

27 February 2018

## Half Yearly Results

- Recurring subscription revenue up 159% for 1H18
- Underlying business level loss for 1H18 is \$1.4 million down from \$1.6 million for the same period last year
- The Company adopts conservative approach to Goodwill to simplify the Balance Sheet and reduce compliance costs
- Reported loss for 1H18 is \$6.3 million including an accounting adjustment non-cash Goodwill Impairment of \$4.9 million
- Cash position bolstered by Capital Raising with cash at bank of \$3.3 million as of 31<sup>st</sup> January 2018
- Strategic partnership with NowForce set to expand Velpic's offerings in 2H18

**Velpic Limited** (ASX: VPC) ("Velpic" or "the Company") is pleased to announce that revenue from recurring subscription fees for the six months ended 31 December 2017 (1H18) was up 159% to \$363k (1H17: \$140k). Consolidated revenue for 1H18 was \$1.3 million.

The Company has taken the opportunity to restructure and simplify its Balance Sheet. This includes recognition of a Goodwill Impairment of \$4.9 million. As an accounting adjustment, the Goodwill Impairment is a non-cash item and will result in a reduction in compliance costs moving forward.

The reported loss for the period totalled \$6.3 million. At an underlying business level, excluding the Goodwill Impairment, the loss for the period was \$1.4 million (1H17: \$1.6 million).

Over 1H18, Velpic strengthened its balance sheet with a successful \$1.8 million (before costs) placement and rights issue that received strong support from shareholders. An additional \$1.4 million was received in January 2018.

Velpic's closing cash balance as at 31 January 2018 was \$3.3m. Velpic is well-funded to pursue its 2018 growth strategy which includes launching Velpic Safety in Australia & New Zealand and integrating the Velpic and NowForce platforms to promote sales growth.

Further recurring revenue growth is expected for Velpic in 2018 due to the NowForce partnership with the addition of Velpic selling NowForce in Australia & New Zealand, and NowForce selling Velpic white labelled within its products internationally.

**\*\*ENDS\*\***

**For further information, please contact:**

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## **Velpic LMS**

Velpic has developed a unique online platform that provides a scalable, cloud-based training, induction and education solution for businesses. The platform allows companies to create their own training lessons and distribute them to staff and contractors, who can access the Velpic Platform on all devices including mobile phones and tablets. The cloud-based platform has global potential and is set to disrupt the traditional Learning Management System (LMS) marketplace, and Velpic already has an extensive list of ASX 200 clients using the platform.

## **Velpic Safety**

Velpic Safety is a unique platform for all organisations concerned with security of staff, clients and assets. The platform allows businesses to manage and respond to any security incidents as well as providing proactive personal security training online. Powered by NowForce, Velpic Safety provides user-friendly solutions for personal safety apps, cloud-based computer aided dispatch and mobile response tools to reduce response times, increase situation awareness and enhance communications in security and public safety situations. NowForce is an industry disrupting, one-stop solution for campus security, private security and public safety organisations and has been named as a Top 10 Homeland Security Solution Provider by govCIO in the USA.

## VELPIC LIMITED – HALF-YEAR REPORT

### APPENDIX 4D

Name of entity

VELPIC LIMITED

ABN

65 149 197 651

Half year ended  
(‘Current Period’)

31 December 2017

Half-year ended  
(‘Previous corresponding period’)

31 December 2016

*Results for announcement to the market*

	Up/Down	Percentage	Balance \$
<b>Revenue from ordinary activities</b>	Up	18%	1,069,814
<b>Loss from ordinary activities after tax attributable to members</b>	Up	294%	(6,315,184)
<b>Net loss attributable to members</b>	Up	294%	(6,315,184)

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

None

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

None

*Net tangible assets per security*

31 December 2017	31 December 2016
\$0.35 cents per share	\$0.74 cents per share

## VELPIC LIMITED – HALF-YEAR REPORT

### APPENDIX 4D

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

Name of	Date of gain or loss of control	Profit/ (loss) after tax of the controlled entities since the date in the current period	Profit/ (loss) after tax of the controlled entities during the whole of the previous corresponding period
Not Applicable	Not Applicable	Not Applicable	Not Applicable

*Details of associates and joint venture entities*

NowForce (5% ownership)

*Foreign entities*

Not applicable

*Compliance statement*

The attached financial report has been prepared in accordance with the Australia Accounting Standards issued by the Australian Accounting Standards Board and are based on accounts that have been reviewed. An unmodified review conclusion was issued. Refer to independent review report on page 6 and 7 of the attached Interim Financial Report for the half-year ended 31 December 2016.

