



31 July 2019

**VPCL Quarterly Activities Report**

**Quarter Ended 30 June 2019**

**Highlights**

- Second quarterly payment of \$233k from Damstra for the purchase of LMS was received during the quarter;
- Subsequent agreement entered into with Damstra for \$2.050m lump sum settlement of ongoing deferred LMS sale consideration;
- Loan agreement with Pro9 Global Ltd was executed on 19 June 2019 with the first tranche of \$170k paid to Pro9 Global on 26 June 2019;
- Further reduction in lease and administration costs implemented;
- Additional \$219k due end of this financial year, further funds possible next financial year from the sale of NowForce investment;
- Closing cash on 30 June 2019 of \$2.2m.

**VPCL Limited** (ASX: VPC) ("VPC" or "the Company") is pleased to provide an update of the Company's activities for the quarter ended 30 June 2019.

During the June Quarter VPC received a further quarterly payment from Damstra in respect to the sale of the LMS business of approximately \$223k. Under the terms of the sale of the LMS business to Damstra, Damstra is required to pay 3.5 times the total annual revenue earned by Damstra, from all contracts that were assigned to Damstra, over the three years after settlement up to a total payment of \$2.800m. To date the maximum outstanding consideration is \$2.334m. Payments are required to be made within 14 days of the end of each quarter that the revenues were earned in.

Subsequent to the end of the quarter, VPC and Damstra entered into an agreement to potentially bring forward the payment of this deferred consideration by the payment of a lump sum payment of \$2.050m payable on 15 October 2019.



Terms of the agreement are as follows:

- One off payment by Damstra to VPCL of \$2.050m as full and final settlement of the balance of the deferred consideration for the sale of LMS;
- Payment of the \$2.050m to be received by 15 October 2019;
- If the \$2.050m payment is not made in full by 15 October 2019 then Damstra is required to pay VPCL all quarterly payments due plus an interest component of \$100,000 and will continue to pay the deferred consideration in quarterly instalments as they have previously been doing and in line with the original agreement.

On the administrative side, the Company continued to scale down operations post the sale of the LMS and Dash Digital businesses in order to preserve cash. VPC has moved its office from Perth to Melbourne in order to save on lease and administrative costs. It is expected that monthly overheads will reduce by circa \$27,500 per month once the final lease payment is made in early August 2019.

In addition, VPC also entered into a short-term loan agreement with innovative building company Pro9 Global Ltd (Pro9). Pro9 is a precision manufacturer of prefabricated wall systems that makes house construction faster, more affordable and more energy efficient.

Terms of the loan agreement are as follows:

- Maximum loan amount: \$670,000;
- Loan to be drawn down at a maximum of \$170,000 per month;
- Loan to be able to be repaid early and are not able to be redrawn by the borrower during the term;
- Loan term to be the period expiring on 31 December 2019;
- Interest rate of 8% per annum; and
- Loan to be secured by a general security deed over all the assets of the borrower.



The loan agreement provides the opportunity for the Company to receive a return on its existing cash that is higher than would have been available from within the banking system, is fully secured and is short term so as not to impact on any future transaction that the Company will undertake to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

As announced in December 2018, VPC had made a strategic investment in Australian financial technology company, Lumi. As reported in the media Lumi has recently completed a fully subscribed capital raising of \$8m at a premium of 90% to VPCs initial investment. VPC did not participate in this capital raising. Lumi has made the decision to not list on the ASX in the short term and as such the Board will consider its options in respect to this investment which includes the possible sale of its shares.

As previously advised the Company received payment of approximately \$1.245 million (US\$895,900) from the sale of its interest in NowForce with a further approximate \$219,000 (US\$158,000) currently held in escrow expected to be received around May 2020. Further deferred payments up to US\$660,000 may be received by the Company on or around March 2021 subject to the achievement of certain metrics by NowForce.

The Board has conducted due diligence on several opportunities and expects to be able to update the market in the near term when, or if, a definitive agreement is reached.

Leanne Graham  
Director  
VPCL Limited

+Rule 4.7B

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

VPCL LIMITED

**ABN**

65 149 197 651

**Quarter ended ("current quarter")**

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	22	595
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2)	(244)
(c) advertising and marketing	-	(122)
(d) leased assets	-	-
(e) staff costs	(44)	(1,284)
(f) administration and corporate costs	(174)	(757)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	16
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(197)</b>	<b>(1,791)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	(500)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	1,202
	(d) intellectual property	233	1,516
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(170)	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>63</b>	<b>2,048</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,339	1,948
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(197)	(1,791)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	63	2,048
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>2,205</b>	<b>2,205</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,205	2,339
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,205</b>	<b>2,339</b>

**6. Payments to directors of the entity and their associates**

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

**Current quarter  
\$A'000**

30

-

Fees and salaries paid to Directors

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

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

**Current quarter  
\$A'000**

-

-

N/A

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


9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	32
9.6 Administration and corporate costs	161
9.7 Other (provide details if material)	510
<b>9.8 Total estimated cash outflows</b>	<b>703</b>

9.7 Other – represents the balance of a loan to Pro9 Global Ltd under loan agreement dated 19 June 2019

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

### Compliance statement

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

Sign here: .....  ..... Date: 31/07/2019  
(Director/Company secretary)

Print name: CHRISTOPHER MEWS  
.....

### Notes

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