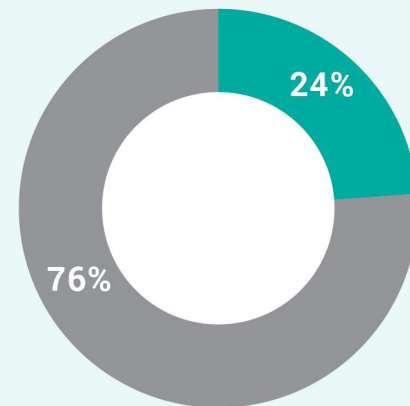
Annualised Committed Monthly Revenue* (AUD\$)



* Unaudited

Operating Revenue* Breakdown

December 2016 Quarter



■ SaaS and content revenue
■ Brand technology agency

Cash used in operating activities decreased from \$890k in the September quarter to \$801k in the December quarter driven by strong cash receipts from customers, 14% higher at \$540k.

The Company's closing cash position at the end of the reporting period was \$5.12 million, leaving the Company well funded to ramp up its sales and marketing efforts in 2017.

Velpic's sales operations to date have been successful in establishing the business as a leader in the learning management system market and to take the business to the next level Velpic is enhancing its sales and marketing efforts, beginning with the addition of two new hires announced on 25 January 2017.

The Company's revenue continues to help fund operational spend and management intend to invest further in sales and marketing activities to harness the potential of the enhanced sales team to drive revenue growth and scale in the next financial year.

OPERATIONS

Strengthened Marketplace Strategy and International Presence

During the quarter, Velpic launched its Online Lesson Marketplace, enabling customers to purchase off-the-shelf on-demand eLearning lessons and customisable templates. The Marketplace builds on the revenue model, which is based on a per-seat licensing model that allows customers to purchase on a per lesson basis. Targeting the SME market, the Marketplace has the potential to drive customers toward subscription membership and thereby increase recurring SaaS revenue.

The Company also made its LMS platform available on the AppDirect global cloud service marketplace, connecting to thousands of resellers and marketplaces globally and providing additional sales opportunities.

The Company's marketplace strategy responds to an emerging global trend where SME web-based services are purchased via online marketplaces. The strategy also aligns to Velpic's strategy to expand internationally.

Platform Enhancement

Over the three-month period, Velpic further developed and improved the features available through its LMS. The latest version, V.3.2, includes new features that enhance the appeal and ease of use of the platform for customers including the ability to conduct Continuing Professional Development (CPD) training, direct import of SCORM 1.2 (Sharable Content Object Reference Model) compliant content, a Skills Matrix function that allows HR departments to view the status of all employees skills and training requirements in one place and single sign on to Velpic via Microsoft Office365 and Google Apps including Gmail.

Perhaps most importantly, Velpic has also launched its developer site to help integrate the Velpic platform into internal HR management tools. This will significantly streamline the process of skills management for a business and provide HR departments with a full view of all employees and their training requirements. A number of customers have already utilised this feature and incorporated the Velpic platform into their internal systems.

The new capabilities were added in response to demand from existing and potential clients, and are expected to drive new customer sign ups in 2017. The Company continues to develop its platform and has a number of innovative and exciting new projects and collaborations expected to go live in 2017.

50 Client Milestone, reflecting continued client growth

The Company ended the quarter with 50 clients, confirming strong client growth that precedes future revenue growth. This represents a 16% increase on the previous September 2016 quarter.

The new client wins span a variety of sectors including pharmaceuticals, energy, industrials, professional services and Velpic's first customer in the education sector.

Post the quarter, Velpic announced it was selected to deliver its Learning Management System (LMS) to the NSW Small Business Commissioner (OSBC) as part of a project with ASX listed Gruden Group (ASX:GGL), representing Velpic's first government partnership. It has also provided the potential for further collaboration between Gruden and Velpic to make Velpic's LMS available in more of its solutions.

The reseller network continued to expand, particularly with the addition of new marketplaces that bring networks of resellers. Velpic now has direct or indirect relationships with over 24 resellers.

CORPORATE

Board Changes

The Company announced that Mr Patrick Connell and Mr Glen Moora, both Executive Directors and co-founders of Velpic, stepped down from their roles on the Board. Both Mr Connell and Mr Moora continue to work for the Company focusing on the operations of the business and driving forward the growth strategy. The changes resulted in the Board having a more appropriate balance between executive and non-executive directors.