**Signed By:**



**Catherine Anderson**  
Company Secretary

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

**Interim Financial Report**  
**For the half-year ended 31 December 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: 1800 463 828  
Facsimile: 08 6166 0261

### **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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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Velpic Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## DIRECTORS' REPORT

The Directors of Velpic Limited ("the Company") present their report together with the consolidated financial statements for the half-year ended 31 December 2017.

### Directors

The names of the directors of the Company in office during the half-year and until the date of this report are as follows:

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

### Operating Results

During the period, the reported loss totalled \$6.3 million. At an underlying business level, excluding a Goodwill Impairment, the loss for the period was \$1.4 million (1H17: \$1.6 million).

### Review of Operations

#### Financial

Revenue from recurring subscription fees for the six months ended 31 December 2017 (1H18) was up 159% to \$363k (1H17: \$140k). Consolidated revenue for 1H18 was \$1.3 million, which included Velpic's research and development tax incentive contributing to other income of \$252k.

The Company has taken the opportunity to restructure and simplify its Balance Sheet. This includes recognition of a Goodwill Impairment of \$4.9 million. As an accounting adjustment, the Goodwill Impairment is a non-cash item and will result in a reduction in compliance costs moving forward.

The reported loss for the period totalled \$6.3 million. At an underlying business level, excluding the Goodwill Impairment, the loss for the period was \$1.4 million (1H17: \$1.6 million). The improved financial result is primarily attributable to sustainable cost-cutting measures and strategic rationalisation centred on the consolidation of the Velpic and Dash Development teams late in the December 2017 quarter.

Over 1H18, Velpic strengthened its balance sheet with a successful \$1.8 million (before costs) placement and rights issue that received strong support from shareholders. An additional \$1.4 million was received in January 2018. As a result, Velpic was able to invest in NowForce, a complimentary SaaS platform business with significant client exposure in North America. With that investment, Velpic is now the exclusive reseller of NowForce in Australia and New Zealand, and NowForce will integrate Velpic's Learning Management System (LMS) into its Security Platform and provide a new global growth channel.

#### Operational progress

##### *Platform*

Platform enhancements are primarily driven by customer demand and Velpic's intention to maintain a global first mover advantage by introducing industry leading features and capabilities to the platform. During the period, Velpic continued to enhance its platform which is currently at Version 3.5. New features include allowing clients to track and manage staff skills, create new types of video content and question types, enable knowledge sharing and customise user permissions. The most recent development initiatives include integrating Velpic and NowForce, with the first phases due March 2018.

## DIRECTORS' REPORT

Usage of the platform continues to accelerate, with Velpic surpassing a major milestone in the growth of the business – paying clients completed over 100,000 lessons on the platform. This has been an aspirational target for the business since its inception as a start-up SaaS platform and the result squarely places Velpic as a leader in the Australian LMS marketplace, particularly for mid-tier businesses with between 500 and 5,000 employees.

### Sales and marketing progress

In January 2017 the Company recognised the need for a SaaS sales expert to lead Velpic's sales initiatives and accelerate the Company's revenue growth. In early 2017, Ms Rhonda Robati was appointed Chief Revenue Officer having previously been the National Head of SaaS sales at Salesforce Australia. Ms Robati consequently appointed Mr Ashwin Thomas, also from Salesforce and Ms Katja Voegelé as Chief Marketing Officer, to form an industry leading SaaS sales and marketing team. Velpic's Sydney based sales and marketing team now totals seven staff. The team, under the leadership of Ms Robati, has doubled Velpic's recurring revenues and significantly expanded the Company's sales pipeline in a very short space of time. Velpic's sales team is now successfully pursuing higher value deals and is converting a higher percentage of opportunities, with there being a decline in lead times across the sales pipeline.

