

# 2016

Velpic Limited  
Annual Report 2016



# CORPORATE DIRECTORY

## DIRECTORS

Leanne Graham – Non-executive Chairperson  
Russell Francis – Executive Director  
Patrick Connell - Executive Director  
Glen Moora - Executive Director  
Harry Karelis – Non-executive Director  
Daniel Rohr – Non-executive Director

## COMPANY SECRETARY

Piers Lewis

## AUDITORS

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

## SOLICITORS

Kings Park Corporate Lawyers  
Level 2  
45 Richardson Street  
West Perth WA 6005

## BANKERS

Westpac Banking Corporation  
116 James Street  
Perth WA 6000

## REGISTERED OFFICE

243 Hay Street  
Subiaco WA 6008  
Telephone: 1800 463 828

## SHARE REGISTRY

Link Market Services  
Central Park  
Level 4, 152 St Georges Terrace  
Perth WA 6000  
Investor Enquiries: 1300 554 474

## SECURITIES 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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# CHAIRPERSON'S LETTER

## DEAR SHAREHOLDER,

I am pleased to present Velpic Limited's (formerly International Coal Limited) 2016 Annual Report and provide an overview of the outstanding progress the Company has made during the 2016 Financial Year.

In November 2015 Velpic re-listed on the Australian Securities Exchange. Following the Company's change in direction from being a mining company to that of a technology company, Velpic has made tremendous commercial progress. Notably, it has expanded its operations with the launch of new platform features, activated new revenue streams and substantially built its Australian client base.

Velpic is rapidly commercialising its technology platform and is starting to see the benefits of continued product development during the year with client numbers growing strongly. The launch of SME Version 3.0 was a significant milestone for the Company and greatly enhances our ability to rapidly grow our customer base.

We are now offering a full suite of products to cater for small businesses right through to large enterprise and government organisations. We are also able to offer our technology to the global market and it has cemented our position as an emerging leader in the Software-as-a-Service space.

With the establishment of our national sales team, Velpic has delivered sustained customer growth momentum and has a growing presence across the East and West coast of Australia.



*We operate in the large and growing Learning Management Systems market projected to be worth US\$11.3 billion by 2020\**

*\*Markets and Markets: LMS Report*



**Leanne Graham** | Chairperson

Velpic's international presence is also growing, illustrated by Velpic's approval as a vendor on the UK Government panel, G-Cloud and the full integration of Velpic into the ADP marketplace. In the year ahead, we expect our international growth momentum to continue.

I wish to thank Velpic shareholders for their support over the year. Velpic received substantial support from investors by raising over \$9 million since October 2015. The strong support from investors reflects the growing recognition of Velpic's emerging position as a market leader in the Learning Management Systems market.

The 2016 Financial Year has been a year of substantial change for the Company and I believe that Velpic is well placed to continue to go from strength to strength, delivering results for its shareholders. The Company's potential is significant. We operate in the large and growing Learning Management Systems market projected to be worth \$US11.3 billion by 2020. We expect that our Company will continue to emerge as a leader in this industry.

On behalf of the Board, I am pleased with our progress and I am confident that Velpic's significant growth momentum will continue in the year ahead.

I would like to take this opportunity to acknowledge our customers, contractors and our talented and passionate team.

In particular our CEO Russell Francis for his vision and tireless commitment to realising Velpic's position as the platform of choice in the global Learning Management Systems market.

Yours sincerely,

A handwritten signature in white ink, appearing to read 'L. Graham', on a dark background.

Leanne Graham





# DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of Velpic Limited (formerly International Coal Limited) and the entities it controlled for the financial year ended 30 June 2016. 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.

Hugh Dai	Resigned 22 October 2015
Noel Halgreen	Resigned 22 October 2015
John Lester	Resigned 30 October 2015
Harry Karelis	Appointed 17 October 2014
Leanne Graham	Appointed 22 October 2015
Russell Francis	Appointed 22 October 2015
Patrick Connell	Appointed 22 October 2015
Glen Moora	Appointed 22 October 2015
Daniel Rohr	Appointed 1 March 2016





From left to right: Leanne Graham, Russell Francis, Patrick Connell

**Leanne Graham  
(Non – Executive Chairperson) -  
Appointed 22 October 2015**

Ms Graham is an IT entrepreneur with over 30 years' experience 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 director of iExecute SaaS, Chairperson of Cognitives, a SaaS community publishing platform 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%. Leanne remains deeply passionate about employing technology to disrupt industries.

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 did not hold any directorships in Australian listed entities. She was appointed as a Non-Executive Director of BidEnergy Limited (ASX: BID) on 28 July 2016.

**Russell Francis  
(Chief Executive Officer) -  
Appointed 22 October 2015**

Mr Francis is an entrepreneur and Internet Pioneer with more than 20 years' international experience running successful businesses 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.

**Patrick Connell  
(Executive Director) -  
Appointed 22 October 2015**

Patrick Connell has been a design professional working from Perth (WA), Sydney (NSW) and Bunbury (WA) for almost three decades. Patrick operates on the core belief that great design makes a difference. His professional objectives have always been creative excellence and innovation, and his achievement of these objectives is evidenced by a string of national, state and regional awards over the span of his career.

Patrick is passionate about design in all its incarnations and has acted as a designer, art director, creative director and business strategist for many of Western Australia's top 100 companies. He honed his skills in an industry that has seen the advent of the www, desktop publishing, digital design, cloud technologies, e-commerce, and social and other new media.





From left to right: Glen Moora, Harry Karelis, Daniel Rohr, Mr Piers Lewis

Through all of these radical technological developments, Patrick has lent his skill as a creative director as an underlying factor in generating client success and building effective brands.

Patrick has many years' experience as a design professional in WA, during which time, he has been involved with government, public and private companies. His work has touched a wide range of industries, including tourism and recreation, technology, primary industries, retail and wholesale, arts and entertainment, building, property, education, communications and media, health, financial services, manufacturing, food and beverages, resources and energy, transport and mining.

**Glen Moora  
(Executive Director) -  
Appointed 22 October 2015**

Mr Moora brings his entrepreneurial skills to the company and he is renowned for having built several successful businesses prior to becoming a director. He has an in-depth understanding of all facets of the sales, marketing and strategic process. He has a proven ability to build new business relationships and new territories and has experience in developing business opportunities and global partners.

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

**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 23 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 Australia, Singapore and the United Kingdom.

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)
- VTX Holdings Limited \*

**Daniel Rohr  
(Non - Executive Director) -  
Appointed 1 March 2016**

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 Australian listed companies:

- Cirrus Networks Limited \*  
(ASX:CNW)

**Mr Piers Lewis  
(Company Secretary)**

Mr Lewis has more than 15 years' global corporate experience and is currently the Company Secretary for several ASX listed companies. In 2001, Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth) and is a Chartered Company Secretary. Mr Lewis brings to the Company extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital.

## INTERESTS IN THE SHARES, OPTIONS 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:

	Fully paid ordinary shares Number	Share options Number
Leanne Graham <sup>(i)</sup>	666,667	2,333,334
Russell Francis <sup>(ii)</sup>	40,833,333	1,666,667
Glen Moora <sup>(ii)</sup>	38,000,000	250,000
Patrick Connell <sup>(ii)</sup>	38,000,000	250,000
Harry Karelis <sup>(ii)</sup>	1,666,667	2,833,333
Daniel Rohr <sup>(ii)</sup>	5,000,000	736,667

(i) 2,000,000 options held by Ms Graham are indirectly held.

(ii) Shares and options are indirectly held.

## 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:

Date options granted	Number of share options	Exercise price of option	Expiry date of option
10-Jan-12	3,200,000	\$0.35	12 January 2017
10-Oct-13	2,750,000	\$0.20	10 October 2018
19-Jun-14	7,250,000	\$0.20	18 June 2019
17-Mar-15	4,000,000	\$0.20	31 January 2018
7-Dec-15	8,760,000	\$0.05	3 December 2018
2-Oct-15	4,000,000	\$0.06	31 January 2018
7-Jul-16	95,052,117	\$0.06	30 June 2018
7-Jul-16	2,000,000	\$0.06	30 June 2018
<b>Total</b>	<b>127,012,117</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 20 for details.

## PRINCIPAL ACTIVITIES

The principal activity of the Group changed during the course of the financial year. On 22 October 2015, the Company completed the acquisition of Velpic Australia Pty Ltd (formerly The Inductor Pty Ltd) as trustee for the Inductor Trust ('Velpic') and Dash Digital Pty Ltd as trustee for the Dash Unit Trust ('Dash'). Since this date, the Company's principal activities have been the provision of a cloud-based video e-learning software platform and a brand technology agency. Prior to the completion of the acquisition, the Company's principal activities consisted of exploration for and evaluation of mineral interests.

