

**Appendix 4E**  
**Preliminary final report**

**VELPIC LIMITED**  
**ABN 65 149 197 651**

**Financial year ended: 30 June 2017**  
**Previous corresponding period: 30 June 2016**

*Results for announcement to the market*

	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>Change %</b>
<b>Revenue from continuing operations</b>	2,230,790	1,460,273	53%
<b>Profit/(Loss) from ordinary activities after tax attributable to members</b>	(3,727,375)	(4,655,335)	(20%)
<b>Net profit/ (loss) attributable to members</b>	(3,727,375)	(4,655,335)	(20%)
<b>Dividends (distributions)</b>		<b>Amount per Security</b>	<b>Franked Amount per Security</b>
Final dividend Interim dividend		None	-
Previous corresponding period		None	-
<b>Record date for determining entitlements to the dividend</b>		N/A	

***Details of individual and total dividends or distributions and dividend or distribution payments***

N/A

***Details of any dividend or distribution reinvestment plans in operation***

N/A

***Net tangible assets per security***

<b>30/06/2017</b>	<b>30/06/2016</b>
\$0.044	\$0.024

**Details of entities over which control has been gained or lost during the period:**

<b>Name of entity</b>	<b>Date of loss of control</b>	<b>Profit/ (loss) after tax of the controlled entities since the date in the current period</b>	<b>Profit/ (loss) after tax of the controlled entities during the whole of the previous corresponding period</b>
Gen Resources Pty Ltd	24 November 2016	-	-
ICX Consuelo 2318 Pty Ltd	24 November 2016	-	-
ICX Consuelo Pty Ltd	24 November 2016	-	-
ICX Don Juan Pty Ltd	24 November 2016	-	-

**Details of associates and joint venture entities**

N/A

**Foreign entities**

N/A

**Commentary for results of the period**

For the year ended 30 June 2017, the Group made a consolidated loss after income tax of \$3,727,375 (30 June 2016: \$4,655,335). At balance date, the Group had \$3,250,134 (30 June 2016: \$2,005,712) in cash and \$7,966,036 in net assets. (30 June 2016: \$6,122,520).

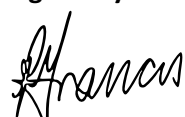
Velpic strengthened its balance sheet with a successful \$5.7 million rights issue (before costs) that received strong support from shareholders at the beginning of the year.

Total revenue reported for the year ended 30 June 2017 was \$2,230,790 (30 June 2016: \$1,460,273). Revenue from ongoing operational activities totalled \$1,781,257. During the year, the Company successfully disposed of its coal project tenements in Queensland, for consideration of \$210,000 and lodged its first research and development incentive tax return resulting in other income of \$195,680.

**Compliance statement**

The attached annual report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board and are based on accounts that have been audited. A copy of the independent audit report is on page 17 to 20 of the attached annual report

**Signed By:**



**Russell Francis**  
**Chief Executive Officer**

**Velpic Limited**  
**ABN 65 149 197 651**

**For the financial year ended**  
**30 June 2017**

## **CORPORATE DIRECTORY**

### **Directors**

Leanne Graham – Non-executive Chairperson  
Russell Francis – Executive Director  
Harry Karelis – Non-executive Director  
Daniel Rohr – Non-executive Director

### **Company Secretary**

Catherine Anderson

### **Auditors**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### **Bankers**

Westpac Banking Corporation  
116 James Street  
Perth WA 6000

### **Registered Office**

243 Hay Street  
Subiaco WA 6008

Telephone: 08 6160 4455

### **Share Registry**

Link Market Services  
Central Park  
Level 4, 152 St Georges Terrace  
Perth WA 6000

Investor Enquiries: 1300 554 474

### **Stock Exchange Listing**

Securities of Velpic Limited are listed on the Australian Securities Exchange.

ASX Code: VPC

**Web Site:** [www.velpic.com](http://www.velpic.com)

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## DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group consisting of Velpic Limited and the entities it controlled for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Leanne Graham  
Russell Francis  
Harry Karelis  
Daniel Rohr  
Patrick Connell – Resigned 25 October 2016  
Glen Moora - Resigned 25 October 2016

### Leanne Graham (Non – Executive Chairperson)

Ms Graham is an IT entrepreneur with over 30 years' at the highest levels in the software sector. As one of New Zealand's few female IT entrepreneurs and a former chief executive of a listed company on the New Zealand Stock Exchange, she has built a name for herself by enabling multiple cloud, mobility and Software-as-a-Service companies to maximise their global go to market opportunities. Leanne is also a director of iExecute SaaS, Chairperson of APE Mobile and Non-Executive Director of BidEnergy Limited (ASX:Bid), an Australian based technology Company.

Ms Graham was the General Manager of Sales at the globally successful SaaS accounting software company, Xero, and was the architect of the Xero global sales strategy around 'recruit, educate and grow'; a key channel strategy used to build Xero's customer base in New Zealand and then in Australia, the United Kingdom and the United States. Leanne's strategy took Xero's New Zealand partner base to close to 100% of the country's accounting industry and grew revenues by 500%. Through her strategic investment company, Cloud Rainmakers Ltd, she assists technology companies to identify how they can develop strategic partnerships and disrupt an industry to become export successes.

In the 3 years immediately before the end of the financial year, Ms Graham also served as a director of the following listed companies:

- BidEnergy Limited (ASX: BID)

### Russell Francis (Chief Executive Officer)

Mr Francis is an entrepreneur and Internet Pioneer with more than 20 years' international experience running successful business that build enterprise scale applications, web apps and mobile apps for the likes of Citibank, ABN AMRO, P&O, Lloyds TSB, Dixon Stores Group, ASDA, Bankwest, Western Power, Goldman Sachs and JB Were.

Mr Francis built his first website in 1995 and by 1998, he successfully negotiated the sale of his London based software development firm to a Silicon Valley based IT consulting firm and then led his new firm into the Internet revolution building some of the biggest websites and online applications in Europe.

He founded Reignite in Perth in 2005 and in March 2012, Mr Francis, Mr Connell and Mr Moora agreed to set up a joint venture to develop Velpic, which led to the merger of Reignite, Dash Digital and Chameleon Creative in July 2013.

In the 3 years immediately before the end of the financial year, Mr Francis did not hold any other directorships in Australian listed entities.

## **DIRECTORS' REPORT (continued)**

### **Harry Karelis (Non - Executive Director)**

Mr Karelis is the founder of Titan Capital Partners – a privately held investment group involved in a range of projects. Prior to establishing Titan, Harry worked in the financial services industry with roles in financial analysis and funds management both in Australia and overseas. He has in excess of 25 years' diversified experience in the financial services sector including fundamental analysis, fund management and private equity investment and has acted as a Director on several public and private companies in numerous jurisdictions.

In the 3 years immediately before the end of the financial year, Mr Karelis also served as a director of the following Australian listed companies:

- BioTech Capital Ltd (Resigned 4 August 2014)
- Wangle Technologies Ltd (formerly VTX Holdings Limited) (Resigned 19 February 2016)
- AusCann Group Holdings Ltd \*
- Zelda Therapeutics Ltd \*

### **Daniel Rohr (Non - Executive Director)**

Mr Rohr is a Chartered Accountant with over 20 years' management, corporate advisory, finance and accounting experience across a range of listed and unlisted companies in Australia and overseas. He is currently the Chief Financial Officer (CFO) of HealthEngine Pty Ltd and he has extensive experience in the IT industry and managing the development of high growth and start up companies. Mr Rohr was responsible for the development and launch of helpmechoose.com.au, a financial products comparison and advisory site. He was also the CFO of ecorp Limited, a digital investment company that established eBay Australia and ninemsn (through joint ventures) as well as acquiring Ticketek and investing in the start-up of Wizard Mortgage Corporation.

In the 3 years immediately before the end of the financial year, Mr Rohr also served as a director of the following listed companies:

- Cirrus Networks Limited \* (ASX:CNW)

### **Ms. Catherine Anderson (Company Secretary)**

The Company Secretary is Catherine Anderson who is a legal practitioner admitted in Western Australia and Victoria. She has over 25 years experience in both private practice and in house legal roles from working in both Melbourne and Perth.

Catherine also has experience in company secretarial roles for ASX listed companies in both the mining and IT spheres, as well as having been a director of an ASX listed junior explorer. She currently also provides consultancy services to entities wishing to proceed to IPO and listing on ASX and has twice been nominated for the Telstra Business Woman of the Year Award for an online retail business she established in 2007.

*\* denotes current directorships*

## DIRECTORS' REPORT (continued)

### Interests in the shares, options and convertible notes of the Company and related bodies corporate

The directors held the following relevant interests in shares and options of the Company or a related body corporate as at the date of this report:

	<b>Fully paid ordinary shares Number</b>	<b>Share options Number</b>
Leanne Graham	666,667	7,333,334
Russell Francis	40,833,333	11,666,667
Harry Karelis	1,666,667	2,833,334
Daniel Rohr	5,000,000	736,667

### Shares under option or issued on exercise of options

At the date of this report unissued ordinary shares or interests of the Company under option are:

<b>Date options granted</b>	<b>Number of share options</b>	<b>Exercise price of option</b>	<b>Expiry date of option</b>
10 October 2013	2,750,000	\$0.20	10 October 2018
19 June 2014	7,250,000	\$0.20	18 June 2019
17 March 2015	4,000,000	\$0.20	31 January 2018
7 December 2015	6,970,000	\$0.05	3 December 2018
2 October 2015	4,000,000	\$0.06	31 January 2018
7 July 2016	97,052,117	\$0.06	30 June 2018
25 November 2016	15,000,000	\$0.06	25 November 2019
21 June 2017	1,550,000	\$0.06	21 June 2021
<b>Total</b>	<b>138,572,117</b>		

No options were exercised during or since the end of the financial year.

