7 August 2018

Superior offer from Damstra Technology agreed for sale of "Velpic" customer book and IP and end of voluntary suspension

The Company refers to its request for voluntary suspension of 24 July 2018 and the update given on 30 July and makes this announcement to further update the market and to end the need for voluntary suspension:

- The Company has negotiated and executed a superior offer for the "Velpic" business than that previously announced with GO1, with Damstra Technology ("Damstra").
- The Agreement with GO1 has been formally terminated by GO1 as it was not willing to match the Damstra offer.
- The relevant Agreement provides for a payment of $1,000,000 up-front, with additional deferred consideration of circa $2.8million based on 3.5 times the total annual revenue received by Damstra from the date of Completion from all Velpic customer contracts assigned over the three years following the date of Completion.
- As well as the Velpic customer book, Damstra will also be acquiring all Velpic platform IP, seeking to sub-let the Company's Subiaco premises and acquiring the "Velpic" business name.
- The Board of Directors has determined that a sale of the on these terms offers better value for Shareholders than the terms negotiated with GO1.
- An Extraordinary General Meeting ("EGM") of Shareholders will be convened to seek approval for the proposed sale to Damstra, under ASX Listing Rule 11.2 (disposal of main undertaking), and to change the Company's name.
- The Board remains actively seeking new investments opportunities, and also seeking out opportunities for the sale of its other divisions and investments.

Velpic Limited (ASX: VPC) (the "Company") has received an offer to purchase the Company's "Velpic" customer contracts from Damstra Technology Pty Ltd ("Damstra" and "**Proposed Transaction**") that is superior to that agreed with Go1 Pty Ltd ("GO1"), the terms of which were announced on 13 July 2018.

The Agreement with GO1 gave the Company the right to market the Velpic business to third parties if GO1 and if GO1 was not willing to match better terms negotiated, to sell the same to a third part, and this is what has occurred.

It is anticipated that the required EGM will be held towards the end of September and as was anticipated with a sale to GO1, will involve an ordinary resolution under Listing Rule 11.2 to approve the disposal of the Company's main undertaking. As a term of the agreement with

Damstra is also that the Company will change its name so that Damstra can use "Velpic" without there being any confusion in the market place, a special resolution to change the Company's name will also be put to Shareholders at the EGM. A timetable for the EGM and the completion of the transaction with Damstra is set out below.

Details of the Proposed Transaction

The key terms and impact of the Proposed Transaction are as follows:

1. Completion is subject to the condition precedent that the Company obtains approval for the Proposed Transaction pursuant to ASX Listing Rule Chapter 11;

2. The terms relating to consideration are as follows:
   (a) The payment of $1,000,000 at Completion;
   (b) Deferred consideration of 3.5 times the total annual revenue ("Revenue") received by Damstra from the date of Completion from all Velpic customer contracts assigned over the three years following Completion. The deferred consideration is anticipated to be circa $2.8million capped at the contract value of those customers per year as at the date of the agreement ("Deferred Consideration");
   (b) The Deferred Consideration is payable Quarterly at the end of each calendar quarter after the Revenue is earned; and
   (c) Notwithstanding (c) above, Damstra has the right to pay out any remaining Deferred Consideration by making a one-off cash payment at any time to Velpic of an amount agreed with Velpic, equal to the expected or budgeted Revenue to be received from the Velpic customer contracts.

3. The anticipated value of the Deferred Consideration stated above cannot be guaranteed, however, and the following assumptions need to be borne in mind:
   a. All Velpic customer contracts are assigned to Damstra; and
   b. Any Revenue increases and decreases on future support, training or upgrades cannot be predicted, nor can the amount of any customer churn;

4. As part of the Proposed Transaction, Damstra will also acquire all "Velpic" related IP and hardware (computers, phones etc), to allow all Velpic customer contracts to be serviced;

5. Core staff continue to be engaged by the Company, with any additional staff needed engaged on a sub-contract basis. These staff will also work to support Velpic customers during the transition period; and

6. Completion of the sale will take place no later than 5 business days after the receipt of Shareholder approval (with the agreement being terminated if these Conditions are not satisfied by 21 September, or such later date as agreed).