Sales Team Growth

Post the quarter, Velpic announced it has expanded its sales team with two senior and highly successful sales executives. Ms Rhonda Robati joined from GeoOp as Chief Revenue Officer, bringing over 20 years technology sales expertise, including roles with Salesforce and McAfee. Mr Ashwin Thomas joined as Director of Sales from Salesforce, bringing extensive sales network and experience.

Sale of Coal Tenements

Velpic sold its interest in the Bundaberg, Consuelo, and Don Juan coal projects in Queensland for approximately \$210,000 with funds raised from the sale to be used for the Company's growth and expansion plans.

OUTLOOK

Velpic enters 2017 with a robust sales pipeline and the addition of the new marketplace and the enhanced platform is expected to drive client growth. Furthermore, the expansion of its sales and marketing team is anticipated to drive client growth in the quarters to come.

The Company is also in the midst of planning some exciting projects and collaborations that it expects will further enhance its first mover advantage among the eLearning market and its clients.

Mr Russell Francis, CEO, Velpic commented: "The performance this quarter continues to reflect the hard work of our sales and marketing efforts as well as the strong fit between customer needs and the platform offering. We believe that to continue to build on this success we need to further expand our sales efforts and as our revenue builds, we will in turn look to increase these activities.

"This year we're particularly excited by a number of new technology trends that have been emerging in the eLearning sector. At Velpic, it is important for us to provide our customers with the best and most interactive methods to encourage workplace learning and 2017 will continue to see us enhance our platform and offering to maintain our competitive advantage."

****ENDS****

For further information, please contact:

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About the Velpic Group

The Velpic Group consists of two related entities: Velpic, a cloud-based video eLearning platform, and Dash Digital, a brand technology agency.

Velpic has developed a unique online platform that provides a scalable, cloud-based training, induction and education solution for businesses. The platform allows businesses to create their own training lessons and distribute them to staff and contractors, who can access the Velpic Platform on all devices including mobile phones and tablets.

The cloud-based platform has global potential and is set to disrupt the traditional Learning Management System (LMS) marketplace, and Velpic already has an extensive list of ASX 200 clients using the platform.

Dash Digital is a full service digital branding, marketing, web and app development organisation that seamlessly blends creative and development talents across all disciplines – visual design, print graphics, websites, software development and online marketing.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Velpic Limited

ABN

65 149 197 651

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		540	1,013
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(131)	(261)
(c) advertising and marketing		(119)	(288)
(d) leased assets		-	-
(e) staff costs		(944)	(1,767)
(f) administration and corporate costs		(153)	(380)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		9	21
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other - tenement costs		(3)	(30)
1.9 Net cash from / (used in) operating activities		(801)	(1,692)

Quarterly report for entities subject to Listing Rule 4.7B

2.	Cash flows from investing activities		
2.1	Payments to acquire/disposal of:		
	(a) property, plant and equipment	(10)	(11)
	(b) businesses (see item 10)	(32)	(32)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	8	8
	(b) businesses (see item 10)	210	210
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	176	175

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,931*
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(296)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	4,635

* Proceeds in relation to the Company's renounceable rights issue completed in July 2016. \$0.77 million of the \$5.7 million raised was received in June 2016.

Quarterly report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,748	2,005
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(801)	(1,692)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	176	175
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,635
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,123	5,123

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,123	5,748
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,123	5,748

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

146

-

Fees and salaries paid to Directors and their associates.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

-

-

N/A

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter*

\$A'000

9.1 Research and development	-
9.2 Product manufacturing and operating costs	165
9.3 Advertising and marketing	150
9.4 Leased assets	-
9.5 Staff costs	1,130
9.6 Administration and corporate costs	145
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows*	1,590

* The estimated cash outflows for the quarter will be partially offset by the cash inflows for the quarter.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	ICX Consuelo 2318 Pty Ltd ICX Consuelo 2327 Pty Ltd ICX Consuelo Pty Ltd ICX Don Juan Pty Ltd Gen Resources Pty Ltd
10.2 Place of incorporation or registration	N/A	Australia
10.3 Consideration for acquisition or disposal	N/A	ICX Consuelo 2318 Pty Ltd - \$12,500 ICX Consuelo 2327 Pty Ltd - \$12,500 ICX Consuelo Pty Ltd - \$12,500 ICX Don Juan Pty Ltd - \$12,500 Gen Resources Pty Ltd - \$150,000
10.4 Total net assets	N/A	-
10.5 Nature of business	N/A	Entities holding tenement permits/licenses

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: 30 January 2017
(Director/Company secretary)

Print name: Piers Lewis

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.