The Company was required to obtain Shareholder approval for the acquisition and seek re-admission to the Australian Stock Exchange as it involved a "significant" change to the activities of the Company. This was approved at a general meeting of shareholders held on 3 September 2015. On this date, the shareholders also approved to change the Company's name to Velpic Limited.

“

*Personalised, technology-based solutions boost learning retention by up to 60%\**

”

\*Bachman, K (Corporate E-Learning: Exploring A New Frontier) 2000

## OPERATING RESULTS

For the year ended 30 June 2016, the Group made a consolidated loss after income tax of \$4,655,335 (2015: \$12,060,287). At balance date, the Group had \$2,005,712 (2015: \$935,080) in cash and \$6,122,520 in net assets (2015: \$1,812,598). The Group raised \$4,012,500 before costs and completed the acquisition of Velpic and Dash in October 2015. On the date of the acquisition, the Board determined that there were no separable identifiable assets and, as a result, recognised \$4,940,017 as goodwill in the statement of financial position at 30 June 2016. Following the acquisition, the Group successfully re-listed on the Australian Securities Exchange on 12 November 2015. The 2 businesses contributed revenues of \$1,399,599 and net loss of \$1,676,502 to the group for the period from 22 October 2015 to 30 June 2016. The Group also wrote off its exploration, evaluation and mineral assets of \$1,200,724.

## REVIEW OF OPERATIONS

### Highlights

Strong client growth across the business, with a number of new client wins

High activity period, with successful listing on the ASX

Activation of new revenue streams via addition of new platform features

Two successful capital raisings, delivering over \$9m in funding for growth and international expansion

Launch of SME Version 3.0, significantly enhancing Velpic's ability to grow its client base

Addition of two new go-to-market strategies (Reseller Partnerships and SME Self Sign up) to bolster the existing Enterprise Sales channel

Successful technology entrepreneur, Leanne Graham appointed as Chairperson of Velpic

### Change In Company Direction

In October 2015 the shareholders of International Coal Ltd approved the acquisition of Velpic, a cloud-based video e-Learning business, and Dash Digital, a brand technology agency. Shareholders also approved the change of name of the Company from International Coal Limited to Velpic Limited as the nature of the business changed from a mining company to that of a technology company.

Velpic's shares re-commenced trading on the Australian Securities Exchange under the code "VPC". With the new direction of the company focusing on Velpic's learning technology platform, Mr Russell Francis, Ms Leanne Graham, Mr Patrick Connell and Mr Glen Moora joined the Board, with Ms Graham being appointed as Chairperson, following the resignation of Mr John Lester, Mr Hugh Dai and Mr Noel Halgreen.

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

### The Velpic Business

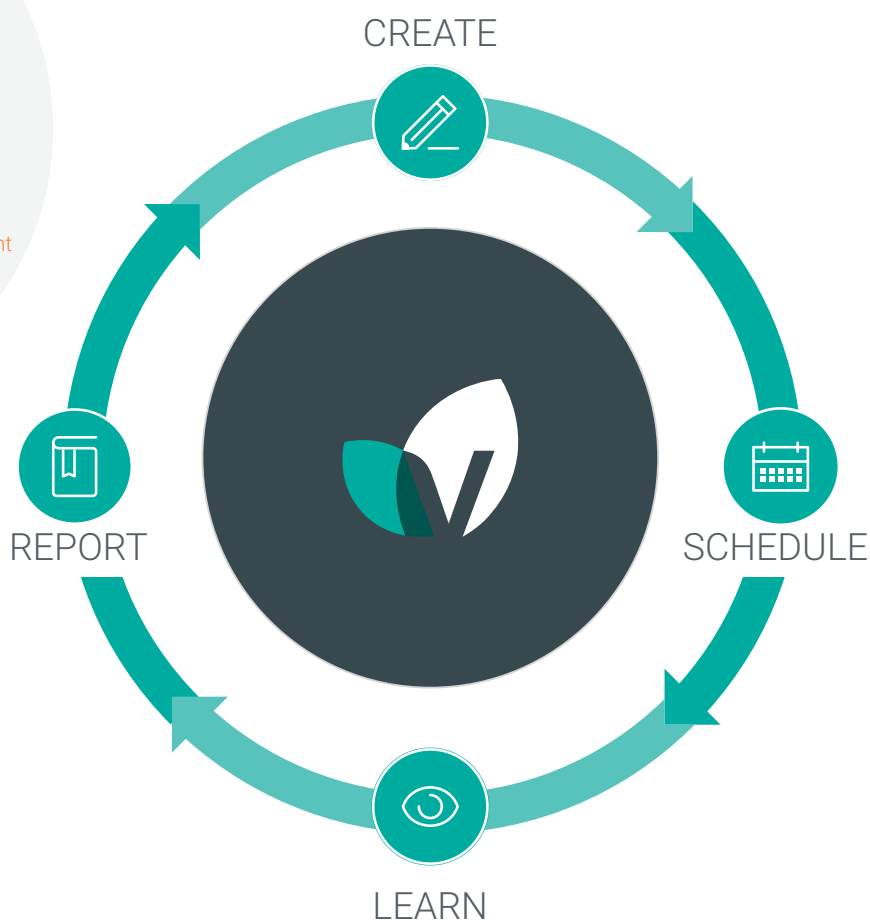
#### Product

Since the acquisition, Velpic has continued to develop a unique online platform that provides a scalable, cloud-based training, induction and education solution for businesses. Velpic has a global first mover advantage that allows anyone to Create, Schedule, Learn, and Report on training assets from a single cloud-based platform.

The platform allows anyone to create their own training lessons and distribute them to staff and contractors at a fraction of the cost compared to traditional training programs.



**COMPLEX  
MADE EASY**





## DIRECTORS' REPORT (CONTINUED)

### Review of Operations (continued)

Velpic's interactive and visual eLearning platform boosts learning retention by up to 60% and is also easily accessible. Users can access Velpic's software and complete their lessons on all devices including mobile phones and tablets.

The Velpic eLearning platform comprises of a multimedia video authoring tool, Learning Management System (LMS), and Internet-responsive video streaming portal. The Company's technology allows businesses to embrace video eLearning, allowing an organisation to create, customise and publish training videos in a cost effective manner.

### Revenue Generation

Velpic's Software-as-a-Service (SaaS) offering makes it an attractive offering for companies of any size, allowing them to have their own integrated and scalable eLearning platform. Velpic has diverse revenue streams, with Enterprise, Partner, On-Demand, Content Marketplace and SME revenue sources.



#### LITE

All the basic tools to get your training started.

**\$89**  
per month

billed annually or  
\$99 monthly

25 Monthly Active Users

#### STANDARD

Enhanced training capabilities for growing businesses.

**\$269**  
per month

billed annually or  
\$299 monthly

100 Monthly Active Users

#### PLUS

Popular feature-rich plan for recurring training needs.

**\$449**  
per month

billed annually or  
\$499 monthly

250 Monthly Active Users

#### ENTERPRISE

Premium package for a high volume of training demands.

**POA**  
Price On Application

250+ Monthly Active Users

### Three Pillar Sales Strategy

Velpic now has in place all three channels of its *Three Pillar Sales Strategy* to increase market share and build revenues. This includes pillar one for Enterprise sales which has been expanded to include a national Enterprise Sales Team; pillar two, Reseller Partnerships which was kicked off with the appointment of a Partner Program Manager; and finally, pillar three Small and Medium Enterprises (SME) clients, which started with the launch of Version 3.0 allowing any client anywhere in the world to sign up as a Velpic client.

Enterprise	Reseller	SME
<ul style="list-style-type: none"><li>● National Sales Team established</li><li>● Continue to expand customer presence across Australia</li></ul>	<ul style="list-style-type: none"><li>● Multiple reseller partnerships secured</li><li>● Partner manager appointed with sole focus on growing reseller channel</li><li>● Highly scalable with one partnership providing access to a customer network</li></ul>	<ul style="list-style-type: none"><li>● Lucrative and rapidly growing LMS market segment</li><li>● Access through recent launch of Version 3.0 of Velpic platform</li><li>● Version 3.0 to act as launchpad for international expansion strategy</li></ul>
Activated ✓	Activated ✓	Recently Launched ✓



*..accelerate the  
Company's expansion  
both domestically and  
internationally...*

### Capital Raising

Velpic undertook capital raising to fund the Company's growth and international expansion plans. The Company received strong support from new and existing investors for both funding events.