About Damstra

For almost 20 years Damstra's business has been providing real-time, web-based workforce management solutions to ensure a safe and compliant workforce. Damstra has identified the opportunity to introduce a cloud-based Software as a Service (SaaS) product to the market that was agile, highly functional and interfacing at an early stage of that technology advancement.

Damstra's fully-customizable software and hardware solutions service a vast array of industries, including mining, construction, government, rail and transport, labour hire management and energy. Damstra has advanced technology, an expert development and deployment team and is able to offer its clients progressive insight and the development of complete configured solutions from beginning to end.

Damstra's Total Workforce Management System is driven by state-of-the-art hardware and software, to provide unparalleled service, speed and reliability to all end users and its highly skilled and experienced professionals have over 200 years of combined experience in diverse industries.

Further information about Damstra is available at www.damstratechnology.com.

ASX Requirements

As required by ASX Guidance Note 12 para 2.8, the Company provides the following additional information:

1. Information about the likely effect of the transaction on the Company's assets, equity interests, annual revenue, EBITDA and annual profit before tax: See Annexures A (30 June 2017 audited figures) and B (31 December 2017 reviewed (ie not audited) figures) setting out the position of the Company without the Proposed Transaction compared to the position of the Company if the Proposed Transaction had taken place effective as at the date of the financial information (ie 30 June 2017 and 31 December 2017, respectively);

2. No aspect of the Proposed Transaction will involve any change to the issued capital of the Company;

3. No funds are proposed to be raised. As well as generating funds, the Proposed Transaction is seeking to significantly reduce the cash burn of the Company while other options are explored;

4. No changes to the Board or to senior management will occur as a result of the Proposed Transation; and

5. The timetable for implementing the transaction is as follows. This may be subject to change due to matters outside the control of the Company:

Event	Anticipated Date
Announce transaction to the market	6 August
Submit draft NOM to ASX for approval	8 August
Print and dispatch NOM after ASX approval	15 August
Shareholders Meeting	21 September
Completion	28 September

Further Information

For further information please contact Chairperson Leanne Graham on leanne.graham@velpic.com, or Company Secretary Catherine Anderson on catherine.anderson@velpic.com

Annexure A

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017			
		Consolidated	**Consolidated**
		(Audited)	w/ LMS Sale
Assets			
Current Assets			
Cash and cash equivalents		3,250,134	3,250,134
Trade and other receivables		437,589	437,589
LMS Current Receivable	Note 1		1,933,333
Other current assets		40,066	40,066
Total Current Assets		**3,727,789**	**5,661,122**
Non-Current Assets			
Property, Plant & Equipment		71,082	71,082
LMS Non-Current Receivable	Note 1		1,866,667
Intangible Asset		23,662	23,662
Goodwill		4,940,017	4,940,017
Total Non-Current Assets		**5,034,761**	**6,901,428**
Total Assets		**8,762,550**	**12,562,550**
Liabilities			
Current Liabilities			
Trade and other payables		712,378	712,378
Provisions	Note 2	31,267	243,436
Total Current Liabilities		**743,645**	**955,814**

ABN 65 149 197 651

243 Hay St Subiaco WA 6008
t +61 8 6160 4455 **e** info@velpic.com

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Non Current Liabilities			
Provisions	Note 3	52,869	0
Total Non Current Liabilities		**52,869**	**0**
Total Liabilities		**796,514**	**955,814**
Net Assets		**7,966,036**	**11,606,736**
Equity			
Contributed Equity		29,068,461	29,068,461
Reserves		3,662,041	3,662,041
Retained Earnings / (Loss)	Note 4	(24,764,466)	(21,123,766)
Total Equity		**7,966,036**	**11,606,736**

Note 1 - LMS sale is deemed to occur on last day of financial year (30 June 2017). LMS Receivable is over three years. Estimate $1,933,333 within the first 12 months ending on 30 June 2018 (current) and the remaining estimate of $1,866,667 will be received over the remaining two years ending 30 June 2019 and 30 June 2020 respectively.