The Sales and Marketing team has also refined Velpic's go-to-market strategy. Velpic has now launched several product verticals, with learning content packages that are targeted at specific industries representing a diverse cross-section of the economy. Velpic's new sales verticals include products targeted at schools, franchises, professional sporting organisations, construction and infrastructure, and now the global security market via the Company's partnership with NowForce. Initial performance from the reorganisation of the Company's marketing strategy has been encouraging and Velpic believes that this targeted focus on key industries is the right approach.

During the half, Velpic was pleased to report it exceeded 100-clients for the first time. Velpic's client base now features a nationally diverse and comprehensive mix of medium to large clients. Industries represented by Velpic's clients include government, mining, franchises, education technology and sport. Notable clients that have recently begun using Velpic include the NRL, Fernwood Gyms and the Cheesecake Shop.

### Outlook

The Company will target operational excellence in 2018 – prudently managing costs, while continuing to accelerate sales across the business.

Velpic has had an exceptional start to calendar year 2018, with the Company's recurring revenues from sales continuing to grow. Over the course of 2018, the sales team will be working towards increasing momentum across Velpic's sales pipeline.

Professional services revenue is in-line with expectations and further recurring revenue growth is expected in 2018 with the addition of Velpic selling NowForce in Australia & New Zealand, and NowForce selling Velpic white labelled within its products internationally.

The Company is currently assessing other white label partnership opportunities and it is expected that other technology firms will adopt the NowForce model, integrating Velpic's best-of-breed Learning Management System into their technology platform to seamlessly add learning capabilities to their products.

### **Events After the Balance Date**

Since the end of the half-year, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods other than:

## DIRECTORS' REPORT

### *Shortfall Placement of the November 2017 Rights Issue (the "Shortfall"):*

The Company issued all the available Shortfall shares (and free attaching options) subsequent to 31 December, as well as issuing further shares (on the same terms as to price and free attaching options) to fully utilise its remaining Listing Rule Chapter 7 placement capacity. It also issued "Milestone Shares" under the acquisition agreement with the original Velpic/Dash vendors (as approved by shareholders on 3 September 2015). The following notes set out the number and classes of securities issued post 31 December 2017:

- On 12 January 2018, the Company issued 50,297,500 shares at \$0.008 and 14,370,707 listed options at \$0.02 expiring 30 November 2019;
- On 19 January 2018, the Company issued 44,197,250 shares at \$0.008 and 12,627,788 listed options at \$0.02 expiring 30 November 2019;
- On 29 January 2018, the Company issued 51,011,249 shares at \$0.008 and 14,574,644 listed options at \$0.02 expiring 30 November 2019;
- 31 January 2018 was the expiry date for 8,000,000 options at \$0.06 cents; and
- On 2 February 2018, the Company issued 17,944,605 shares at \$0.008 and 50,000,000 milestone shares under the acquisition agreement with the original Velpic/Dash vendors (as approved by shareholders on 3 September 2015) and 5,127,030 listed options at \$0.02 expiring 30 November 2019.

### *Final Payments for Investment in NowForce:*

- On 19 January 2018, the Company made a payment to purchase approximately 1.02% of NowForce Limited for \$256,666. This payment was accrued in the 31 December 2017 Statement of Financial Position for the Available for Sale Financial Asset.
- On 31 January 2018, the Company made the final payment to purchase approximately 1.51% of NowForce Limited for \$374,789. The final payment brought the Company's total ownership up to approximately 5% of NowForce Limited.

## **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 page 4.

Signed in accordance with a resolution of the directors.

On behalf of the directors



Russell Francis

Director  
Perth  
27 February 2018



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**DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF VELPIC LIMITED**

As lead auditor for the review of Velpic Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

**Matthew Cutt**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 27 February 2018



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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Velpic Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Velpic Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees



### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

BDO  
M Cutt

**Matthew Cutt**

**Director**

Perth, 27 February 2018

## DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The financial statements and notes set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-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.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Russell Francis', with a stylized flourish at the end.