#### Recompliance raising

As part of its acquisition in October 2015 and re-listing in November 2015, Velpic completed a recompliance capital raising of \$4 million in capital, with funds used to execute Velpic's growth strategy. The capital raising received strong support from new and existing Australian institutional and sophisticated investors.

#### Completion of Rights Issue

Since the end of the financial year, Velpic raised \$5.7 million before costs via the completion of a 2 for 5 renounceable rights issue. The rights issue received strong support from existing shareholders.

The funding, in conjunction with existing cash reserves, will be used to accelerate the Company's expansion both domestically and internationally through partnerships and digital marketing, as well as provide funds for further platform development.

### Management and Board changes

#### Leanne Graham appointed as Chairperson

During the financial year, the Company was delighted to announce that Non-Executive Director, Ms Leanne Graham had been appointed Chairperson of Velpic. Ms Graham joined the Company as a successful technology entrepreneur with a strong track record in managing growing Software-as-a-Service companies, including her highly successful tenure as General Manager and Global Head of Sales at Xero.

#### Non-Executive Director Appointment

The Company also appointed Mr Daniel Rohr as a Non-Executive Director of the Board of Velpic during the year. Mr Rohr is a Chartered Accountant with more than 20 years of management, corporate advisory, finance and accounting experience across a range of listed and unlisted companies in Australia and overseas.

#### Establishment of National sales team

Velpic commenced the execution of its national expansion strategy with the relocation of Velpic co-founder and National Sales & Marketing manager, Mr Glen Moora from Perth to Sydney and the hiring of Business Development Managers across the East Coast of Australia.





## Operations

Since the acquisition, Velpic completed multiple platform innovations including the launch of Version 3.0, which targets the SME market and the launch of two mobile Apps.

### Product Innovations

#### Successful Launch of Version 3.0

In May 2016, Velpic released Version 3.0 of its eLearning platform, three months ahead of schedule, facilitating the activation of its third and final major sales channel. Version 3.0 specifically targets the SME market, which is expected to be a key growth driver for the business.

This new platform will significantly enhance Velpic's ability to grow its client base by providing a fully automated interface for SME clients to sign up to the Velpic platform. This is helping to significantly scale the Company's client growth, with minimal additional overhead.

#### Velpic Enters Product Training Market

Velpic signed workforce management software solutions company, ComOps as a client, representing Velpic's first entry into the product training market. Velpic is providing training solutions that allow ComOps to train their clients in their software offering.

#### Velpic Releases Two Mobile Apps

The Company released its first native app for its eLearning platform, with the 'Velpic Supervisor' companion app launched on the Google Play and Apple App Store. The app provides a variety of features, including convenient follow-up tasks for training managers and industry compliance officers via any device. This increases the mobility and functionality of Velpic's platform for supervisors.

The second native app, also available through Google Play and the Apple App Store, is called 'Velpic Learn'. It enhances the trainees experience by providing increased flexibility, allowing lessons to be completed remotely in any location on a smartphone or tablet.

*..Velpic experienced strong client growth throughout the financial year...*





#### **Sustained Client Growth**

Validating the strength of the Company's offering, Velpic experienced strong client growth throughout the financial year, entering several new market segments with multiple new clients signed up. Major clients that signed to the Velpic platform during the financial year that consented to be named include the Canterbury Leagues Club, Alcoa, Shelf Subsea and Boggabri Coal.

#### **Distribution Agreement with Panalitix**

Velpic signed its first distribution agreement with Panalitix. Panalitix delivers business advisory tools for accountants, automating the marketing and delivery of advisory services. It currently has over 400 clients in Australia and New Zealand and a further 300 in the USA, Canada and the UK.

#### **MOU signed with TikForce**

The Company also signed a Memorandum of Understanding (MOU) with Tikforce Limited, a human resource technology provider that develops solutions for workplace identity verification and qualification validation, including bio-metrics confirmation. Velpic and TikForce will investigate the integration of technologies to provide employers with workforce identity verification capabilities and employee profile generation. These features will enhance the functionality of Velpic's offering.

#### **Big Review TV**

Velpic signed a collaboration agreement with Big Un Limited (ASX: BIG), the parent company of Big Review TV Ltd (BRTV), which provides online video content, video reviews and online marketing services to small and medium enterprises through its platform. Together, Big and Velpic will develop and produce video content for specific customer requirements such as inductions or training lessons.

#### **Cognitives**

Velpic has entered into a strategic partnership with Cognitives, a SaaS publishing platform that allows businesses to build an online website and community around their content and brands through social aggregation. Cognitives will provide a specially designed platform for Velpic to place curated content online to enhance Velpic's digital marketing initiatives. Velpic and Cognitives will also investigate adding new services around the Cognitives platform to Dash Digital's core service offering.

#### **Reseller partnerships**

During the financial year, the Company signed a number of reseller agreements across Australia, including Keegan Consulting, Volta Technologies and Risk Link. Velpic's partners have agreed to on-sell the Company's eLearning platform. This extends the reach of Velpic's products and provides substantial client acquisition potential for Velpic.

### International Expansion

Commencing its international expansion operations following the end of the financial year, Velpic announced that it had fully integrated into ADP's online human resources marketplace and was approved as a vendor on G-Cloud, the United Kingdom's government procurement platform. These developments represent substantial commercial milestones for the Company, expanding Velpic's international addressable market opportunities.

### Significant changes in the state of affairs

Other than the acquisition of Velpic Australia Pty Ltd (Formerly the Inductor Pty Ltd) as trustee for the Inductor Trust and Dash Digital Pty Ltd as trustee for the Dash Unit Trust, which resulted in the Company changing its principal activities from that of an exploration company to an Information technology company, there has been no other 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 other than:

- On 8 July 2016, the Group completed its 2 for 5 non-renounceable rights issue by issue of 190,104,181 shares and 97,052,117 free attaching options raising approximately \$5.7 million before costs.
- On 9 August 2016, the Company issued 240,000 shares at 5 cents per share and 178,750 shares at 4 cents per share for consultant services provided prior to balance date. The amount was recognised as a liability at 30 June 2016.
- On 6 September 2016, Department of Industry, Innovation and Science received our registration for Research and Development Tax Incentive and is now subject to assessment by the Department.

### Likely developments and expected results

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

### Environmental legislation

The Group is subject to significant environmental reregulation 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 environmental 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 measurement period 1 July 2015 to 30 June 2016, 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 2016. (2015: NIL)

### 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 2016. 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 - Appointed 22 October 2015
Russell Francis	Chief Executive Officer - Appointed 22 October 2015
Glen Moora	Executive Director - Appointed 22 October 2015
Patrick Connell	Executive Director - Appointed 22 October 2015
Harry Karelis	Non-Executive Director - Appointed 17 October 2014
Daniel Rohr	Non-Executive Director - Appointed 1 March 2016
John Lester	Non-Executive Director - Resigned 30 October 2015
Hugh Dai	Non-Executive Director - Resigned 22 October 2015
Noel Halgreen	Non-Executive Director - Resigned 22 October 2015

### 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.

#### 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.

### Assessing performance and claw-back of remuneration

The Board is currently reviewing the Executive Performance Reward Policy with regards to the following: in the event of serious misconduct or a material misstatement in the Group's financial statements, the Board may cancel or defer remuneration and may also claw back performance-based remuneration paid in previous financial years.

### 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 Directors are as follows:

Ms Leanne Graham – Appointed 22 October 2015

- 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 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 – Appointed 1 March 2016

- 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

Mr Russell Francis – Appointed 22 October 2015

- 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 Glen Moora - Appointed 22 October 2015

- On-going agreement unless terminated
- Annual base salary of \$230,000 plus statutory superannuation
- Once off payment of \$15,000 for relocation expenses to Sydney, NSW.