### Share options granted to directors and senior management

During and since the financial year, share options were granted to the key management personnel of the Company and the entities it controlled as part of their remuneration. Refer to page 13.

### Principal Activities

The Company's principal activities have been the provision of a cloud-based video e-learning software platform and a brand technology agency.

### Operating Results

For the year ended 30 June 2017, the Group made a consolidated loss after income tax of \$3,727,375 (2016: \$4,655,335). At balance date, the Group had \$3,250,134 (2016: \$2,005,712) in cash and \$7,966,036 in net assets. (2016: \$6,122,520).



## **DIRECTORS' REPORT (continued)**

### **Review of Operations**

#### **Financial**

Total revenue reported for the year ended 30 June 2017 was \$2,230,790 (30 June 2016: \$1,460,273). Revenue from ongoing operational activities totalled \$1,781,257 with subscription and content revenue accounting for 27% and continuing to become a more significant contributor to the revenue mix. During the year, the Company successfully disposed of its coal project tenements in Queensland, for consideration of \$210,000 and lodged its first research and development incentive tax return resulting in other income of \$195,680.

Velpic strengthened its balance sheet with a successful \$5.7 million rights issue (before costs) that received strong support from shareholders at the beginning of the year. As a result, Velpic was able to significantly bolster its sales and marketing initiatives, which have already proved to be a key contributor to the revenue growth of the business.

At the end of the financial year, Velpic's LMS platform achieved a total of 86 clients, 274% higher than the end of the the previous financial year and now generating over \$500,000 in annualised committed monthly revenue (ACMR).

#### **Platform**

Velpic has continued to innovate its unique Learning Management System (LMS) with the launch of new versions of the platform, now at Version 3.5, with enhanced capabilities and additional features that have made the product simpler to use, innovative and appealing to customers. New features added in FY17 include:

- Learn VR App - Ability for trainers to distribute virtual reality 360 video content that can be consumed and tracked as part of their organisation learning;
- New lesson format - (module lessons) mixed content lessons for better engagement and retention;
- Gamification and achievements - Ability to define achievements for trainee engagement;
- Single Sign On integration - Google Business, Microsoft office 365 and active directory, Okta and more;
- Support for CPD Points;
- Support for Skills - Competencies certifications and skills matrix;
- Increased support for Enterprises - Custom fields, group hierarchies, direct managers;
- Legacy Content - SCORM support, document lessons (PowerPoint, Word, PDF, etc);
- Lesson feedback - ability for trainees to rate lessons;
- Partner Portal - allowing content and reseller partners access to the Velpic Platform for creating content and reviewing their client accounts;
- Ecosystem expansion - focus on our RestAPI, Web-hooks and plugins to offer embedded players and integration options for businesses with a range of business systems;
- ADP / AppDirect marketplace integration

#### **Pricing**

Velpic also made changes to its pricing structure with the introduction of a new per active user model to encourage more regular use of the Velpic platform. Under this structure clients pay a fee for each active user or staff member that uses the platform, with packages starting from \$299 per month for 50 monthly active users. The consumption based pricing aims to encourage the utilisation of the platform by employees.

**DIRECTORS' REPORT (continued)**  
**Review of Operations (continued)**

***Marketplace***

The successful launch of the online marketplace enabled users to purchase off the shelf on demand e-learning lessons. The marketplace provides customers with access to a high quality library of e-learning lessons curated and licensed from leading qualified content creators. The lessons are purchased on a per registered user basis and targets the significant SME market that is often unable to create their own content due to time constraints.

There are now over 100 lessons available in the marketplace covering human resources, environmental awareness, sales cycle, communicating, project management and consumer rights and many more.

***Schools Pack***

Velpic partnered with Mills Oakley to develop a cohesive training and management system to identify hazards and risks associated with tasks carried out by employees at primary and secondary schools across Australia. The new offering provides expert content, created by Mills Oakley, on safety management within schools to minimise exposure of employees to potential hazards and schools from potential litigation. The content is delivered via Velpic's learning management system (LMS). 9 courses have now been developed in partnership with Mills Oakley and this industry specific LMS plus content bundle is ready for commercialisation. The Schools Pack is a pilot program for other bundles tailored for specific industries in FY18.

***Virtual Reality***

One of the most exciting developments for the Company this financial year is Velpic's new virtual reality (VR) offering. The VR training content ranges from premium immersion experiences requiring specialist VR equipment, through to entry-level 360 degree content available directly through the Velpic platform.

The Velpic VR Learn App was launched in the Apple and Google stores and can be downloaded to any iOS or Android device. The App enables customers to access the entry-level VR content that is available in the Velpic platform. The VR Lesson Editor is now in development which will allow customers to create content themselves.

The VR capabilities have further extended Velpic's global first mover advantage becoming the first LMS to offer VR lesson creation from within the LMS platform. This significantly reduces the complexity, cost and time for VR lesson creation, enabling anyone to build simple entry-level VR immersive experiences.

**Corporate Update**

***Capital Raising***

At the beginning of the financial year, Velpic successfully completed a rights issue that raised \$5.7m, through the issue of 190 million shares. The rights issue was a 2 for 5 renounceable rights issue, partially underwritten by CPS Capital. Shareholders received 1 free attaching option for every 2 new shares issued with an exercise price of \$0.06 and a term of 24 months.

Net proceeds from the rights issue primarily went toward accelerating the Company's growth plans through digital marketing and partnerships, and to continue developing and implementing innovative features within the Velpic cloud-based video eLearning platform.

**DIRECTORS' REPORT (continued)**  
**Review of Operations (continued)**

***Board and Staff Changes***

Mr Patrick Connell and Mr Glen Moora, both Executive Directors and co-founders of Velpic, stepped down from their roles on the Board in October. The company expanded its sales teams 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. The high calibre appointments marked the Company's shift towards its next growth phase and focus on scaling the revenue.

The Chief Revenue Officer and Sales Director appointments immediately provided success by demonstrating their ability to convert a high proportion of the sales pipeline. This success prompted a restructure and relocation of the Sales & Marketing team to the Sydney office under the direct leadership of the Chief Revenue Officer. The restructure, performed in April 2017, yielded almost immediate results with June 2017 becoming a record for new sales with a 76% increase over the previous record highest month in March 2017. The new Sydney-based sales team achieved a 247% year-on-year increase for new sales closed in the month of June 2017 compared to June 2016.

Dash Digital continues to deliver Professional Service fees for the business and remains a very important part of the Velpic business. To ensure growth within the Dash Digital business its Sales & Marketing team was also restructured in the final quarter of the 2017 financial year to cope with the ever-changing Western Australian market. Dash Digital continues to focus on ensuring the business has the necessary resources to meet the growing demands for its core services, software development projects, mobile apps, web sites, creative design and digital marketing.

***Sale of Coal Tenements***

Velpic sold its 100% owned subsidiaries that held interests in the Bundaberg, Consuelo, and Don Juan coal projects in Queensland for \$210,000. The sale of the tenements enabled the business to focus solely on its technology business and that of its cloud-based video eLearning platform.

**Significant changes in the state of affairs**

There has been no significant changes in the state of affairs of the Group to the date of this report.

**Events Occurring After the Balance Date**

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**Likely developments and expected results**

The Group will continue to develop its cloud based e-learning software and expand its operations internationally.

**Environmental legislation**

The Group is subject to significant environmental regulation under Commonwealth, State and Territory legislation in relation to the discharge of hazardous waste and minerals arising from exploration activities conducted by the Group on its tenements. At the date of this report, there have been no known breaches of any environment obligations. The Directors have also considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report greenhouse gas emissions and energy use. For the period 1 July 2016 to 30 June 2017, the directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

**Dividends**

No dividends has been declared or paid for the year ended 30 June 2017. (2016: NIL)

## **DIRECTORS' REPORT (continued)**

### **Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### **Remuneration report (audited)**

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ('KMP') of Velpic Limited for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

#### *Key Management Personnel ('KMP')*

The directors and other KMP of the Group during or since the end of the financial year were:

#### Directors

Leanne Graham	Non-Executive Chairperson
Russell Francis	Chief Executive Officer
Harry Karelis	Non-Executive Director
Daniel Rohr	Non-Executive Director
Glen Moora	Executive Director - Resigned 25 October 2016
Patrick Connell	Executive Director - Resigned 25 October 2016

#### Management

Rhonda Robati	Chief Revenue Officer - Appointed 9 January 2017
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#### *Remuneration philosophy*

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

The Board of directors assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

#### *Remuneration structure*

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) (continued)**

*Non-executive director remuneration*

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market prices, duties and accountability. Independent external advice is sought when required.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The approved aggregate remuneration is currently set at \$500,000 per year.

*Senior manager and executive director remuneration*

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

*Fixed Remuneration*

Fixed remuneration is reviewed annually. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

*Variable Remuneration*

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and key management personnel. Currently, this is facilitated through the issue of options to key management.

Options issued to Directors may be subject to market-based price and vesting conditions and the exercise prices of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. KMP are also entitled to participate in the employee share and option arrangements.

On the resignation of Directors, the relevant party retains any vested options issued as remuneration.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward KMP for performance that results in long-term growth in shareholder value.