Russell Francis  
Director

Perth  
27 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	31 December 2017 \$	31 December 2016 \$
<b>Continuing operations</b>			
Revenue	4	1,069,814	909,868
Other Income	5	252,447	405,680
Production costs		(231,114)	(244,529)
Compliance costs		(41,232)	(61,275)
Depreciation		(8,673)	(10,547)
Directors' fees		(63,000)	(63,000)
Doubtful debts		(17,648)	(5,960)
Employee benefits expense		(1,828,977)	(1,812,858)
Impairment	3	(4,940,017)	-
Marketing expense		(125,245)	(242,900)
Professional and consulting fees		(184,730)	(85,022)
Rent and office costs		(133,364)	(114,592)
Share-based payments	9	(3,300)	(160,670)
Tenement costs		-	(38,454)
Travel expense		(29,368)	(31,695)
Other expenses		(30,777)	(47,707)
<b>Loss for the period before income tax</b>		<b>(6,315,184)</b>	<b>(1,603,661)</b>
Income tax expense		-	-
<b>Loss for the period after income tax</b>		<b>(6,315,184)</b>	<b>(1,603,661)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(6,315,184)</b>	<b>(1,603,661)</b>
Loss attributable to:			
Equity holders of the Company		(6,315,184)	(1,603,661)
Loss for the period		<b>(6,315,184)</b>	<b>(1,603,661)</b>
Other comprehensive loss attributable to:			
Equity holders of the Company		-	-
<b>Total comprehensive loss for the period</b>		<b>(6,315,184)</b>	<b>(1,603,661)</b>
Basic and diluted loss per share (cents per share)		(0.91)	(0.24)

*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  
AS AT 31 DECEMBER 2017**

	<b>Note</b>	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,895,261	3,250,134
Trade and other receivables		283,877	437,590
Other current assets		270,635	40,065
<b>Total current assets</b>		<b>3,449,773</b>	<b>3,727,789</b>
<b>Non-current assets</b>			
Available for sale financial asset	6	907,549	-
Plant & equipment		62,411	71,082
Intangible assets		23,662	23,662
Goodwill	7	-	4,940,017
<b>Total non-current assets</b>		<b>993,622</b>	<b>5,034,761</b>
<b>Total assets</b>		<b>4,443,395</b>	<b>8,762,550</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,145,948	712,378
Provisions		17,580	31,267
<b>Total current liabilities</b>		<b>1,163,528</b>	<b>743,645</b>
<b>Non-current liabilities</b>			
Provisions		64,043	52,869
<b>Total non-current liabilities</b>		<b>64,043</b>	<b>52,869</b>
<b>Total liabilities</b>		<b>1,227,571</b>	<b>796,514</b>
<b>Net Assets</b>		<b>3,215,824</b>	<b>7,966,036</b>
<b>Equity</b>			
Issued capital	8	30,630,133	29,068,461
Reserves		3,665,341	3,662,041
Accumulated losses		(31,079,650)	(24,764,466)
<b>Total Equity</b>		<b>3,215,824</b>	<b>7,966,036</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>Issued Capital</b>	<b>Share- based Payments Reserve</b>	<b>Deferred Compensation Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 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>Comprehensive loss for the period</b>					
Loss for the period	-	-	-	(6,315,184)	(6,315,184)
Total comprehensive profit/(loss) for the period	-	-	-	(6,315,184)	(6,315,184)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued	1,791,379	-	-	-	1,791,379
Options issued	-	3,300	-	-	3,300
Share issue costs	(229,707)	-	-	-	(229,707)
<b>Balance at 31 December 2017</b>	<b>30,630,133</b>	<b>2,415,341</b>	<b>1,250,000</b>	<b>(31,079,650)</b>	<b>3,215,824</b>
<b>Balance at 1 July 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>
<b>Comprehensive loss for the period</b>					
Loss for the period	-	-	-	(1,603,661)	(1,603,661)
Total comprehensive profit/(loss) for the period	-	-	-	(1,603,661)	(1,603,661)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued	5,722,520	-	-	-	5,722,520
Options issued	-	179,869	-	-	179,869
Share issue costs	(336,172)	-	-	-	(336,172)
<b>Balance at 31 December 2016</b>	<b>29,055,284</b>	<b>2,420,544</b>	<b>1,250,000</b>	<b>(22,640,752)</b>	<b>10,085,076</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>31 December 2017 \$</b>	<b>31 December 2016 \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	1,179,140	1,013,293
Payments to suppliers and employees	(2,734,578)	(2,725,825)
Research and development tax rebate	252,447	-
Interest received	6,570	21,190
	<hr/>	<hr/>
<b>Net cash flows (used in) operating activities</b>	<b>(1,296,421)</b>	<b>(1,691,342)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for acquisition of plant and equipment	-	(13,862)
Proceeds from disposal of plant and equipment	-	8,741
Payments for investment in businesses	(776,460)	-
Proceeds from sale of subsidiaries	-	210,000
Payments for sale of business	-	(31,604)
	<hr/>	<hr/>
<b>Net cash flows from provided by/(used in) investing activities</b>	<b>(776,460)</b>	<b>173,275</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	1,791,379	4,931,370
Cost of share issue	(73,371)	(295,851)
	<hr/>	<hr/>
<b>Net cash flows provided by financing activities</b>	<b>1,718,008</b>	<b>4,635,519</b>
	<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(354,873)</b>	<b>3,117,452</b>
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the half-year	3,250,134	2,005,712
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the half-year</b>	<b>2,895,261</b>	<b>5,123,164</b>
	<hr/>	<hr/>