## DIRECTORS' REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

- 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 Patrick Connell – Appointed 22 October 2015

- 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

### 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		Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	Other	Annual Leave	Long Service Leave (viii)	Superannuation	Share options	Total	Fixed remuneration	Remuneration linked to performance
30 June 2016	\$	\$		\$	\$	\$	\$	%	%
Leanne Graham <sup>(i)</sup>	31,500	-	-	-	-	40,800	72,300	100 %	0 %
Russell Francis <sup>(ii)</sup>	146,308	-	26,143	7,454	22,322	-	202,227	100 %	0 %
Glen Moora <sup>(iii)</sup>	159,385	-	6,466	8,000	15,142	-	188,993	100 %	0 %
Patrick Connell <sup>(ii)</sup>	137,846	-	25,587	7,008	13,095	-	183,536	100 %	0 %
Harry Karelis <sup>(iii)</sup>	42,000	44,000	-	-	-	40,800	126,800	100 %	0 %
Daniel Rohr <sup>(iv)</sup>	45,676	-	-	-	4,339	2,880	52,895	100 %	0 %
John Lester <sup>(v)</sup>	24,833	80,500	-	-	2,058	-	107,391	100 %	0 %
Hugh Dai <sup>(vi)</sup>	126,272	82,500	-	-	20,089	-	228,861	100 %	0 %
Noel Halgreen <sup>(vii)</sup>	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. Of the amount paid to Mr Francis, \$16,153 in salary and \$1,535 in superannuation relates to outstanding salary from the prior year paid in the current year.
- (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 a 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 a 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 Cariato 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)

#### Remuneration of key management personnel (continued)

	Short-term employee benefits		Post-employment benefits	Share-based payments	Relative proportions of remuneration of KMP that are linked to performance		
	Salary & fees	Other	Super-annuation	Share options	Total	Fixed remuneration	Remuneration linked to performance
30 June 2015	\$	\$	\$	\$	\$	%	%
Harry Karelis <sup>(i)</sup>	47,694	-	-	-	47,694	100 %	0 %
John Lester <sup>(ii)</sup>	72,666	60,000 <sup>(iii)</sup>	2,058	-	134,724	100 %	0 %
Hugh Dai	123,958	-	11,776	-	135,734	100 %	0 %
Noel Halgreen <sup>(iii)</sup>	44,800	-	-	-	44,800	100 %	0 %
<b>Total</b>	<b>289,118</b>	<b>60,000</b>	<b>13,834</b>	<b>-</b>	<b>362,952</b>	<b>100 %</b>	<b>0 %</b>

(i) Mr Karelis' fees were paid to Gemelli Nominees Pty Ltd, a company that Mr Karelis is a director of.

(ii) Of the amount paid to Mr Lester, \$51,000 was paid to John Lester Management Pty Ltd, a company that Mr Lester is a director of. Other relates to a termination payment, following the termination of his employment with the Company. This was executed in November 2014 but was unpaid at 30 June 2015.

(iii) Mr Halgreen's fees were paid to Cariant Pty Ltd, a company that Mr Halgreen is a director of.

#### Employee Share option plan

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

As part of the business combination transaction, the following options were issued to directors and employees as incentive options.

For details on the valuation of the options, including models and assumptions used, please refer to Note 15. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
		\$	\$		
Director Options	02/10/2015	2.04 cents	0.06	31/01/2018	02/10/2015
Employee Share Options	11/11/2015	2.09 cents	0.05	03/12/2018	50% 30/11/2016; 25% 30/11/2017; 25% 30/11/2018

There have been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

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

KMP	Option series	Granted during the year	Vested during the year	% of grant vested	% of grant forfeited
		Number	Number	%	%
Leanne Graham	Director Options	2,000,000	2,000,000	100 %	0%
Harry Karelis	Director Options	2,000,000	2,000,000	100 %	0%
Daniel Rohr	Employee Share Options	320,000	-	0%	0%

### Key management personnel equity holdings

	Balance at beginning of year	Granted during the year <sup>(i)</sup>	Received on exercise of options	Net change other <sup>(ii)</sup>	Balance at end of year <sup>(v)</sup>
30 June 2016	Number	Number	Number	Number	Number
Leanne Graham	-	-	-	-	-
Russell Francis	-	-	-	37,500,000	37,500,000
Glen Moora	-	-	-	37,500,000	37,500,000
Patrick Connell	-	-	-	37,500,000	37,500,000
Harry Karelis	-	-	-	-	-
Daniel Rohr <sup>(iii)</sup>	-	-	-	4,166,667	4,166,667
John Lester	2,621,403	3,979,167	-	(6,600,570)	-
Hugh Dai <sup>(iv)</sup>	5,590,001	4,739,575	-	(10,329,576)	-
Noel Halgreen	-	1,501,500	-	(1,501,500)	-

(i) Shares issued in lieu of outstanding director and/or consulting fees as approved at a general meeting held on 3 September 2015.

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

(iii) Shares issued to Mr Daniel Rohr for consulting services provided prior to his employment and appointment.

(iv) Shares held by Mr Dai are indirectly held by VTech Holdings Pty Ltd, a company that Mr Dai is a director of.

(v) All shares held by the Directors as at 30 June 2016 are indirectly held.

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

	Balance at beginning of year	Granted during the year <sup>(i)</sup>	Exercised	Net change other <sup>(ii)</sup>	Balance at end of year <sup>(iv)</sup>	Vested and exercisable	Not vested and not exercisable
30 June 2016	Number	Number	Number	Number	Number	Number	Number
Leanne Graham	-	2,000,000	-	-	2,000,000	2,000,000	-
Russell Francis	-	-	-	-	-	-	-
Glen Moora	-	-	-	-	-	-	-
Patrick Connell	-	-	-	-	-	-	-
Harry Karelis	-	2,000,000	-	-	2,000,000	2,000,000	-
Daniel Rohr	-	-	-	320,000 <sup>(iii)</sup>	320,000	-	320,000
John Lester	2,000,000	-	-	(2,000,000)	-	-	-
Hugh Dai	2,000,000	-	-	(2,000,000)	-	-	-
Noel Halgreen	2,000,000	-	-	(2,000,000)	-	-	-

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

(ii) Issued as related party options as a result of the acquisition transaction.

(iii) Issued under the employee share options scheme during Mr Rohr's employment, prior to his appointment as non-executive director.

(iv) All options held by the Directors at 30 June 2016 are indirectly held.

### Other transactions with key management personnel

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, a company that Ms Graham is a Director of.
- \$21,500 was paid to Cloud Rainmakers Ltd, a Company that Ms Graham is a Director of, for prepaid director fees.
- \$12,440 (excluding GST) in sales revenue billed to AusCann Group Holdings Limited, a company that Mr Karelis is a Director of.
- \$9,839 (exclusive of GST) in sales revenue billed to Zelda Therapeutics Pty Ltd, a company that Mr Karelis is a Director of.
- \$23,208 (exclusive of GST) in sales revenue billed to Aunt Zelda's LLC, a company that Mr Karelis is a shareholder of.
- \$1,160 (exclusive of GST) in sales revenue billed to CDRMed, a company that Mr Karelis is a Director of.
- The Company employed Mrs Anne Moora, who is related to Mr Glen Moora as a Business Development Administrator on 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:

	CONSOLIDATED			
	Amounts owed by related parties		Amounts owed to related parties	
	2016 \$	2015 \$	2016 \$	2015 \$
AusCann Group Holdings	941	-	-	-

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 2015 Annual General Meeting

The company received validly appointed proxies of 99% of "yes" votes on its remuneration report for the 2015 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:

Number of meetings attended:	Directors' Meetings	
	Present	Entitled to attend
Leanne Graham	5	5
Russell Francis	5	5
Glen Moora	5	5
Patrick Connell	5	5
Harry Karelis	5	5
Daniel Rohr	2	2
John Lester	0	1

## 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).

## 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 2016 are outlined in the following table. The Directors are satisfied that the provision of non-audit services is 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:

	CONSOLIDATED	
	30 June 2016 \$	30 June 2015 \$
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 page 24.

Signed in accordance with a resolution of the directors.



**Russell Francis**

Director

Perth

23 September 2016

# AUDITORS' INDEPENDENCE DECLARATION



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

As lead auditor of Velpic Limited for the year ended 30 June 2016, 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.

A handwritten signature in blue ink, appearing to read 'J Prue'.

**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 23 September 2016

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.

# INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITOR'S REPORT

To the members of Velpic Limited

### Report on the Financial Report

We have audited the accompanying financial report of Velpic Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 audit, 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 Velpic Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### Opinion

In our opinion:

- (a) the financial report of Velpic Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2016. 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.

#### Opinion

In our opinion, the Remuneration Report of Velpic Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'J Prue', is written over a faint, larger 'BDO' logo.