**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) (continued)**

*Employment Contracts*

Upon appointment to the Board, all non-executive Directors enter into an agreement with the Group in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the officers of Directors. The key terms of the Agreements with KMP are as follows:

Ms Leanne Graham

- Term of agreement – ongoing subject to review
- Fees - \$42,000 per annum, no superannuation
- No notice period stipulated to terminate the contract by either party
- Subject to re-election under ASX rules

Mr Russell Francis

- On-going agreement unless terminated
- Annual base salary of \$200,000 plus statutory superannuation
- Entitled to certain long term and short-term incentives, at the discretion of the Board
- Leave in accordance with the National Employment Standards
- Subject to re-election under ASX rules

Mr Harry Karelis:

- Term of agreement – ongoing subject to review
- Fees - \$42,000 per annum plus GST, no superannuation
- No notice period stipulated to terminate the contract by either party
- Subject to re-election under ASX rules

Mr Daniel Rohr

- Term of agreement – ongoing subject to review
- Salary – \$42,000 per annum including superannuation
- No notice period stipulated to terminate the contract by either party
- Subject to re-election under ASX rules

Ms Rhonda Robati

- On-going agreement unless terminated
- Salary - \$200,000 per annum plus statutory superannuation
- Commission - \$100,000 per annum plus statutory superannuation
- Leave in accordance with the National Employment Standards

**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) (continued)**

*Remuneration of Key Management Personnel*

Details of the remuneration of the Directors and the KMP (as defined in AASB 124 *Related Party Disclosures*) of Velpic Limited are set out in the following tables:

	Short-term employee benefits			Long-term employee benefits	Post employment benefits	Share-based payments	Total	Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	Other	Annual Leave (i)	Long Service Leave (i)	Super-annuation	Share options		Fixed remuneration	Remuneration linked to performance
	\$	\$	\$	\$	\$	\$		%	%
<b>30 June 2017</b>									
Leanne Graham	21,000	-	-	-	-	37,296	58,296	100 %	0 %
Russell Francis	200,000	-	10,913	10,734	19,000	74,593	315,240	100 %	0 %
Harry Karelis	42,000	2,500	-	-	-	-	44,500	100 %	0 %
Daniel Rohr	38,356	-	-	-	3,644	2,694	44,694	100 %	0%
Rhonda Robati (ii)	131,823	-	8,461	-	12,523	-	152,807	100 %	0%
Patrick Connell (iii)	61,538	-	27,016	8,885	5,846	-	103,285	100 %	0%
Glen Moora (iii)	72,090	-	30,838	10,268	6,849	-	120,045	100 %	0%
<b>Total</b>	<b>566,807</b>	<b>2,500</b>	<b>77,228</b>	<b>29,887</b>	<b>47,862</b>	<b>114,583</b>	<b>838,867</b>	<b>100 %</b>	<b>0 %</b>

(i) Annual leave and long service leave reflects the estimated liability at balance date.

(ii) Ms Robati was appointed as the Chief Revenue Officer on 9 January 2017

(ii) Mr Connell and Mr Moora resigned as Directors on 25 October 2016 and therefore amounts disclosed above only represent amounts paid as a KMP.

	Short-term employee benefits			Long-term employee benefits	Post employment benefits	Share-based payments	Total	Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	Other	Annual Leave	Long Service Leave (viii)	Super-annuation	Share options		Fixed remuneration	Remuneration linked to performance
	\$	\$	\$	\$	\$	\$		%	%
<b>30 June 2016</b>									
Leanne Graham (i)	31,500	-	-	-	-	40,800	72,300	100 %	0 %
Russell Francis (ii)	146,308	-	26,143	7,454	22,322	-	202,227	100 %	0 %
Glen Moora (ii)	159,385	-	6,466	8,000	15,142	-	188,993	100 %	0 %
Patrick Connell (ii)	137,846	-	25,587	7,008	13,095	-	183,536	100 %	0 %
Harry Karelis (iii)	42,000	44,000	-	-	-	40,800	126,800	100 %	0%
Daniel Rohr (iv)	45,676	-	-	-	4,339	2,880	52,895	100 %	0 %
John Lester (v)	24,833	80,500	-	-	2,058	-	107,391	100 %	0 %
Hugh Dai (vi)	126,272	82,500	-	-	20,089	-	228,861	100 %	0 %
Noel Halgreen (vii)	45,966	-	-	-	-	-	45,966	100 %	0 %
<b>Total</b>	<b>759,786</b>	<b>207,000</b>	<b>58,196</b>	<b>22,462</b>	<b>77,045</b>	<b>84,480</b>	<b>1,208,969</b>	<b>100 %</b>	<b>0 %</b>

(i) Ms Graham was appointed on 22 October 2015 and fees are paid to Cloud Rainmakers Ltd, a company that Ms Graham is a director of. In addition to this, \$21,500 was paid for prepaid director fees.

(ii) Mr Francis, Moora and Connell were appointed on 22 October 2015 and remuneration reflects amounts paid from date of appointment. The other remuneration represents outstanding annual leave liability accrued as at balance date.

(iii) Mr Karelis' fees include \$44,000 of consulting fees. Of this, \$10,000 relates to outstanding consulting fees from the prior year paid in the current year. These fees were paid to Gemelli Nominees Pty Ltd, a company that Mr Karelis is a director of.

(iv) Mr Rohr was employed as the Chief Financial Officer from 22 October 2015 and transitioned to a non-executive Director from 1 March 2016. Prior to his employment, he was also paid \$3,750 in cash and \$83,334 in shares for consulting services provided during the financial year.

(v) Mr Lester resigned as Director on 30 October 2015. Remuneration reflects outstanding consulting fees of \$65,500 unpaid from the prior year paid in the current year and his remuneration to the date of resignation.

(vi) Mr Dai resigned as director on 22 October 2015. Remuneration reflects amount paid up to date of resignation. Other payment made relates to a termination payment for the termination of Mr Dai's employment agreement with the Company.

(vii) Mr Halgreen resigned as a director on 22 October 2015. Remuneration includes \$32,900 outstanding directors fees from the prior year paid in the current year. Fees were paid to Cariant Pty Ltd, a company that Mr Halgreen is a director of.

(viii) Long service leave reflects balance accrued at balance date. A probability of 70-75% has been applied to take into account the service period of these directors.

**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) (Continued)**

*Employee Share option plan*

Details of employee share option plans granted as compensation for the current financial year

For details on the valuation of the options, including models and assumptions used, please refer to Note 13. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

	<b>Grant date</b>	<b>Grant date fair value</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Vesting date</b>
Director Options	25/11/2016	\$0.019	\$0.06	25/11/2019	25/11/2016 50% 21/06/2018 25% 21/06/2019
Employee Options	21/06/2017	\$0.006	\$0.06	21/06/2021	25% 21/06/2020

Share-based payments granted as compensation to key management personnel during the current financial year

<b>KMP</b>	<b>Option series</b>	<b>Granted during the year</b>	<b>Vested during the year</b>	<b>% of grant vested</b>	<b>% of grant forfeited</b>
		Number	Number	%	%
Leanne Graham	Director Options	5,000,000	5,000,000	100 %	0%
Russell Francis	Director Options	10,000,000	10,000,000	100 %	0%
Rhonda Robati	Employee Options	1,000,000	-	0%	0%

*Key management personnel equity holdings*

	<b>Balance at beginning of year</b>	<b>Granted/ acquired during the year</b>	<b>Received on exercise of options</b>	<b>Net change other (i)</b>	<b>Balance at end of year</b>
<b>30 June 2017</b>	Number	Number	Number	Number	Number
Leanne Graham	-	666,667	-	-	<b>667,667</b>
Russell Francis	37,500,000	3,333,333	-	-	<b>40,833,333</b>
Harry Karelis	-	1,666,667	-	-	<b>1,666,667</b>
Daniel Rohr	4,166,667	833,333	-	-	<b>5,000,000</b>
Patrick Connell	37,500,000	-	-	(37,500,000)	-
Glen Moora	37,500,000	-	-	(37,500,000)	-
Rhonda Robati	-	-	-	-	-

*Share options held by key management personnel during the financial year*

	<b>Balance at beginning of year</b>	<b>Granted / acquired during the year</b>	<b>Net change other (i)</b>	<b>Balance at end of year</b>	<b>Vested and exercisable</b>	<b>Not vested and not exercisable</b>
<b>30 June 2017</b>	Number	Number	Number	Number	Number	Number
Leanne Graham	<b>2,000,000</b>	5,333,334	-	<b>7,333,334</b>	7,333,334	-
Russell Francis	-	11,666,667	-	<b>11,666,667</b>	11,666,667	-
Harry Karelis	<b>2,000,000</b>	833,334	-	<b>2,833,334</b>	2,833,333	-
Daniel Rohr	<b>320,000</b>	416,667	-	<b>736,667</b>	576,667	160,000
Patrick Connell	-	-	-	-	-	-
Glen Moora	-	-	-	-	-	-
Rhonda Robati	-	1,000,000	-	<b>1,000,000</b>	-	1,000,000

(i) Net change other reflects changes upon appointment or resignation of each KMP



**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) (continued)**

*Other transactions with key management personnel*

For the year ended 30 June 2017, the other transactions with key management personnel included:

- \$31,683 in sales revenue billed to AusCann Group Holdings Ltd, of which Mr Karelis is a director.
- \$18,401 in sales revenue billed to Zelda Therapeutics Pty Ltd, of which Mr Karelis is a director.