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

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 1. Statement of significant accounting policies

#### a. Statement of compliance

This general purpose financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australia Accounts Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

The condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### b. Basis of preparation

The consolidated financial statements are prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

#### c. Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017 other than:

##### **Available for sale financial assets**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 6.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### d. Significant accounting judgment and key estimates

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.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

### 2. 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

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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 period ended 31 December 2017, the Company had only one geographical location being Australia and operated in two business segments being a Software-as-a-Service business and a brand technology agency.

	<b>Software as-a- Service Business</b>	<b>Brand Technology Agency</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>		
<b>31 December 2017</b>			<b>\$</b>	<b>\$</b>
<b>Segment Revenue</b>				
Revenue	394,244	674,655	-	1,068,899
Intersegment revenue	-	(5,655)	-	(5,655)
Interest revenue	-	-	6,570	6,570
Other revenue	-	-	-	-
<b>Total Segment revenue</b>	<b>394,244</b>	<b>669,000</b>	<b>6,570</b>	<b>1,069,814</b>
<b>Segment net operating loss after tax</b>	<b>(6,072,167)</b>	<b>(47,647)</b>	<b>(195,370)</b>	<b>(6,315,184)</b>
<b>Impairment of goodwill</b>	<b>(4,880,299)</b>	<b>(59,718)</b>	<b>-</b>	<b>(4,940,017)</b>
<b>31 December 2016</b>				
<b>Segment Revenue</b>				
Revenue	189,973	726,676	-	916,649
Intersegment revenue	-	(33,993)	-	(33,993)
Interest revenue	-	1,608	19,582	21,190
Other revenue	670	4,934	418	6,022
<b>Total Segment revenue</b>	<b>190,643</b>	<b>699,225</b>	<b>20,000</b>	<b>909,868</b>
<b>Segment net operating loss after tax</b>	<b>(1,296,742)</b>	<b>(74,835)</b>	<b>(232,084)</b>	<b>(1,603,661)</b>
<b>Impairment of goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3. Profit and loss information - Significant item**

The loss for the half-year includes the following item that is unusual because of its nature and incidence:

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>
Impairment of goodwill (see Note 7)	<b>(4,940,017)</b>	<b>-</b>

The Board has resolved to impair the whole carrying value of the goodwill and adopt a very conservative approach to this item. This significant item will not occur in future periods, has no cash impact, and is not part of operations.

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**4. Revenue**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	1,063,244	882,655
Interest Income	6,570	21,190
Other Revenue	-	6,023
	<b>1,069,814</b>	<b>909,868</b>

**5. Other Income**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Gain on Sale of subsidiaries (i)	-	210,000
R&D incentive (ii)	252,447	195,680
	<b>252,447</b>	<b>405,680</b>

i. During the prior 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 and second research and development tax incentive returns during the prior period and lodged its third and fourth research and development tax incentive returns during the current period. The amount reflects the rebate refunded to the Company for costs that have been expensed in the statement of profit or loss and other comprehensive income. The 2016 rebate was received subsequent to period ends.