**Jarrad Prue**

**Director**

Perth, 23 September 2016



# 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 2016 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

23 September 2016





# FINANCIAL REPORT



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	30
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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
<b>Continuing operations</b>			
Revenue	2	1,399,559	-
Other income	2	60,714	30,676
Expenses			
Production costs		(449,501)	-
Compliance costs		(110,633)	(121,476)
Directors' Fees		(73,266)	(119,993)
Depreciation and amortisation	2	(16,319)	(3,398)
Reversal of doubtful debts		26,030	-
Employee benefits expense	2	(2,202,522)	(267,085)
Impairment of capitalised exploration expenditure	2	(1,200,724)	(11,263,905)
Tenement costs incurred		(27,691)	-
Interest expense		(6,570)	-
Marketing expense		(272,680)	-
Professional and consulting fees		(438,509)	(241,379)
Re-compliance and acquisition costs		(174,596)	-
Rent and utilities		(146,009)	(2,579)
Share-based payments	2	(799,941)	(23,600)
Travel expense		(79,646)	(22,202)
Other expenses		(143,031)	(50,865)
<b>Loss for the year before income tax</b>		<b>(4,655,335)</b>	<b>(12,085,806)</b>
Income tax benefit	3	-	25,519
<b>Loss for the year after income tax</b>		<b>(4,655,335)</b>	<b>(12,060,287)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(4,655,335)</b>	<b>(12,060,287)</b>
Loss per share for the year attributable to the members of Velpic Limited:			
Basic and diluted loss per share (cents per share)	16	(1.19)	(7.2)

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

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	2,005,712	935,080
Trade and other receivables	8	390,171	16,688
Income tax receivable	3	-	25,519
Other current assets	9	126,546	208,825
<b>Total current assets</b>		<b>2,522,429</b>	<b>1,186,112</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	-	994,057
Mineral Assets	6	-	206,667
Plant & equipment	10	78,982	-
Intangible assets	11	23,662	-
Goodwill	11	4,940,017	-
<b>Total non-current assets</b>		<b>5,042,661</b>	<b>1,200,724</b>
<b>Total assets</b>		<b>7,565,090</b>	<b>2,386,836</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,370,709	574,238
Provisions	13	18,040	-
<b>Total current liabilities</b>		<b>1,388,749</b>	<b>574,238</b>
<b>Non-current liabilities</b>			
Provisions	13	53,821	-
<b>Total non-current liabilities</b>		<b>53,821</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,442,570</b>	<b>574,238</b>
<b>Net Assets</b>		<b>6,122,520</b>	<b>1,812,598</b>
<b>Equity</b>			
Issued capital	14	23,668,936	16,117,904
Reserves	15	3,490,675	2,076,450
Accumulated losses		(21,037,091)	(16,381,756)
<b>Total Equity</b>		<b>6,122,520</b>	<b>1,812,598</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED					
	Issued capital	Share-based payments reserve	Deferred compensation reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<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
Options issued	-	164,225	-	-	164,225
Share issue costs	(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>
<b>Balance at 1 July 2014</b>	15,674,904	2,052,850	-	(4,321,469)	13,406,285
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(12,060,287)	(12,060,287)
Total comprehensive loss for the year	-	-	-	(12,060,287)	(12,060,287)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued	470,000	-	-	-	470,000
Share issue costs	(27,000)	-	-	-	(27,000)
Share-based payments for supply of services	-	23,600	-	-	23,600
<b>Balance at 30 June 2015</b>	<b>16,117,904</b>	<b>2,076,450</b>	<b>-</b>	<b>(16,381,756)</b>	<b>1,812,598</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,575,770	-
Payments to suppliers and employees		(4,923,289)	(641,058)
Transaction costs associated with the acquisition of subsidiaries	21	(215,490)	-
Income tax-Research and Development rebate		31,545	285,829
Interest received		28,910	36,019
Interest paid		(6,458)	-
<b>Net cash flows (used in) operating activities</b>	7	<b>(3,509,012)</b>	<b>(319,210)</b>
<b>Cash flows from investing activities</b>			
Cash acquired on acquisition of businesses		108,767	-
Payments for acquisition of business		-	(200,000)
Payments for evaluation and exploration expenditure		-	(199,811)
Payments for plant and equipment		(30,256)	(2,251)
Proceeds on disposal of plant and equipment		1,208	-
Payments for trademarks		(731)	-
<b>Net cash flows from (used in) investing activities</b>		<b>78,988</b>	<b>(402,062)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares and options	14	4,012,500	470,000
Cost of share issue	14	(203,684)	(27,000)
Funds received in advance from non-renounceable rights issue	12	772,000	-
Cost paid in advance for non-renounceable rights issue	9	(12,934)	-
Repayment of borrowings from Director		(67,226)	-
<b>Net cash flows provided by financing activities</b>		<b>4,500,656</b>	<b>443,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,070,632</b>	<b>(278,272)</b>
Cash and cash equivalents at beginning of the year		935,080	1,213,352
<b>Cash and cash equivalents at end of the year</b>	7	<b>2,005,712</b>	<b>935,080</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 video e-Learning platform and a brand technology agency.

### b) Statement of compliance

The financial report was authorised for issue on 23 September 2016.

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 2016

In the year ended 30 June 2016, 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 2016. 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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 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 2017)

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.

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.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### 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.

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 11.

#### 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 is determined by using the Black and Scholes model, refer to note 15 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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 in 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. 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.

Subsequent to the year end, the Group completed a non-renounceable rights issue raising approximately \$5.7 million before costs. The funds raised will be used to fund the Group's expansion plans. Therefore the Directors believe that the Company will have sufficient funds to realise its assets and extinguish its liabilities in the normal course of business.

## 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 collectible 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 amortised on a straight-line basis over their estimated useful lives.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 amortised. 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.

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) 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.

### m) 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.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Income Tax (continued)

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.

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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### n) 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.

### o) 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.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****o) Business Combinations (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.

**p) 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.

**q) 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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### r) 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.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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.

### s) 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.

### t) 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 the Black and Scholes model, further details of which are given in note 15.

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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t) Share-based payment transactions (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 16.

### u) 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.

### v) 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

### w) 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.

### x) Parent entity financial information

The financial information for the parent entity, Velpic Limited, disclosed in note 22 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.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### x) Parent entity financial information (continued)

#### 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.

### y) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

#### Acquisition and divestments – Accounting for Farm-Ins

Farm-ins generally occur in the exploration and development phase and are characterized by the transferor giving up future economic benefits, in the form of reserves, in exchange for reduced future funding obligations. In the exploration phase, the Group accounts for farm-ins on a historical cost basis. As such no gain on loss is recognised. Refer to note 6 for further details.

#### Joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture when unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint venture operations represent arrangement whereby joint operators maintain direct interest in each asset and exposure to each liability of the arrangement. The Group's interest in the assets, liabilities, revenue and expenses of joint operations are included in the respective line of the consolidated financial statements.

Gain and losses resulting from sales to a joint operation are recognised to the extent of other parties' interest. When the group makes purchases from joint operations, it does not recognise its shares of the gain and losses from a joint arrangement until it resells those goods/assets to third party. Refer to note 6 for further details.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 in its highest and best use 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.

## 2. REVENUE AND EXPENSES

### Revenue

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Revenue from external customers from the provision of services <sup>(i)</sup>	1,399,559	-
Other revenue		
- Interest revenue	28,910	30,676
- Other income	31,804	-
	60,714	30,676

(i) As the acquisition of Velpic was completed on 22 October 2015 (note 21), the balance reflects the revenue earned by the acquired businesses since acquisition to 30 June 2016.

### Expenses

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
Foreign exchange losses (net)		2,970	-
Interest expense		6,570	-
Depreciation		16,319	3,398
Exploration and evaluation assets – impairment	5,6	1,200,724	11,263,905

### Share-based payment expense

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
Share-based payment via issue of options	15	164,225	23,600
Share-based payment via issue of shares	14	617,216	-
Share-based payment pending issue of shares	12	18,500	-
		799,941	23,600

### Employee benefit expense

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
Salaries and superannuation		2,019,908	207,085
Other benefits		16,488	60,000
Employment taxes		73,852	-
Other costs		92,274	-
		2,202,522	267,085

### 3. INCOME TAX

#### Income tax recognised in profit or loss

The major components of tax expense are:

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Current tax expense/(income)	-	(25,519)
Total tax expense/(income)	-	(25,519)

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 2016 \$	30 June 2015 \$
Loss	(4,655,335)	(12,085,806)
Income tax expense calculated at 30%	(1,396,601)	(3,625,742)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Exploration and evaluation expenditure	-	17,900
• Share-based payments	239,982	7,080
• Impairment of exploration expenditure	-	3,379,172
• Effect of unused tax losses and tax offsets not recognised as deferred tax assets	839,462	106,985
• Non-deductible items	29,652	89,086
• Movement in unrecognised temporary differences	314,742	-
• Deductible equity raising costs	(27,237)	-
Income tax /(benefit) attributable to profit or loss	-	(25,519)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

#### Deferred tax assets

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Employee provisions	21,772	1,313
Less: set off of deferred tax liabilities	(21,772)	(1,313)
Net deferred tax assets	-	-

#### Deferred tax liabilities

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Unearned income	(21,772)	(1,313)
Less: set off deferred tax assets	21,772	1,313
Net deferred tax liabilities	-	-

**Unused tax losses**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Prior year tax losses brought forward	13,682,806	13,241,026
Current year tax losses	3,037,857	441,780
Unrecognised tax losses	16,720,663	13,682,806

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

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Deductible temporary differences	573,084	259,523
Tax losses – revenue	5,016,199	4,104,841
Tax losses – capital	16,704	-
	5,605,987	4,364,364

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(m).