*Trading transactions*

The following balances were outstanding at the end of the reporting period:

	<b>Consolidated</b>			
	Amounts owed by related parties		Amounts owed to related parties	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
AusCann Group Holdings Ltd	37	941	-	-
Zelda Therapeutics	225	-	-	-

Sales of goods to related parties were made at the arm's length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

*Voting and comments made at the company's 2016 Annual General Meeting*

The company received validly appointed proxies of 88.75% of "yes" votes on its remuneration report for the 2016 financial year. The remuneration resolution was carried on a show of hands. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

-- END OF AUDITED REMUNERATION REPORT --

**Directors' Meetings**

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	<b>Directors' Meetings</b>	
	<b>Present</b>	<b>Entitled to attend</b>
Number of meetings attended:		
Leanne Graham	8	8
Russell Francis	8	8
Harry Karelis	7	8
Daniel Rohr	8	8
Patrick Connell	4	4
Glen Moora	4	4

**Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**Corporate Governance Statement**

A copy of the Company's Corporate Governance Plan can be found on the Company's website - [https://www.velpic.com/images/files/VPC\\_Corporate\\_Governance\\_Plan\\_Nov15.pdf](https://www.velpic.com/images/files/VPC_Corporate_Governance_Plan_Nov15.pdf)

## DIRECTORS' REPORT (continued)

### Non-Audit Services

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd during the year ended 30 June 2017 are outlined in the following table. The Directors are satisfied that the provision of non-audit services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Preparation of investigating accountant's report	-	6,116

The Board is satisfied that the auditors of the Company, BDO Audit (WA) Pty Ltd remain independent.

### Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, BDO Audit (WA) Pty Ltd, to provide the directors with an independence declaration in relation to the review of the half year financial report. This independence declaration forms part of the Directors' Report and is included on the following page.

Signed in accordance with a resolution of the directors.



Russell Francis  
Director  
Perth  
24 August 2017

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF VELPIC LIMITED

As lead auditor of Velpic Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Velpic Limited and the entities it controlled during the period.



**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 24 August 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Velpic Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Velpic Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1(f) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying Value of goodwill

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At the 30 June 2017, the carrying value of goodwill was \$4.94 million (2016: \$4.94 million), as disclosed in note 9.</p> <p>An annual impairment test for goodwill is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.</p> <p>The assessment of the carrying value of goodwill is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, and the assessment requires management to make significant judgements and estimates in determining the key assumptions used in the recoverable amount.</p> <p>Refer to Note 9 for the detailed disclosures and Note 1 which includes the critical accounting judgements and estimates.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluating management's impairment assessment of the goodwill by challenging the key estimates and assumptions used by management, including the following:</li> <li>• Challenging the appropriateness of the Capitalised Market Approach (fair value less cost of disposal) valuation method used to determine the fair value in accordance with AASB 13 Fair Value.</li> <li>• Assessing the carrying value of Velpic's net assets with regard to the group's market capitalisation as at 30 June 2017; and</li> <li>• Assessing the adequacy of the group's disclosures and impairment assessment methodology as disclosed in note 9 to the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.



Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

#### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this 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 (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Velpic Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



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

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink. The word 'BDO' is written in a simple, blocky font. Below it, the name 'J Prue' is written in a cursive, handwritten style.

**Jarrad Prue**

**Director**

Perth, 24 August 2017

## DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Russell Francis  
Director  
Perth  
24 August 2017



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Consolidated	
	Note	30 June 2017	30 June 2016
		\$	\$
<b>Continuing operations</b>			
Revenue	2	1,781,257	1,399,559
Other income	2	449,533	60,714
Expenses			
Production costs		(453,079)	(449,501)
Compliance costs		(213,346)	(110,633)
Directors' fees		(126,000)	(73,266)
Depreciation	2	(23,611)	(16,319)
Reversal of doubtful debts/(doubtful debts expense)		(13,960)	26,030
Employee benefits expense	2	(3,985,519)	(2,202,522)
Marketing expense		(401,549)	(272,680)
Professional and consulting fees		(59,715)	(438,509)
Rent and utilities		(255,520)	(146,009)
Share-based payments	2	(152,167)	(799,941)
Travel expense		(61,122)	(79,646)
Other expenses		(174,123)	(143,031)
Re-compliance and acquisition costs		-	(174,596)
Interest expense		-	(6,570)
Impairment of capitalised exploration expenditure	2	-	(1,200,724)
Tenement costs incurred		(38,454)	(27,691)
		<b>(3,727,375)</b>	<b>(4,655,335)</b>
<b>Loss for the year before income tax</b>			
Income tax benefit	3	-	-
		<b>(3,727,375)</b>	<b>(4,655,335)</b>
<b>Loss for the year after income tax</b>			
Other comprehensive income		-	-
		<b>(3,727,375)</b>	<b>(4,655,335)</b>
<b>Total comprehensive loss for the year</b>			
Loss per share for the year attributable to the members of Velpic Limited:			
Basic and diluted loss per share (cents per share)	14	(0.55)	(1.19)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Consolidated	
		30 June 2017	30 June 2016
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	3,250,134	2,005,712
Trade and other receivables	6	437,590	390,171
Other current assets	7	40,065	126,546
<b>Total current assets</b>		<b>3,727,789</b>	<b>2,522,429</b>
<b>Non-current assets</b>			
Plant and equipment	8	71,082	78,982
Intangible assets	9	23,662	23,662
Goodwill	9	4,940,017	4,940,017
<b>Total non-current assets</b>		<b>5,034,761</b>	<b>5,042,661</b>
<b>Total assets</b>		<b>8,762,550</b>	<b>7,565,090</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	712,378	1,370,709
Provisions	11	31,267	18,040
<b>Total current liabilities</b>		<b>743,645</b>	<b>1,388,749</b>
<b>Non-current liabilities</b>			
Provisions	11	52,869	53,821
<b>Total non-current liabilities</b>		<b>52,869</b>	<b>53,821</b>
<b>Total liabilities</b>		<b>796,514</b>	<b>1,442,570</b>
<b>Net Assets</b>		<b>7,966,036</b>	<b>6,122,520</b>
<b>Equity</b>			
Issued capital	12	29,068,461	23,668,936
Reserves	13	3,662,041	3,490,675
Accumulated losses		(24,764,466)	(21,037,091)
<b>Total Equity</b>		<b>7,966,036</b>	<b>6,122,520</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated				Total Equity \$
	Issued capital \$	Share-based payments reserve \$	Deferred compensation reserve \$	Accumulated losses \$	
<b>Balance at 1 July 2016</b>	23,668,936	2,240,675	1,250,000	(21,037,091)	6,122,520
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(3,727,375)	(3,727,375)
Total comprehensive loss for the year	-	-	-	(3,727,375)	(3,727,375)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued	5,722,275	-	-	-	5,722,275
Options issued	-	171,366	-	-	171,366
Share issue costs	(322,750)	-	-	-	(322,750)
<b>Balance at 30 June 2017</b>	<b>29,068,461</b>	<b>2,412,041</b>	<b>1,250,000</b>	<b>(24,764,466)</b>	<b>7,966,036</b>
<b>Balance at 1 July 2015</b>	16,117,904	2,076,450	-	(16,381,756)	1,812,598
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(4,655,335)	(4,655,335)
Total comprehensive loss for the year	-	-	-	(4,655,335)	(4,655,335)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued	7,754,716	-	-	-	7,754,716
Share issue costs	-	164,225	-	-	164,225
Share-based payments for supply of services	(203,684)	-	-	-	(203,684)
Deferred share issue	-	-	1,250,000	-	1,250,000
<b>Balance at 30 June 2016</b>	<b>23,668,936</b>	<b>2,240,675</b>	<b>1,250,000</b>	<b>(21,037,091)</b>	<b>6,122,520</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Consolidated</b>	
		<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers	1,937,490	1,575,770
	Payments to suppliers and employees	(5,698,127)	(4,923,289)
	Transaction costs associated with the acquisition of subsidiaries	-	(215,490)
	Income tax-Research and Development rebate (net of costs)	174,155	31,545
	Interest received	34,649	28,910
	Interest paid	-	(6,458)
	<b>Net cash flows (used in) operating activities</b>	<b>(3,551,833)</b>	<b>(3,509,012)</b>
	<b>Cash flows from investing activities</b>		
	Cash acquired on acquisition of businesses	-	108,767
	Proceeds from sale of subsidiaries	210,000	-
	Payments for sale of subsidiaries	(31,604)	-
	Payments for plant and equipment	(22,285)	(30,256)
	Proceeds on disposal of plant and equipment	14,595	1,208
	Payments for trademarks	(9,885)	(731)
	<b>Net cash flows from (used in) investing activities</b>	<b>160,821</b>	<b>78,988</b>
	<b>Cash flows from financing activities</b>		
	Proceeds from issue of shares and options	4,931,474	4,012,500
	Cost of share issue	(296,040)	(203,684)
	Funds received in advance from non-renounceable rights issue	-	772,000
	Cost paid in advance for non-renounceable rights issue	-	(12,934)
	Repayment of borrowings from Director	-	(67,226)
	<b>Net cash flows provided by financing activities</b>	<b>4,635,434</b>	<b>4,500,656</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,244,422</b>	<b>1,070,632</b>
	Cash and cash equivalents at beginning of the year	2,005,712	935,080
	<b>Cash and cash equivalents at end of the year</b>	<b>3,250,134</b>	<b>2,005,712</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies

#### a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Velpic Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated and operating in Australia. The entity's principal activities are provision of cloud based e-learning software-as-a-service and digital branding consulting services.

#### b) Statement of compliance

The financial report was authorised for issue on 24 August 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### c) Adoption of new and revised standards

##### *Standards and Interpretations applicable to 30 June 2017*

In the year ended 30 June 2017, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

##### *Standards and Interpretations in issue not yet adopted*

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018.)

The Standard will be applicable retrospectively (Subject to the provisions on hedge accounting outlined below) and includes reviewed requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### c) Adoption of new and revised standards (continued)

They key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of this Standard, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

*AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The Directors are still assessing whether the adoption of AASB 15 will have an impact on the company's financial statements. This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

*AASB 16: Leases* (applicable to annual reporting periods commencing on or after 1 January 2019)

The key features of AASB 16 are as follows:

#### Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

#### Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### c) Adoption of new and revised standards (continued)

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### d) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Impairment of goodwill and intangibles with indefinite useful lives:*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 9.