**6. Available for sale financial asset**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
NowForce Limited	<b>907,549</b>	<b>-</b>

The Company is in the process of acquiring approximately a 5% ownership of NowForce Limited, an Israeli SaaS security software company. As of the reporting date, the Company has purchased approximately a 3.49% ownership.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Subsequent periods will remeasure at fair value.

**7. Goodwill**

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

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	<b>31 December 2017 Fair Value \$</b>	<b>30 June 2017 Fair Value \$</b>
Velpic Australia Pty LTd - Software-as-a-service (SaaS)	4,880,299	4,880,299
Dash Digital Pty Ltd - digital branding and software development	59,718	59,718
Goodwill (pre-impairment)	4,940,017	4,940,017
Impairment of CGUs	(4,940,017)	-
Goodwill	<b>-</b>	<b>4,940,017</b>

*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 Goodwill by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. This is because due to the startup nature of the operations a value in use model was not appropriate. To calculate a FVLCD value 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). On this basis at 31 December 2017, the carrying value of the Goodwill exceeded the market capitalisation.

The Board has resolved to impair the whole carrying value of the goodwill and adopt a very conservative approach to this item.

**8. Share Capital**

	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
<i>Ordinary shares</i>		
Issued and full paid	<b>30,630,133</b>	<b>29,068,461</b>

Movement in Share capital for the half year ended 31 December 2017:

	<b>Fair Value</b>	<b>6 months to 31 December 2017</b>		<b>Year to 30 June 2017</b>	
		<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
Balance at beginning of year		678,473,176	29,068,461	487,950,245	23,668,936
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 (i)	\$0.050	-	-	240,000	12,000
Share-based payment: Issue of shares to consultants (i)	\$0.040	-	-	178,750	7,150
Shares issue for 2 for 5 non renounceable rights Issue	\$0.008	121,155,625	969,245	-	-
Shares issue for 2 for 5 non renounceable rights Issue	\$0.008	102,766,717	822,134	-	-
Cost of share issue		-	(229,707)	-	(322,750)
<b>Balance at end of year</b>		<b>902,395,518</b>	<b>30,630,133</b>	<b>678,473,176</b>	<b>29,068,461</b>

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

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**9. Share Based Payments and Options on issue**

Movement in share based payments reserve and options on issue during the half-year ended 31 December 2017:

	<b>6 months to 31 December 2017</b>			<b>Year to 30 June 2017</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	\$0.11	137,107,117	2,412,041	\$0.15	30,300,000	2,240,675
Options Issued:						
- Employee Options (i)	\$0.05	-	12,109	\$0.05	-	59,404
- Director Options (iv)	-	-	-	\$0.06	15,000,000	111,889
- Attaching options (ii)	\$0.02	63,977,894	-	\$0.06	95,052,117	-
- Consultant options (iii)				\$0.06	2,000,000	19,199
- Employee Options (v)	\$0.06	2,050,000	4,692			
Exercised	-	-	-	-	-	-
Expired				\$0.37	(3,200,000)	-
Forfeited (i)	\$0.05	(775,000)	(13,501)	\$0.05	(2,045,000)	(19,126)
Balance at end of the period	\$0.02	202,360,011	2,415,341	\$0.11	137,107,117	2,412,041

i. 9,780,000 options under Velpic's employee share option plan were issued in a 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 31 December 2017, 6,280,000 options are on issue.

ii. Options issued as part of the rights issue. Refer to Note 8 for details.

iii. Options issued to consultants could not be valued at the fair value of the services provided.

iv. Options issued to Directors following approval at the Annual General Meeting held on 25 November 2016.

v. 2,050,000 employee share options were granted on 21 June 2017 but were not issued as of 30 June 2017. 1,550,000 of these options were issued on 19 July 2017 and remaining 500,000 were issued on 31 October 2017.