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.

**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 2016, the Company had only one geographical location being Australia and operated in two business segments being a Software-as-a-Service business and a digital branding and consulting business. The operating segments were acquired on 22 October 2015 and the results shown below therefore only include the period since the date of acquisition.



#### 4. SEGMENT INFORMATION (CONTINUED)

	CONSOLIDATED			
	Software-as-a-Service	Consulting Services	Other	Total
	\$	\$	\$	\$
<b>30 June 2016</b>				
<b>Revenue</b>				
Sales to external customers	255,674	1,143,885	-	<b>1,399,559</b>
Interest revenue	-	4,124	24,786	<b>28,910</b>
Other Revenue	259	-	31,545	<b>31,804</b>
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	-	<b>6,570</b>
Depreciation	4,644	11,675	-	<b>16,319</b>
Impairment – exploration expenditure	-	-	1,200,724	<b>1,200,724</b>
<b>Segment assets</b>	<b>5,110,221</b>	<b>1,574,314</b>	<b>880,555</b>	<b>7,565,090</b>
<b>Segment liabilities</b>	<b>218,696</b>	<b>347,065</b>	<b>876,809</b>	<b>1,442,570</b>

	CONSOLIDATED			
	Software-as-a-Service	Consulting Services	Other	Total
	\$	\$	\$	\$
<b>30 June 2015</b>				
<b>Revenue</b>				
Interest revenue	-	-	30,676	30,676
Total Segment Revenue	-	-	<b>30,676</b>	<b>30,676</b>
<b>Segment net operating loss after tax</b>	-	-	<b>(12,060,287)</b>	<b>(12,060,287)</b>
Depreciation expenditure	-	-	3,398	<b>3,398</b>
Impairment of exploration and evaluation assets	-	-	11,263,905	<b>11,263,905</b>
<b>Segment assets</b>	-	-	<b>2,386,836</b>	<b>2,386,836</b>
<b>Segment liabilities</b>	-	-	<b>574,238</b>	<b>574,238</b>

## 5. EXPLORATION AND EVALUATION ASSETS

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Opening book value	994,057	3,158,979
Direct exploration expenditure	-	59,666
Impairment of area of interest	(994,057)	(2,224,588)
Total exploration expenditure	-	994,057

The value of exploration assets recognised relates to tenement EPC 2197 \* South Blackall. The recoverability of the carrying amount of exploration asset is depending on the successful exploration and development of projects or alternatively through the sale of the areas of interest. The Board has written off all capitalised expenditure at 30 June 2016 to the statement of profit or loss and other comprehensive Income.

## 6. MINERAL ASSETS

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Opening book value	206,667	9,245,984
Impairment of area of interest	(206,667)	(9,039,317)
Total exploration expenditure	-	206,667

The value of the mineral assets recognised for the acquisition of the percentage interest from Coal Face Resources Pty Ltd (in liquidation) in relation to EPC 2332.

The Group had entered into several joint venture and farm-in agreements with several parties in relation to its tenements in prior years:

- Queensland Coal Investments Pty Ltd (QCI) entered on 21 June 2012 in relation to Exploration Permits in the Bundaberg region namely, EPC 2194, 2195, 2146 and 2631. \$11,227 was incurred as part of this agreement in the prior financial year ended 30 June 2015. The consolidated group share of assets employed and interest in the joint venture was 100%. Under the Agreement, QCI is required to spend \$1,500,000 in order to earn a 25% interest in the tenements. At 30 June 2015, QCI had accumulated costs of \$1,623,377 incurred over these exploration Permits. On 25 February 2014, QCI decided not to spend further on these tenements and was entitled to 25% in the project. As at 30 June 2015, all costs incurred on this agreement has been written off. During the year ended 30 June 2016, EPC 2194, 2146 and 2631 was surrendered.
- Coal Face Resources Pty Ltd (in liquidation) (CFR) entered on 12 April 2013 in relation to the Don Juan Project (Exploration Permit EPC 0053. The Group incurred \$12,715 in the prior financial year ended 30 June 2015. However as the Company's intention was to surrender this tenement, the consolidated group share of assets was NIL and the amount incurred was written off to the statement of profit or loss and other comprehensive income. The interest in the joint venture is 46%.
- On 20 September 2012, the company announced it had signed a Terms Sheet with CFR to acquire 20% interest in the project referred to as the Consuelo Project upon granting of the tenements EPC 2318, 2327 and 2332. The terms of the agreement offered International Coal Ltd the opportunity to earn up to 71% of the Consuelo Project within 3 years from the date of the grant of these tenements. The consolidated group's share of assets was reduced to \$206,667 in relation to tenement EPC 2332 at 30 June 2015.

The Board has written off the mineral assets at 30 June 2016 to the statement of profit or loss and other comprehensive income.

## 7. CASH AND CASH EQUIVALENTS

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Cash at bank and on hand	2,005,712	935,080

### 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:

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
Cash and cash equivalents		1,246,646	935,080
Funds received in advance for non-renounceable rights issue	12	772,000	-
Expenses paid for non-renounceable rights issued pending completion at 30 June 2016	9	(12,934)	-
		2,005,712	935,080

### Reconciliation of loss for the year to net cash flows from operating activities<sup>(i)</sup>

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Net loss for the year	(4,655,335)	(12,060,287)
Add back:		
Gain on disposal of plant and equipment	(259)	-
Depreciation	16,319	3,398
Equity settled share-based payment	781,441	23,600
Impairment of exploration assets	1,200,724	11,263,905
Foreign currency losses	2,970	-
(Increase)/decrease in assets:		
Trade and other receivables	(166,073)	22,511
Other current assets	151,949	2,507
Income tax receivable	-	260,310
Increase/(decrease) in liabilities:		
Trade and other payables	(888,447)	164,846
Provisions	47,699	-
Net cash from operating activities	(3,509,012)	(319,210)

- (i) As the acquisition of Velpic was completed on 22 October 2015 (note 21), the operating activities from the acquired businesses above only reflects the period since the acquisition to 30 June 2016.

**7. CASH AND CASH EQUIVALENTS (CONTINUED)****Non-cash financing and investing activities**

The consideration for acquiring Velpic Australia and Dash Digital during the year was \$4,575,000. Of this, \$4,375,000 was issued in form of shares. Refer to note 21.

**Cash balances not available for use**

At 30 June 2016, \$772,000 was received into the Company's bank accounts in relation to the non-renounceable rights issue that was pending completion at balance date. Refer to note 12.

**8. TRADE AND OTHER RECEIVABLES**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Trade receivables	305,481	-
Allowance for impairment	(15,341)	-
	290,140	-
Amounts due from work-in-progress <sup>(i)</sup>	77,442	-
GST recoverable	-	15,375
Accrued interest	-	1,313
Accrued income	18,143	-
Other	4,446	-
	390,171	16,688

<sup>(i)</sup> 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**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
30 – 60 days	206,493	-
60 – 90 days	3,311	-
90 – 120 days	80,336	-
Total <sup>(i)</sup>	290,140	-

<sup>(i)</sup> The above relates to a number of independent customers whom there is no recent history of default.

**8. TRADE AND OTHER RECEIVABLES (CONTINUED)****Movement in the allowance for doubtful debts**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Balance at the beginning of the year	-	-
Impairment losses recognised on receivables	41,371	-
Amounts recovered during the year	-	-
Impairment losses reversed	(26,030)	-
Balance at the end of the year	15,341	-

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**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
30 – 60 days	-	-
60 – 90 days	-	-
90 – 120 days	15,341	-
Total	15,341	-

**9. OTHER CURRENT ASSETS**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Prepayments	101,838	8,825
Deposits paid <sup>(i)</sup>	-	200,000
Other <sup>(ii)</sup>	24,708	-
Total	126,546	208,825

- (i) Deposit paid relates to non-refundable option fee paid to secure the Velpic option. The option fee forms part of the consideration paid to the vendors to acquire the Velpic group of companies. Refer to note 21.
- (ii) 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.