##### *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value valued using the Black and Scholes model, refer to note 13 for assumptions.

##### *Work-In-Progress:*

Work-in-progress is valued at the cost, plus profit less any anticipated future losses for services provided but not yet billed at balance date.

#### e) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above. When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### e) Principles of Consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

#### *Changes in the Group's ownership interest in existing subsidiaries*

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

#### f) Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded an operating loss of \$3,727,375 and incurred a net cash outflow from operating activities of \$3,551,833 for the year ended 30 June 2017. At balance date, the Group had net current assets of \$2,984,144 and a cash balance of \$3,250,134.

The going concern of the Group is dependent upon it maintaining sufficient funds for its operations and commitments and the Directors recognise that additional funding is required to ensure that the Group can fund its operations during the twelve month period from the date of this financial report. These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors believe that subject to prevailing equity market conditions, the Group will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amount that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or liabilities that may be necessary should the entity not continue as a going concern.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### g) Revenue Recognition

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 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).

##### *Digital branding and consulting revenue*

Revenue from the rendering of services is recognised by reference to the service provided during the year.

##### *Software-as-a-Service (SaaS) Revenue*

Revenue from SaaS is recognised by reference to a subscription contract and the usage of the service.

##### *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

#### h) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### i) Trade and Other Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 7 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the entity will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor or default payments. On confirmation that the trade receivable will not be collectable the gross carrying value of the asset is written off against the associated provision.

From time to time, the entity elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the trustee, sufficient to require the derecognition of the original instrument.

#### j) Intangible Assets

Intangible assets that were acquired as part of the business combination are recognised at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives.

#### k) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortized. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of combination.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### k) Goodwill (continued)

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any Goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

#### l) Refundable R&D Tax Incentives / Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. Refundable tax incentives are accounted for as Government Grants. Refundable tax incentives are recognised as Other Income to the extent that the claim related to costs which had been expensed in the statement of profit or loss and other comprehensive income. For refundable tax incentives that relate to costs which have been capitalised to an asset, the tax incentive received is offset against the carrying amount of the asset.

#### m) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Velpic Limited.

#### n) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### n) Income Tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### Tax consolidation legislation

Velpic Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Velpic Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the statement of cash flows 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 are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### p) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### p) Business Combination (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

#### q) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a diminishing value method over the estimated useful life of the assets as follows except for office fit out that is calculated on a straight line basis:

Computer	4 years
Plant and equipment	10-20 years
Hardware and software	4 years
Furniture and Fittings	10 years
Motor Vehicle	8 years
Office fit out	40 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

#### *Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

#### s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

#### t) Employee leave benefit

##### *Wages, salaries, annual leave*

Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

##### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date.

#### u) Share-based payment transactions

##### *Equity settled transactions*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in note 13.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Velpic Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects:

- (i) the extent to which the vesting period has expired and;
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### u) Share-based payments (continued)

The consolidated statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer note 14.

#### v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

#### w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period

#### x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of significant accounting policies (continued)

#### y) Parent entity financial information

The financial information for the parent entity, Velpic Limited, disclosed in note 20 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

##### *Share-based payments*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

#### z) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine the fair value. Adjustments to market values may be made having regard to the characteristics of the specific assets or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liabilities (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of assets or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset or to sell it to another market participant that would use the assets in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is observable market prices in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. Revenue and expenses

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
Revenue from external customers from the provision of services	1,781,257	1,399,559
Other income		
- Interest income	34,231	28,910
- Other	9,622	31,804
- Gain on sale of subsidiaries (i)	210,000	-
- R&D incentive (ii)	195,680	-
	<u>449,533</u>	<u>60,714</u>

(i) During the period, the Company completed a sale of shares in its subsidiaries that held interest in its Bundaberg, Consuelo and Don Juan coal projects in Queensland for \$210,000, before costs.

(ii) The Company lodged its first research and development tax incentive return during the year.

	Note	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
Foreign exchange losses (net)		-	2,970
Interest expense		-	6,570
Depreciation of non-current assets		23,611	16,319
Exploration and evaluation assets – impairment		-	1,200,724
Loss on disposal of plant and equipment		-	259
Share-based payment expense:			
- Share-based payment via issue options	13	152,167	164,225
- Share-based payment via issue of shares	12	-	617,216
- Share-based payment pending issue of shares	10	-	18,500
		<u>152,167</u>	<u>799,941</u>
<i>Employee benefit expense</i>			
Salaries and superannuation		3,636,223	2,019,908
Other benefits		84,773	16,488
Employment taxes		216,525	73,852
Other costs		47,998	92,274
		<u>3,985,519</u>	<u>2,202,522</u>

### 3. Income Tax

#### *Income tax recognised in profit or loss*

The major components of tax expense are:

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
Current tax expense/(income)	-	-
Total tax expense/(income)	<u>-</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Income Tax (continued)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Loss	(3,727,375)	(4,655,335)
<i>Corporate tax rate applicable</i>	27.5%	30%
Income tax expense calculated at the corporate tax rate applicable	(1,025,029)	(1,396,601)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Share-based payments	41,846	239,982
• Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,107,907	839,462
• Non-deductible items	3,634	29,652
• Current year capital losses not recognised	273,716	-
• Non assessable income	(53,812)	-
• Movement in unrecognised temporary differences	(317,768)	314,742
• Deductible equity raising costs	(30,494)	(27,237)
Income tax /(benefit) attributable to profit or loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate payable by Australian corporate entities on taxable profits under Australian tax law. From 1 July 2016, the corporate tax rate for small business entities with aggregate turnover of less than \$10 million has been lowered to 27.5%.

#### *Deferred tax assets comprise:*

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Employee provisions	11,358	21,772
Other provisions	23,371	-
Income in advance	5,778	-
Less: Set off of deferred tax liabilities	(40,507)	(21,772)
Net deferred tax assets	-	-

#### *Deferred tax liabilities*

Unearned Income	(38,600)	(21,772)
Prepayments	(1,377)	-
Other	(530)	-
Less: set off deferred tax assets	40,507	21,772
	-	-

#### *Unused tax losses*

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Prior year tax losses brought forward	16,720,663	13,682,806
Add back:		
Research and development incentive	(434,846)	-
Other non deductions	(1,308)	-
Current year tax losses	4,028,751	3,037,857
Unrecognised tax losses	20,313,260	16,720,663

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Income Tax (continued)

*Unused tax losses and temporary differences to which no deferred tax assets has been recognised:*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Deductible temporary differences	265,291	573,084
Tax losses – revenue	5,586,147	5,016,199
Tax losses – capital	289,028	16,704
	<u>6,140,465</u>	<u>5,605,987</u>

The deductible temporary differences and tax losses do not expire under current tax legislation. The taxation benefits of tax losses not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

#### *Tax Consolidation*

Velpic Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 22 October 2015. The accounting policy for the implementation of the tax consolidation legislation is set out in note 1(n).

The entities in the tax consolidated group entered into a tax sharing agreement on adoption of the tax consolidation legislation, which, in the opinion of the directors, limits the joint, and several liability of the controlled entities in the case of a default by the head entity, Velpic Limited.

Velpic Limited and its controlled entities have entered into a tax funding agreement under which the 100% owned Australian resident subsidiaries compensate Velpic Limited for all current tax payable assumed and are compensated by Velpic Limited for any current tax receivable and deferred tax assets which relate to unused tax credits or unused tax losses that, under the tax consolidation legislation, are transferred to Velpic Limited. These amounts are determined by reference to the amounts that are recognised in the financial statements of each entity in the tax consolidated group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. Segment Information

The directors have considered the requirements of AASB 8 – Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker, which is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

For the year ended 30 June 2017, the Company had only one geographical location being Australia and operated in two business segments being a Software-as-a-Service business, a digital branding and consulting business.

	Consolidated			Total
	Software-as -a-Service	Consulting Services	Other	
	\$	\$	\$	\$
<b>30 June 2017</b>				
<b>Revenue</b>				
Sales to external customers	481,546	1,299,711	-	1,781,257
Interest revenue	-	-	34,231	34,231
Other income	1,366	7,839	406,097	415,302
Total Segment Revenue	<b>482,912</b>	<b>1,307,550</b>	<b>440,328</b>	<b>2,230,790</b>
<b>Segment net operating loss after tax</b>	<b>(2,845,246)</b>	<b>(237,161)</b>	<b>(644,969)</b>	<b>(3,727,375)</b>
Depreciation	(11,151)	(12,336)	(124)	(23,611)
<b>Segment assets</b>	5,081,997	550,820	3,129,733	8,762,550
<b>Segment liabilities</b>	381,349	164,553	250,612	796,514

	Consolidated			Total
	Software-as -a-Service	Consulting Services	Other	
	\$	\$	\$	\$
<b>30 June 2016</b>				
<b>Revenue</b>				
Sales to external customers	255,674	1,143,885	-	1,399,559
Interest revenue	-	4,124	24,786	28,910
Other income	259	-	31,545	31,804
Total Segment Revenue	<b>255,933</b>	<b>1,148,009</b>	<b>56,331</b>	<b>1,460,273</b>
<b>Segment net operating loss after tax</b>	<b>(1,349,092)</b>	<b>(327,410)</b>	<b>(2,978,833)</b>	<b>(4,655,335)</b>
Interest expense	112	6,458	-	6,570
Depreciation	4,644	11,675	-	16,319
Impairment – exploration expenditure	-	-	1,200,724	1,200,724
<b>Segment assets</b>	5,110,221	1,574,314	880,555	7,565,090
<b>Segment liabilities</b>	218,696	347,065	876,809	1,442,570

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. Cash and cash equivalents

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Cash at bank and on hand	3,250,134	2,005,712