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

	<b>Employee (v)</b>	<b>Consultants (iii)</b>	<b>Directors (iv)</b>
Effective Date of grant	21 June 2017	8 July 2016	25 November 2016
Market price of shares at grant date	\$0.014	\$0.028	\$0.019
Exercise price	\$0.06	\$0.06	\$0.06
Expiry date	21 June 2021	30 June 2018	25 November 2019
Volatility	99.5%	100%	100%
Risk free rate	1.79%	1.56%	1.92%
Fair value at grant date	\$0.0061	\$0.0096	\$0.0075
Vesting conditions	50% on 21 June 2018; 25% on 21 June 2019; 25% on 21 June 2020	None	None

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

**10. Events Occurring After the Balance Date**

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Since the end of the half-year, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods other than:

### *Shortfall Placement of the November 2017 Rights Issue (the "Shortfall"):*

The Company issued all the available Shortfall shares (and free attaching options) subsequent to 31 December, as well as issuing further shares (on the same terms as to price and free attaching options) to fully utilise its remaining Listing Rule Chapter 7 placement capacity. It also issued "Milestone Shares" under the acquisition agreement with the original Velpic/Dash vendors (as approved by shareholders on 3 September 2015). The following table sets out the number and classes of securities issued post 31 December 2017:

- On 12 January 2018, the Company issued 50,297,500 shares at \$0.008 and 14,370,707 listed options at \$0.02 expiring 30 November 2019;
- On 19 January 2018, the Company issued 44,197,250 shares at \$0.008 and 12,627,788 listed options at \$0.02 expiring 30 November 2019;
- On 29 January 2018, the Company issued 51,011,249 shares at \$0.008 and 14,574,644 listed options at \$0.02 expiring 30 November 2019;
- 31 January 2018 was the expiry date for 8,000,000 options at \$0.06 cents; and
- On 2 February 2018, the Company issued 17,944,605 shares at \$0.008 and 50,000,000 milestone shares under the acquisition agreement with the original Velpic/Dash vendors (as approved by shareholders on 3 September 2015) and 5,127,030 listed options at \$0.02 expiring 30 November 2019.

### *Final Payments for Investment in NowForce:*

- On 19 January 2018, the Company made a payment to purchase approximately 1.02% of NowForce Limited for \$256,666. This payment was accrued in the 31 December 2017 Statement of Financial Position for the Available for Sale Financial Asset.
- On 31 January 2018, the Company made the final payment to purchase approximately 1.51% of NowForce Limited for \$374,789. The final payment brought the Company's total ownership up to approximately 5% of NowForce Limited.

## 11. Contingent Assets and Liabilities

### *Contingent Assets*

There has been no change in contingent assets since the last annual reporting date.

### *Contingent Liabilities*

The group has no known contingent liabilities at 31 December 2017.

## 12. Commitments

	31 December 2017 \$	31 December 2016 \$
<b>Short-term:</b>		
Payment to NowForce Limited due 19 January 2018 (Note 10)	256,666	-
Payment to NowForce Limited due 1 February 2018 (Note 10)	374,789	-
<b>Total short-term commitment</b>	<b>631,455</b>	<b>-</b>
<b>Total long-term commitment</b>	<b>-</b>	<b>-</b>

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**13. Group Entities**

	<b>Country of incorporation</b>	<b>Interest 2017</b>	<b>Interest 2016</b>
<b>Parent entity</b>			
Velpic Limited	Australia		
<b>Subsidiaries</b>			
Dash Digital Pty Ltd (trading in its own right) and ATF the Dash Unit Trust	Australia	100%	100%
Velpic Australia Pty Ltd (trading in its own right) and ATF the Inductor Trust	Australia	100%	100%

**14. Related Party Transactions**

Harry Karelis is a Director of Jindalee Partners Pty Ltd and a Director of Velpic Limited (the Company).

Jindalee Partners Pty Ltd had the following transactions with the Company:

	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
<i>Services provided to the Company:</i>		
Fee in relation to acquisition of Investment in NowForce	115,070	-
Fee in relation to share placement	58,155	-
<b>Total services provided to the Company</b>	<b>173,225</b>	<b>-</b>
<i>The above amounts are exclusive of GST</i>		