**10. PLANT AND EQUIPMENT**

CONSOLIDATED						
	Office fit out	Motor Vehicle	Computer	Hardware and Software	Office Furniture and equipment	Total
	\$	\$	\$	\$	\$	\$
<i>Gross carrying amount</i>						
Balance at 1 July 2014	-	-	-	2,332	3,041	<b>5,373</b>
Additions	-	-	-	-	2,251	<b>2,251</b>
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	112,627
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>13,499</b>	<b>39,344</b>	<b>133,904</b>
<i>Accumulated depreciation</i>						
Balance at 1 July 2014	-	-	-	(1,749)	(2,477)	<b>(4,226)</b>
Depreciation expense	-	-	-	(583)	(2,815)	<b>(3,398)</b>
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>(10,756)</b>	<b>(9,562)</b>	<b>(54,922)</b>
<i>Carrying value</i>						
30 June 2016	<b>18,489</b>	<b>2,072</b>	<b>25,896</b>	<b>2,743</b>	<b>29,782</b>	<b>78,982</b>
30 June 2015	-	-	-	-	-	-

**11. INTANGIBLES AND GOODWILL**

CONSOLIDATED		
	Trademarks	Goodwill
	\$	\$
Balance at 1 July 2015	-	-
Additions	731	-
Acquisitions through business combinations (Note 21)	22,931	4,940,017
Impairment	-	-
Balance at 30 June 2016	<b>23,662</b>	<b>4,940,017</b>

No impairment loss was recognised in the 2016 financial year.

Trademarks represent trademarks registered in Australia, Singapore, Madrid and Canada.

**11. INTANGIBLES AND GOODWILL (CONTINUED)**

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 (FVLCD) 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.

**12. TRADE AND OTHER PAYABLES (CURRENT)**

	CONSOLIDATED	
	30 June 2016 \$	30 June 2015 \$
Trade and other payables <sup>(i)</sup>	338,964	551,985
Employee benefits	188,179	22,253
Share-based payment <sup>(ii)</sup>	18,500	-
Unearned Income	53,066	-
Funds received in advance of non-renounceable rights issue <sup>(iii)</sup>	772,000	-
	<u>1,370,709</u>	<u>574,238</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.

(ii) Amount payable by shares but not issued at balance date. (note 2)

(iii) The Company received funds in advance from a non-renounceable rights issue that was pending completion at 30 June 2016.

**13. PROVISIONS**

	CONSOLIDATED	
	30 June 2016 \$	30 June 2015 \$
Current provision for long service leave	18,040	-
Non-current provision for long service	53,821	-
	<u>71,861</u>	<u>-</u>

**14. SHARE CAPITAL**

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
487,950,245 (2015: 183,230,003) Ordinary shares issued and fully paid	23,668,936	16,117,904

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**

CONSOLIDATED					
	Fair Value	30 June 2016		30 June 2015	
		Number	\$	Number	\$
Balance at beginning of year		183,230,003	16,117,904	159,730,003	15,674,904
Placement to shareholders		-	-	23,500,000	470,000
Share-based payment: Shares issued in lieu of cash for consulting services <sup>(i)</sup>	\$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 <sup>(i)</sup>	\$0.020	1,040,500	20,810	-	-
Shares issued for acquisition of Dash Digital Pty Ltd and Velpic Australia Pty Ltd (note 21)	\$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 <sup>(i)</sup>	\$0.050	7,500,000	375,000	-	-
Cost of share issue		-	(203,684)	-	(27,000)
<b>Balance at end of year</b>		<b>487,950,245</b>	<b>23,668,936</b>	<b>183,230,003</b>	<b>16,117,904</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 above does not include \$18,500 recorded in trade payables for shares that are yet to be issued at balance date (note 12).

## 15. 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. Refer to note 21.

#### 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.

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Deferred compensation reserve	1,250,000	-
Share-based payment reserve	2,240,675	2,076,450
	3,490,675	2,076,450

### Share-based payment reserve

Movement in share based payments reserve

	Weighted average exercise price	Consolidated 30 June 2016		Weighted average exercise price	Consolidated 30 June 2015	
		Number	\$		Number	\$
Balance at beginning of year	\$0.27	31,200,000	2,076,450	\$0.25	53,700,000	2,052,850
Issued during the period <sup>(i)</sup>	\$0.05	13,780,000	169,626	\$0.06	4,000,000	23,600
Expired	\$0.37	(14,000,000)	-	\$0.20	(26,500,000)	-
Forfeited during the period	\$0.05	(680,000)	(5,401)	-	-	-
Balance at end of year	<b>\$0.15</b>	<b>30,300,000</b>	<b>2,240,675</b>	<b>\$0.27</b>	<b>31,200,000</b>	<b>2,076,450</b>

(i) The following were issued during the period:

- On 2 October 2015, 4,000,000 (2015: nil) options were issued to Directors of Velpic Limited pursuant to the approval of shareholders at a General Meeting held on 3 September 2015. There is no vesting conditions attached to these options.
- On 3 December 2015, a further 9,780,000 options were issued under Velpic's Employee Share Option Plan (ESOP) that was approved at the same General Meeting of shareholders and granted to employees on 11 November 2015. 50% of the options granted vest on 11 November 2016 with a further 25% vesting on 11 November 2017 and the final 25% vesting on 11 November 2018. The grant date fair value of the share options was measured using the Black-Scholes formula. There are no vesting conditions attached to these options but a service condition exists, where employees must be in employment with the company to exercise these options. As at 30 June 2016, 680,000 employee share options were forfeited as a result of termination of employment with some of its employees.

Other than the employee share options, all other options have vested and are exercisable at 30 June 2016 and 30 June 2015.

The share options outstanding at the end of the year had a weighted average exercise price of \$0.15 (2015: \$0.27) and a weighted average remaining contractual life of 1397 days (2015: 1610 days).

The weighted average fair value of options granted during the year was \$0.0207 (2015: \$0.0059).

**15. RESERVES (CONTINUED)**

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

	Director Options	ESOP
Effective Date of grant	2/10/15	11/11/15
Market price of shares at grant date	3 cents	3 cents
Exercise price	6 cents	5 cents
Expiry date	31/1/18	3/12/18
Volatility	155%	133%
Risk free rate	2.06%	2.06%
Fair value at grant date	2.04 cents	2.09 cents

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

CONSOLIDATED			
	Note	30 June 2016 \$	30 June 2015 \$
Share-based payment via issue options		164,225	23,600
Share-based payment via issue of shares	14	617,216	-
Share-based payment pending issue of shares	12	18,500	-
		<b>799,941</b>	<b>23,600</b>

The balance of options outstanding as at 30 June 2016 is represented by:

Date options granted	Number of options outstanding	Exercise Price (\$)	Expiry Date
10 January 2012	3,200,000	0.35	12/1/17
10 October 2013	4,000,000	0.06	31/1/18
19 June 2014	2,750,000	0.20	10/10/18
17 March 2015	7,250,000	0.20	18/6/19
2 October 2015	4,000,000	0.06	31/1/18
7 December 2015	9,100,000	0.05	3/12/18

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

**16. 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:

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Loss for the year	4,655,335	12,060,287

CONSOLIDATED		
	30 June 2016 No.	30 June 2015 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	392,056,108	166,490,277



**16. LOSS PER SHARE (CONTINUED)****(b) Diluted Loss Per Share**

As the company has made a loss for the year ended 30 June 2016, the options on issue have no dilutive effect. Therefore diluted loss per share is equal to basic loss per share.

**17. 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**

	CONSOLIDATED	
	30 June 2016 \$	30 June 2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	2,005,712	935,080
Loans and receivables	390,171	251,032
<b>Financial liabilities</b>		
Trade and other payables	598,709	551,985

**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.

**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.

**17. FINANCIAL RISK MANAGEMENT (CONTINUED)****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 a 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 2016 approximates the value of cash and cash equivalents.

**Cash flow and interest rate risk**

The Groups 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 7. 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:

30 June 2016			
Consolidated risk variable	Sensitivity*	Effect on Profit/Loss	Effect on Equity
		\$	\$
Interest rate	+ 0.2%	4,011	4,011
	- 0.2%	(4,011)	(4,011)
30 June 2015			
Consolidated risk variable	Sensitivity*	Effect on Profit/Loss	Effect on Equity
		\$	\$
Interest rate	+ 0.2%	1,870	1,870
	- 0.2%	(1,870)	(1,870)

**18. 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 other than:

- On 8 July 2016, the Group completed its 2 for 5 non-renounceable rights issue by issue of 190,104,181 shares and 97,052,117 free attaching options raising approximately \$5.7 million before costs.
- On 9 August 2016, the Company issued 240,000 shares at 5 cents per share and 178,750 shares at 4 cents per share for consultant services provided prior to balance date. The amount was recognised as a liability at 30 June 2016.
- On 6 September 2016, Department of Industry, Innovation and Science received our registration for Research and Development Tax Incentive and is now subject to assessment by the Department.