#### *Reconciliation to the Statement of Cash Flows:*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Cash and cash equivalents	3,250,134	1,246,646
Funds received in advance for non-renounceable rights issue	-	772,000
Expenses paid for non-renounceable rights issued pending completion at 30 June 2016	-	(12,934)
	<u>3,250,134</u>	<u>2,005,712</u>

#### *Reconciliation of loss for the year to net cash flows from operating activities*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Net loss for the year	(3,727,375)	(4,655,335)
Add back:		
Gain on disposal of plant and equipment	(8,023)	(259)
Depreciation	23,611	16,319
Equity settled share-based payment	152,167	781,441
Impairment of exploration assets	-	1,200,724
Provision for doubtful debts	(1,381)	(26,030)
Foreign currency losses	-	2,970
Items reclassified to Investing activities	(168,511)	-
(Increase)/decrease in assets:		
Trade and other receivables	(28,981)	(140,043)
Other current assets	62,078	151,949
Increase/(decrease) in liabilities:		
Trade and other payables	132,307	(888,447)
Provisions	12,275	47,699
Net cash from operating activities	<u>(3,551,833)</u>	<u>(3,509,012)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. Trade and other receivables

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Trade receivables	313,991	305,481
Allowance for impairment	(26,221)	(15,341)
	<u>287,770</u>	<u>290,140</u>
Amounts due from work-in-progress (i)	149,094	77,442
Accrued income	-	18,143
Other	726	4,446
	<u>437,590</u>	<u>390,171</u>

(i) Work-in-progress relates to time billings that are recoverable for services provided for but not billed as at balance date.

#### *Aging of past due but not impaired*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
30 – 60 days	264,563	206,493
60 – 90 days	5,695	3,311
90 – 120 days	17,512	80,336
Total	<u>287,770</u>	<u>290,140</u>

#### *Movement in the allowance for doubtful debts*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Balance at the beginning of the year	15,341	-
Impairment losses recognised on receivables	13,960	41,371
Impairment losses reversed	(3,080)	(26,030)
Balance at the end of the year	<u>26,221</u>	<u>15,341</u>

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

#### *Ageing of impaired trade receivables*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
30 – 60 days	1,398	-
60 – 90 days	4,951	-
90 – 120 days	19,872	15,341
Total	<u>26,221</u>	<u>15,341</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. Other current assets

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
Prepayments	40,065	101,838
Other (i)	-	24,708
<b>Total</b>	<b>40,065</b>	<b>126,546</b>

(i) Other current assets represents costs in advance for non-renounceable rights issue pending completion at 30 June 2016. As at 30 June 2016, \$12,934 of this balance was paid.

### 8. Plant and equipment

	Office fit out	Motor Vehicle	Consolidated Computer	Hardware and Software	Office Furniture and equipment	Total
	\$	\$	\$	\$	\$	\$
<i>Gross carrying amount</i>						
Balance at 1 July 2015	-	-	-	2,332	5,292	<b>7,624</b>
Additions	-	-	25,925	1,281	3,019	<b>30,225</b>
Additions through business combinations (note 21)	19,360	5,023	32,077	14,550	41,617	<b>112,627</b>
Disposals	-	-	(1,324)	(2,332)	(5,292)	<b>(8,948)</b>
Balance at 30 June 2016	<b>19,360</b>	<b>5,023</b>	<b>56,678</b>	<b>15,831</b>	<b>44,636</b>	<b>141,528</b>
Additions	-	-	19,692	-	2,592	<b>22,284</b>
Disposals	-	(5,023)	(10,972)	-	(4,150)	<b>(20,145)</b>
Balance at 30 June 2017	<b>19,360</b>	-	<b>65,398</b>	<b>15,831</b>	<b>43,078</b>	<b>143,667</b>
<i>Accumulated depreciation</i>						
Balance at 1 July 2015	-	-	-	(2,332)	(5,292)	<b>(7,624)</b>
Depreciation expense	(358)	(523)	(9,483)	(2,242)	(3,713)	<b>(16,319)</b>
Disposals	-	-	406	2,332	5,292	<b>8,030</b>
Additions acquired through business combination (note 21)	(513)	(2,428)	(21,705)	(10,846)	(11,141)	<b>(46,633)</b>
Balance at 30 June 2016	<b>(871)</b>	<b>(2,951)</b>	<b>(30,782)</b>	<b>(13,088)</b>	<b>(14,854)</b>	<b>(62,546)</b>
Depreciation expense	(484)	(475)	(15,977)	(1,333)	(5,342)	(23,611)
Disposals	-	3,426	6,720	-	3,426	13,572
Balance at 30 June 2017	<b>(1,355)</b>	-	<b>(40,039)</b>	<b>(14,421)</b>	<b>(16,770)</b>	<b>(72,585)</b>
<i>Carrying value</i>						
30 June 2016	18,489	2,072	25,896	2,743	29,782	78,982
<b>30 June 2017</b>	<b>18,005</b>	-	<b>25,359</b>	<b>1,410</b>	<b>26,308</b>	<b>71,082</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. Intangibles and goodwill

	Consolidated		Total
	Trademarks	Goodwill	
	\$	\$	\$
Balance at 1 July 2016	23,662	4,940,017	<b>4,963,679</b>
Impairment	-	-	-
Balance at 30 June 2017	23,662	4,940,017	<b>4,963,679</b>

No impairment loss was recognised in the 2017 financial year.

As at 30 June 2017, Velpic has trademarks registered in Australia, New Zealand, Singapore, Europe and USA and has accepted trademarks in Canada and China.

Goodwill acquired through business combinations have been allocated to 2 individual cash generating units ('CGU'), which are reportable segments, for impairment testing as follows:

	Fair Value \$
Velpic Australia Pty Ltd - Software-as-a-service (SaaS)	4,880,299
Dash Digital Pty Ltd – digital branding and consulting	59,718
	<u>4,940,017</u>

#### *Velpic Australia Pty Ltd - Software-as-a-Service (SaaS)*

The goodwill is attributable to Velpic's strong position to continue to roll out its cloud based video e-learning software platform and the expected cash flows to arise from the Company's acquisition of these subsidiaries. The Board has determined the recoverable amount of the SaaS CGU by assessing the fair value less cost of disposal (FVLCO) of the underlying assets. The method applied was the market approach based on the current market capitalisation (number of shares on issue multiplied by the quoted market price per share) of the Group on the Australian Securities Exchange (ASX), adjusted for the fair value of net assets of the Digital Branding and Consulting CGU. The recoverable value is a Level 3 measurement with the main unobservable input being the fair value of the Digital Branding and Consulting CGU. The Board has not identified any reasonable possible changes in key assumptions that could cause the carrying amount of the SaaS CGU to exceed its recoverable amount.

#### *Dash Digital Pty Ltd – digital branding and consulting*

The recoverable amount of the digital branding and consulting unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a 5-year period.

### 10. Trade and other payables (current)

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Trade and other payables (i)	377,560	338,964
Employee benefits	214,836	188,179
Share-based payment	-	18,500
Unearned Income	119,982	53,066
Funds received in advance of non-renounceable rights issue	-	772,000
	<u>712,378</u>	<u>1,370,709</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payable are non-interest bearing and have repayment terms between seventy and ninety days.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Provisions

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
Current provision for long service leave	31,267	18,040
Non-current provision for long service	52,869	53,821
	<u>84,136</u>	<u>71,861</u>

### 12. Share Capital

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
678,473,176 (2016: 487,950,245) Ordinary shares issued and fully paid	<u>29,068,461</u>	<u>23,668,936</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

#### *Movement in ordinary shares on issue*

	Fair Value	Consolidated 30 June 2017		Consolidated 30 June 2016	
		Number	\$	Number	\$
Balance at beginning of year		487,950,245	23,668,936	183,230,003	16,117,904
Shares issue for 2 for 5 non renounceable rights Issue	\$0.030	190,104,181	5,703,125	-	-
Share-based payment: Issue of shares to consultants (ii)	\$0.050	240,000	12,000	-	-
Share-based payment: Issue of shares to consultants (ii)	\$0.040	178,750	7,150	-	-
Placement to shareholders				-	-
Share-based payment: Shares issued in lieu of cash for consulting services (i)	\$0.037	-	-	459,500	17,001
Share-based payment: Shares issued in lieu of cash for director fees	\$0.020	-	-	10,220,242	204,405
Share-based payment: Shares issued in lieu of cash for consulting services (i)	\$0.020	-	-	1,040,500	20,810
Shares issued for acquisition of Dash Digital Pty Ltd and Velpic Australia Pty Ltd	\$0.025	-	-	125,000,000	3,125,000
Shares issued for capital raising	\$0.025	-	-	160,500,000	4,012,500
Share-based payment: Issue of shares to consultants (i)	\$0.050	-	-	7,500,000	375,000
Cost of share issue		-	(322,750)	-	(203,684)
<b>Balance at end of year</b>		<b><u>678,473,176</u></b>	<b><u>29,068,461</u></b>	<b><u>487,950,245</u></b>	<b><u>23,668,936</u></b>

(i) The entity cannot estimate reliably the fair value of the services received, therefore have measured the services received and corresponding increase in equity, by reference to the fair value of the equity instruments granted, measured at the date the counterparty rendered the service.

(ii) The equity instruments granted are measured by reference to the fair value of the services provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Reserves

#### *Nature and purpose of reserves*

#### Deferred compensation reserve

This reserve is used to record the contingent share consideration as part of the acquisition of Velpic Australia Pty Ltd and Dash Digital Pty Ltd.

#### Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees, directors as part of their remuneration and consultants in lieu of services.