Note 2 - Original amount is current long service liability to be paid out to employees who already reached entitlement. Entity will no longer have employees so redundancy of $212,169 is accrued to be paid in the month following financial year end.

Note 3 - Entity will no longer have employees so accrued long service leave for employees who have not reached their entitlement will no longer need to be accrued. Other employee accruals such as annual leave and superannuation will still be paid in the month following financial year end and are in Trade and other payables.

Note 4 - Changes to Retained Earnings			
Original Retained Earnings / (Loss)			(24,764,466)
LMS Sale			3,800,000
Redundancy			(212,169)
Reversal of accrued long service leave expense			52,869
Retained Earnings / (Loss) after LMS Sale			**(21,123,766)**

Annexure B

CONSOLIDATED BALANCE SHEET			
AS AT 31 DECEMBER 2017			
(REVIEWED, NOT AUDITED)			
		Consolidated	**Consolidated**
		(Reviewed)	w/ LMS Sale
Assets			
Current Assets			
Cash and cash equivalents		2,895,261	2,895,261
Trade and other receivables		283,877	283,877
LMS Current Receivable	Note 1	0	1,933,333
Other current assets		270,635	270,635
Total Current Assets		**3,449,773**	**5,383,106**
Non-Current Assets			
Available for sale financial asset		907,549	907,549
Property, Plant & Equipment		62,411	62,411
LMS Non-Current Receivable	Note 1	0	1,866,667
Intangible Asset		23,662	23,662
Goodwill		0	0
Total Non-Current Assets		**993,622**	**2,860,289**
Total Assets		**4,443,395**	**8,243,395**
Liabilities			
Current Liabilities			
Trade and other payables		1,145,948	1,145,948
Provisions	Note 2	17,580	229,749
Total Current Liabilities		**1,163,528**	**1,375,697**

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243 Hay St Subiaco WA 6008
t +61 8 6160 4455 **e** info@velpic.com

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Non Current Liabilities			
Provisions	Note 3	64,043	0
Total Non Current Liabilities		**64,043**	**0**
Total Liabilities		**1,227,571**	**1,375,697**
Net Assets		**3,215,824**	**6,867,698**
Equity			
Contributed Equity		30,630,133	30,630,133
Reserves		3,665,341	3,665,341
Retained Earnings / (Loss)	Note 4	(31,079,650)	(27,427,776)
Total Equity		**3,215,824**	**6,867,698**
Note 1 - LMS sale is deemed to occur on last day of financial half-year (31 December 2017). LMS Receivable is over three years. Estimate $1,933,333 within the first 12 months ending 31 December 2018 (current) and the remaining estimate of $1,866,667 will be received over the remaining two years ending 31 December 2019 and 31 December 2020 respectively.			
Note 2 - Original amount is current long service liability to be paid out to employees who already reached entitlement. Entity will no longer have employees so redundancy of $212,169 is accrued to be paid in the month following the balance sheet date.			
Note 3 - Entity will no longer have employees so accrued long service leave for employees who have not reached their entitlement will no longer need to be accrued. Other employee accruals such as annual leave and superannuation will still be paid in the month following the balance sheet date and are in Trade and other payables.			
Note 4 - Changes to Retained Earnings			
Original Retained Earnings / (Loss)			(31,079,650)
LMS Sale			3,800,000

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Redundancy				(212,169)
Reversal of accrued long service leave expense				64,043
Retained Earnings / (Loss) after LMS Sale				**(27,427,776)**

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