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Deferred compensation reserve (note 21)	1,250,000	1,250,000
Share-based payment reserve	2,412,041	2,240,675
	<b>3,662,041</b>	<b>3,490,675</b>

#### *Movement in share-based payments reserve*

	<b>Consolidated 30 June 2017</b>			<b>Consolidated 30 June 2016</b>		
	<b>Weighted average exercise price</b>	<b>Number</b>	<b>\$</b>	<b>Weighted average exercise price</b>	<b>Number</b>	<b>\$</b>
Balance at beginning of the period	\$0.15	30,300,000	2,240,675	\$0.27	31,200,000	2,076,450
Options Issued:						
- Employee Options (i)	\$0.05	-	59,404	\$0.05	9,780,000	88,026
- Director Options (ii)	\$0.06	15,000,000	111,889	\$0.05	4,000,000	81,600
- Free attaching options (iii)	\$0.06	95,052,117	-	-	-	-
- Consultant options (iv)	\$0.06	2,000,000	19,199	-	-	-
Expired	-	(3,200,000)	-	\$0.37	(14,000,000)	-
Forfeited (i)	\$0.05	(2,045,000)	(19,126)	\$0.05	(680,000)	(5,401)
Balance at end of the period	<b>\$0.11</b>	<b>137,107,117</b>	<b>2,412,041</b>	<b>\$0.15</b>	<b>30,300,000</b>	<b>2,240,675</b>

- (i) 9,780,000 options under Velpic's employee share option plan were issued in the prior period. 50% of the options granted vested on 11 November 2016 with a further 25% vesting on 11 November 2017 and the final 25% vesting on 11 November 2018. As at 30 June 2017, 7,055,000 options are on issue.
- (ii) Options issued to Directors following approval at the Annual General Meeting held on 25 November 2016.
- (iii) Free attaching options issued as part of the rights issue
- (iv) Options issued to consultants as part of the rights issue could not be valued at the fair value of the services provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Reserves (continued)

The following were issued during the period:

- 95,052,117 free attaching options were issued as part of the Company's non renounceable rights issue in July
- As part of the non renounceable rights issue, 2,000,000 options were issued to consultants
- Following the approval at the Annual General Meeting on 25 November, 2016, 15,000,000 options were issued to Directors

Further 2,050,000 employee share options were granted on 21 June 2017 but were not issued at balance date. 1,550,000 of these options were issued in July 2017.

Other than the employee share options, all other options have vested and are exercisable at 30 June 2017.

The share options outstanding at the end of the year had a weighted average exercise price of \$0.11 (2016: \$0.15) and a weighted average remaining contractual life of 441 days (2016: 1397 days).

The weighted average fair value of options granted during the year was \$0.027 (2016: \$0.0207).

The inputs to the model used to determine the fair value of options granted during the year were:

	<u>Consultants</u>	<u>Directors</u>	<u>Employees</u>
Effective Date of grant	08/07/16	25/11/16	21/06/17
Market price of shares at grant date	\$0.028	\$0.019	\$0.014
Exercise price	\$0.06	\$0.06	\$0.06
Expiry date	30/06/18	25/11/19	21/06/21
Volatility	100%	100%	99.5%
Risk free rate	1.56%	1.92%	1.79%
Fair value at grant date	\$0.0096	\$0.0075	\$0.0061
Vesting conditions	N/A	N/A	50% on 21/06/18; 25% on 21/06/19; 25% on 21/06/20

Total expense recognised as share-based payment during the financial year are:

	Note	<u>Consolidated 30 June 2017</u>	<u>Consolidated 30 June 2016</u>
		\$	\$
Share-based payment via issue of options		152,167	164,225
Share-based payment via issue of shares	12	-	617,216
Share-based payment pending issue of shares	10	-	18,500
		<b>152,167</b>	<b>799,941</b>

The balance of options outstanding as at 30 June 2017 is represented by:

<u>Date options granted</u>	<u>Number of options outstanding</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
10/10/13	4,000,000	0.06	31/01/18
19/06/14	2,750,000	0.20	10/10/18
17/03/15	7,250,000	0.20	18/06/19
02/10/15	4,000,000	0.06	31/01/18
07/12/15	7,055,000	0.05	3/12/18
08/07/16	97,052,117	0.06	30/06/18
25/11/16	15,000,000	0.06	25/11/19

Each option gives the option holder the right to subscribe for one ordinary share. There are no voting rights attached to the options.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Loss per share

#### (a) Basic Loss Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
Loss for the year	(3,727,375)	(4,655,335)
	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	674,832,814	392,056,108

#### (b) Diluted Loss Per Share

As the company has made a loss for the year ended 30 June 2017, the options on issue have no dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.

### 15. Financial Risk Management

The Board of Directors has the responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, financing risk and interest rate risk. The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets while minimising potential adverse effects on financial performance. Its functions include the review of the use of credit risks policies and future cash flow requirements.

#### *Categories of financial instruments*

	<b>Consolidated 30 June 2017</b>	<b>Consolidated 30 June 2016</b>
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents	3,250,134	2,005,712
Loans and receivables	437,590	390,171
<u>Financial liabilities</u>		
Trade and other payables	712,378	598,709

#### *Financial risk management objectives*

The Group is exposed to credit risk, liquidity risk and interest rate risk.

#### *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Financial risk management (continued)

#### *Liquidity risk management*

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raising are assessed by the Board at each meeting of the Directors.

#### *Interest rate risk*

The Group is exposed to interest rate risk on cash balances held in interest bearing accounts. The Board constantly monitors its interest rate exposure and attempts to maximize interest income by using high interest bearing accounts, whilst ensuring sufficient funds are available for the Group's operating activities. The Group's net exposure to interest rate risk as at 30 June 2017 approximates the value of cash and cash equivalents.

#### *Cash flow and interest rate risk*

The Group's exposure to interest rate risk, which is the risks that a financial instrument's value will fluctuate as a result in changes in market interest rates and effective weighted average interest rates on classes of financial assets is disclosed in note 5. Only cash is affected by interest rate risks, as cash is the Group's only financial assets exposed to fluctuating interest rates

The following is a sensitivity analysis performed for the Company's interest rate risk:

<b>30 June 2017</b>			
<b>Consolidated risk variable</b>	<b>Sensitivity*</b>	<b>Effect on Profit/Loss \$</b>	<b>Effect on Equity \$</b>
Interest rate	+ 0.2%	6,500	6,500
	- 0.2%	(6,500)	(6,500)

<b>30 June 2016</b>			
<b>Consolidated risk variable</b>	<b>Sensitivity*</b>	<b>Effect on Profit/Loss \$</b>	<b>Effect on Equity \$</b>
Interest rate	+ 0.2%	4,011	4,011
	- 0.2%	(4,011)	(4,011)

### 16. Events Occurring After the Balance Date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### 17. Commitments and contingencies

#### *Operating lease commitments – Group as lessee*

The Group has entered into commercial leases on its premises and photocopier.

Future minimum rentals payable under non-cancellable operating leases at balance date is as follows:

	<b>Consolidated 30 June 2017 \$</b>	<b>Consolidated 30 June 2016 \$</b>
Within one year	198,115	177,692
After one year but not more than five years	227,536	412,810
	<u>425,651</u>	<u>590,502</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. Commitments and contingencies (continued)

#### Exploration commitments

The Group has permits to several tenements which were sold during the period.

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Within one year	-	1,151,739
After one year but not more than five years	-	551,200
	<u>-</u>	<u>1,702,939</u>

#### Contingencies

The Group does not have any contingent liabilities as at 30 June 2017.

### 18. Related Parties

The consolidated financial statements include the financial statements of Velpic Limited and the subsidiaries listed in the following table.

	Country of incorporation	Interest 2017	Interest 2016
<b>Parent entity</b>			
Velpic Limited (formerly International Coal Limited)	Australia		
<b>Subsidiaries</b>			
Gen Resources Pty Ltd (i)	Australia	-	100%
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	100%
Velpic Australia Pty Ltd (formerly Inductor Pty Ltd) ATF the Inductor Trust	Australia	100%	100%

Velpic Limited is the ultimate Australian parent entity and ultimate parent of the Group.

- (i) The Company entered into a share sale agreement with Kontarian Resources Fund No.1 Pty Ltd during the period to sell its shares in the following subsidiaries for a consideration of \$210,000:

- Gen Resources Pty Ltd
- ICX Consuelo 2318 Pty Ltd
- ICX Consuelo 2327 Pty Ltd
- ICX Consuelo Pty Ltd
- ICX Don Juan Pty Ltd

These subsidiaries held interests in its Bundaberg, Consuelo and Don Juan coal projects in Queensland. At the date of disposal, the book value of the assets and liabilities of these entities were nil.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	Consolidated 30 June 2017	Consolidated 30 June 2016
	\$	\$
Short-term employee benefits	646,535	1,024,982
Post-employment benefits	29,887	77,045
Long term employee benefits	47,862	22,462
Share-based payment	114,583	84,480
	<u>838,867</u>	<u>1,208,969</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. Related parties (continued)

#### *Other transactions with key management personnel*

For the year ended 30 June 2017, the other transactions with key management personnel included:

- \$31,683 in sales revenue billed to AusCann Group Holdings Ltd, of which Mr Karelis is a director.
- \$18,401 in sales revenue billed to Zelda Therapeutics Pty Ltd, of which Mr Karelis is a director.

For the year ended 30 June 2016, the other transactions with key management personnel included:

- Consulting fees of \$94,000 were paid, based on normal terms and conditions to iExecute Saas Ltd, of which Ms Graham is a director.
- \$21,500 was paid to Cloud Rainmakers Ltd, of which Ms Graham is a director, for prepaid director fees.
- \$12,440 (excluding GST) in sales revenue billed to Auscann Group Holdings Ltd, of which Mr Karelis is a director.
- \$9,839 (exclusive of GST) in sales revenue billed to Zelda Therapeutics Pty Ltd, of which Mr Karelis is a director.
- The Company employed Mrs Anne Moora who is related to Mr Glen Moora, as a Business Development Administration since 18 January 2016. Mrs Anne Moora has been paid a total of \$30,961 during the financial year.

#### *Trading transactions*

The following balances were outstanding at the end of the reporting period:

	<b>Consolidated</b>			
	Amounts owed by related parties		Amounts owed to related parties	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$	\$
Auscann Group Holdings Ltd Limited	37	941	-	-
Zelda Therapeutics	225	-	-	-

Sales of goods to related parties were made on an arm's length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

### 19. Auditors' Remuneration

The auditor of Velpic Limited is BDO (WA).

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
<i>Auditor of the parent entity</i>		
Audit or review of the financial statements	38,990	46,543
Preparation of Independent Accountant's Report	-	6,116
	<b>38,990</b>	<b>52,659</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Parent Entity Disclosures

#### *Financial position*

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<u>Assets</u>		
Current assets	3,128,623	880,555
Non-current assets	5,088,025	7,787,559
Total assets	<u>8,216,648</u>	<u>8,668,114</u>
<u>Liabilities</u>		
Current liabilities	250,612	877,670
Non-current liabilities	-	11,477
Total liabilities	<u>250,612</u>	<u>889,147</u>
<u>Equity</u>		
Issued capital	29,068,461	23,668,936
Reserves		
• Share-based payments	2,412,041	2,240,675
• Deferred compensation reserve	1,250,000	1,250,000
Accumulated losses	(24,764,466)	(19,380,644)
Total equity	<u>7,966,036</u>	<u>7,778,967</u>

#### *Financial performance*

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	5,383,822	2,998,888
Other comprehensive loss	-	-
Total comprehensive loss	<u>5,383,822</u>	<u>2,998,888</u>

#### *Contingent liabilities of the parent entity*

There are no contingent liabilities of the parent entity



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. Business Combination

#### Summary of acquisition

On 22 October 2015, Velpic Limited acquired 100% of the issued shares and units in Dash Digital Pty Ltd ATF the Dash Unit Trust and Velpic Australia Pty Ltd (Formerly The Inductor Pty Ltd) ATF the Inductor Trust for consideration of \$4,575,000. The Group has provisionally recognised the fair values of the identifiable assets and liabilities based upon the best information available as of the reporting date.

Business combination accounting is as follows:

Purchase consideration:	\$
Cash paid (deposit paid in financial year 2015)	200,000
Ordinary shares issued – 125 million shares issued at \$0.025 per share	3,125,000
Contingent share consideration	1,250,000
Total purchase consideration	<u>4,575,000</u>
Value of consideration used to repay vendor entity debt	(967,422)
Value of consideration used to repay vendor debts to consultants	(250,000)
Fair value attributable to assets acquired	<u>3,357,578</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	108,767
Property, plant & equipment	65,994
Trademarks	22,931
Receivables	579,174
Payables	(638,413)
Employee benefit obligations	(389,040)
Borrowings	<u>(1,331,852)</u>
Net identifiable liabilities acquired	<u>(1,582,439)</u>
Add: Goodwill (note 9)	<u>4,940,017</u>
	<u>3,357,578</u>

#### Contingent consideration

The contingent consideration due under the acquisition is dependent upon hitting milestone targets and the amount of consideration due is as follows:

- Milestone 1 – issue of 50 million ordinary shares if 100,000 lessons are completed on Velpic’s training platform within 3 years of the acquisition completing;
- Milestone 2 – issue of 50 million ordinary shares if Velpic obtains cumulative revenue of \$10,000,000 within 3 years of the acquisition completing;
- Milestone 3 – issue of 25 million ordinary shares if Velpic obtains revenue of \$50,000,000 in any of the 5 financial years after the acquisition completing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. Business Combination (continued)

#### Significant Judgment

The milestone 1 consideration shares have been valued using an underlying share price of \$0.025 per share and applying a 100% probability of achieving the milestone based on the Directors' current expectation. The milestone 2 and milestone 3 consideration shares have been assigned a nil value as both milestones are based on the Company achieving revenue targets in the future. At the date of acquisition, the Directors have no reasonable grounds in which to assess the likelihood of these milestones being met and therefore have assigned a nil value to these.

#### (a) Acquired receivables

The fair value of trade and other receivables is \$579,174 and includes trade receivables with a fair value of \$227,896. The gross contractual amount for trade receivables due is \$258,767, of which \$30,871 is expected to be uncollectible.

#### (b) Revenue and profit contribution

The acquired business contributed revenues of \$1,403,942 and net loss of \$1,676,502 to the group for the period from 22 October 2015 to 30 June 2016. If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated loss after tax for the year ended 30 June 2016 would have been \$2,161,953 and \$5,052,435 respectively.

#### (c) Acquisition related costs

Acquisition-related costs of \$174,596 that were not directly attributable to the issue of shares are included in profit or loss for the year ended 30 June 2016. A further \$119,090 was recorded in the profit and loss of the previous financial year, some of which remain unpaid at 30 June 2015. As a result, total cash payments of \$215,490 are included in operating cash flows in the statement of cash flows.

#### (d) Significant judgement goodwill

The Board has determined that at the date of acquisition, there were no separate identifiable intangible assets. The goodwill is attributable to Velpic's strong position to continue to roll out its cloud based video e-learning software platform and the expected cash flows after the Company's acquisition of the new subsidiary. The goodwill will not be deductible for tax purposes.

#### Purchase consideration – cash outflow

	Fair Value
	\$
Outflow of cash to acquire subsidiary, net of cash acquired	200,000
Cash paid (deposit paid in 2015 financial year)	<u>(108,767)</u>
Less: cash acquired	<u>91,233</u>

## ADDITIONAL ASX INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in the Annual Report is set out below:

### Shareholdings

The issued capital of the Company at 10 August 2017 is 678,473,176 ordinary fully paid shares. All ordinary shares carry one vote per share. Of these, 126,040,500 shares are escrowed.

### Top 20 shareholders as at 10 August 2017

		No. of Shares held	% Held
1	THE TRUST COMPANY (AUSTRALIA) LIMITED	51,326,995	7.57
2	RUSSELL JOHN FRANCIS	41,833,333	6.17
3	CHAMELEON CREATIVE PTY LTD (THE P&S TRUST)	38,000,000	5.60
3	CHAMELEON CREATIVE PTY LTD (THE G&A TRUST)	38,000,000	5.60
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,802,273	2.48
5	THE #INVESTMENT \$CO PTY LTD	12,216,750	1.80
6	COMBINED VISION PTY LTD	11,097,129	1.64
7	MS NATALIE OLIVE HORSEFIELD	10,000,000	1.47
8	MS JIANMIN XIAO	8,315,405	1.23
9	BNZ CORPORATION PTY LTD	8,204,806	1.21
10	MR KIERAN JOHN MITCHELL	8,050,000	1.19
11	STREETER SUPER MANAGEMENT PTY LTD	7,754,533	1.14
12	VTECH HOLDING PTY LTD	7,721,000	1.14
13	MR CHRISTOPHER TIMOTHY KEANE	6,586,960	0.97
14	MR JONATHAN MURRAY CRAWFORD	5,477,000	0.81
15	ELHOLDINGS PTY LTD	5,000,000	0.74
15	BEARNICK PTY LTD ATF THE DR FAMILY TRUST	5,000,000	0.74
15	MR PETER LAURENS WISSE & MRS SUSAN ELIZABETH WISSE	5,000,000	0.74
16	MR MATTHEW PAUL HILE	4,040,362	0.60
17	RED MARLIN PTY LTD	3,750,375	0.55
17	BBD CUSTODIANS PTY LTD	3,750,375	0.55
18	PALS INVESTMENTS PTY LTD	3,500,000	0.52
18	MULROY HOLDINGS PTY LTD	3,500,000	0.52
19	MR ALLAN SMITH & MRS KAREN SMITH (CLAY JESSEM S/F)	3,408,302	0.50
20	ARIS NOMINEES PTY LTD	3,333,334	0.49
		<b>311,668,932</b>	<b>45.94</b>

### Shares Range

	No. Holders	No. Shares
1-1,000	32	5,715
1,001-5,000	32	99,287
5,001- 10,000	90	738,999
10,001-100,000	596	28,009,581
100,001 and over	596	649,619,594

Number holdings less than marketable parcel is 405.

**ADDITIONAL ASX INFORMATION (continued)****Shareholders by Location**

	<b>No. Holders</b>	<b>No. Shares</b>
Australian Holders	1310	674,700,798
Overseas Holders	291	3,772,378

**Voting Rights**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**Substantial Shareholders as at 10 August 2017**

		<b>No. of Shares held</b>	<b>% Held</b>
1	THE TRUST COMPANY (AUSTRALIA) LIMITED	51,326,995	7.57
2	RUSSELL JOHN FRANCIS	41,833,333	6.17
3	CHAMELEON CREATIVE PTY LTD (THE P&S TRUST)	38,000,000	5.60
3	CHAMELEON CREATIVE PTY LTD (THE G&A TRUST)	38,000,000	5.60

**Option Holdings**

The Company has the following classes of options on issue as at 10 August 2017. Options do not carry any rights to vote.

<b>Number on issue</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>No. Holders</b>
4,000,000	\$0.06	31 January 2018	1
2,750,000	\$0.20	10 April 2018	1
7,250,000	\$0.20	18 June 2019	1
4,000,000	\$0.06	31 January 2018	2
6,970,0000	\$0.05	3 December 2018	11
97,052,117	\$0.06	30 June 2018	487
15,000,000	\$0.06	25 November 2019	2
1,550,000	\$0.06	21 June 2021	3