## 19. 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:

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Within one year	177,692	-
After one year but not more than five years	412,810	-
	590,502	-

### Exploration commitments

The Group has permits to several tenements. The below reflect the minimum spend required for the interest held in these tenements.

CONSOLIDATED		
	30 June 2016 \$	30 June 2015 \$
Within one year	1,151,739	528,500
After one year but not more than five years	551,200	701,000
More than five years	-	116,740
	1,702,939	1,346,240

### Contingencies

The Group does not have any contingent liabilities as at 30 June 2016.

## 20. 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 2016	Interest 2015
<b>Parent entity</b>			
Velpic Limited (formerly International Coal Limited)	Australia		
<b>Subsidiaries</b>			
Gen Resources Pty Ltd	Australia	100%	100%
Great White Nominees Pty Ltd	Australia	100%	100%
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	-
Velpic Australia Pty Ltd (formerly Inductor Pty Ltd) ATF the Inductor Trust	Australia	100%	-

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

**20. RELATED PARTIES (CONTINUED)**

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 2016 \$	30 June 2015 \$
Short-term employee benefits	1,024,982	349,118
Long-term employee benefits	22,462	-
Post-employment benefits	77,045	13,834
Share-based payment	84,480	-
	1,208,969	362,952

**Other transactions with key management personnel**

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, a company that Ms Graham is a Director of.
- \$21,500 was paid to Cloud Rainmakers Ltd, a Company that Ms Graham is a Director of, for prepaid director fees.
- \$12,440 (excluding GST) in sales revenue billed to AusCann Group Holdings Limited, a company that Mr Karelis is a Director of.
- \$9,839 (exclusive of GST) in sales revenue billed to Zelda Therapeutics Pty Ltd, a company that Mr Karelis is a Director of.
- \$23,208 (exclusive of GST) in sales revenue billed to Aunt Zelda's LLC, a company that Mr Karelis is a shareholder of.
- \$1,160 (exclusive of GST) in sales revenue billed to CDRMed, a company that Mr Karelis is a Director of.
- The Company employed Mrs Anne Moora, who is related to Mr Glen Moora as a Business Development Administrator on 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.

CONSOLIDATED				
	Amounts owed by related parties		Amounts owed to related parties	
	2016 \$	2015 \$	2016 \$	2015 \$
AusCann Group Holdings	941	-	-	-

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.

## 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 as trustee for the Dash Unit Trust and Velpic Australia Pty Ltd (Formerly The Inductor Pty Ltd) as trustee for 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	4,575,000
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	3,357,578

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	(1,331,852)
Net identifiable liabilities acquired	(1,582,439)
Add: Goodwill (note 11)	4,940,017
	3,357,578

### 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.

**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 \$1,399,559 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	
Cash paid (deposit paid in financial year 2015)	200,000
Less: cash acquired	(108,767)
	91,233



## 22. PARENT ENTITY DISCLOSURES

### Financial position

	2016 \$	2015 \$
<b>Assets</b>		
Current assets	880,555	1,186,116
Non-current assets	7,787,559	1,200,720
Total assets	8,668,114	2,386,838
<b>Liabilities</b>		
Current liabilities	877,670	574,238
Non-current liabilities	11,477	-
Total liabilities	889,147	574,238
<b>Equity</b>		
Issued capital	23,668,936	16,117,904
Reserves		
• Share-based payments	2,240,675	2,076,450
• Deferred compensation reserve	1,250,000	-
Accumulated losses	(19,380,644)	(16,381,756)
Total equity	7,778,967	1,812,598

The net assets of the parent are greater than the Group net assets however no impairment is required over the investments in subsidiaries as recoverable values support the carrying values of these investments.

### Financial performance

	2016 \$	2015 \$
Loss for the year	2,998,888	12,060,287
Other comprehensive loss	-	-
Total comprehensive loss	2,998,888	12,060,287

### Contingent liabilities of the parent entity

There are no contingent liabilities of the parent entity.

## 23. AUDITORS' REMUNERATION

The auditor of Velpic Limited is BDO (WA).

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Auditor of the parent entity</b>		
Audit or review of the financial statements	46,543	42,511
Preparation of Independent Accountant's Report	6,116	-
	<b>52,659</b>	<b>42,511</b>

# 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 issue capital of the Company at 2 September 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 29 August 2016

		No. of Shares held	% Held
1	THE TRUST COMPANY (AUSTRALIA) LIMITED (MOF A/C)	46,326,995	6.83
2	RUSSELL JOHN FRANCIS <sup>(i)</sup>	40,833,333	6.02
3	CHAMELEON CREATIVE PTY LTD (THE P&S)	38,000,000	5.60
3	CHAMELEON CREATIVE PTY LTD (THE G&A)	38,000,000	5.60
4	MS NATALIE OLIVE HORSEFIELD	18,684,000	2.75
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,801,273	2.48
6	MR ZORAN ANCEVSKI	10,172,129	1.50
7	MR ANTHONY GANDEL & MRS HELEN GANDEL (H & T GANDEL S/F)	10,000,000	1.47
8	STREETER SUPER MANAGEMENT PTY LTD (STREETER SUPER A/C)	8,654,533	1.28
9	MS JIANMIN XIAO	8,315,405	1.23
10	BNZ CORPORATION PTY LTD (BNZ INVESTMENT A/C)	8,204,806	1.21
11	VTECH HOLDING PTY LTD (VTECH SUPER FUND A/C)	7,721,000	1.14
12	MR ROBERT TURVEY	6,719,929	0.99
13	BEARNICK PTY LTD (THE DR FAMILY)	5,000,000	0.74
14	MR CHRISTOPHER TIMOTHY KEANE	4,689,960	0.69
15	MR KIERAN JOHN MITCHELL	4,250,000	0.63
16	ELHOLDINGS PTY LTD (SUPER FUND A/C)	4,240,000	0.62
16	BBD CUSTODIANS PTY LTD (BBD)	3,750,375	0.55
17	RED MARLIN PTY LTD (RED MARLIN)	3,750,375	0.55
18	MR RYAN JAMES ROWE	3,684,793	0.54
19	BAITA HOLDINGS PTY LTD (BAITA FAMILY ACCOUNT)	3,570,000	0.53
20	PALS INVESTMENTS PTY LTD	3,500,000	0.52
		<b>294,868,906</b>	<b>43.46</b>

(i) Of the 40,833,333 shares held, 37,500,000 are held by Russell John Francis (The RJF Family Trust) and 3,333,333 shares are held by Quandrangle Pty Ltd (The RJF Superannuation Fund).

## Shares Range

	No. Holders	No. Shares
1-1,000	30	7,665
1,001-5,000	36	112,577
5,001- 10,000	98	806,682
10,001-100,000	636	28,075,901
100,001 and over	638	649,470,351

Number holdings less than marketable parcel is 339.

## Shareholders by Location

	No. Holders	No. Shares
Australian Holders	1403	673,370,875
Overseas holders	31	5,102,031

## 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 29 August 2016

	No. of Shares held	% Held
1 THE TRUST COMPANY (AUSTRALIA) LIMITED (MOF A/C)	46,326,995	6.83
2 RUSSELL JOHN FRANCIS <sup>(i)</sup>	40,833,333	5.53
3 CHAMELEON CREATIVE PTY LTD (THE P&S)	38,000,000	5.60
3 CHAMELEON CREATIVE PTY LTD (THE G&A)	38,000,000	5.60

(i) Of the 40,833,333 shares held, 37,500,000 are held by Russell John Francis (The RJF Family Trust) and 3,333,333 shares are held by Quandarangle Pty Ltd (The RJF Superannuation Fund).

## Option Holdings

The Company has the following classes of options on issue as at 29 August 2016. Options do not carry any rights to vote.

Number on issue	Exercise Price	Expiry Date	Number of Holders
3,200,000	\$0.35	12 January 2017	4
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
8,760,000	\$0.05	3 December 2018	21
97,052,117	\$0.06	30 June 2018	487

## Schedule of tenement held at 30 June 2016

Tenure	No.	Project	Interest Held	Notes
EPC	2195	Bundaberg	100%	1
EPC	2196	Bundaberg	100%	1
EPC	2318	Consuelo	20%	2
EPC	2327	Consuelo	20%	2
EPC	2332	Consuelo	20%	2
EPC	2286	Don Juan	46%	

## Notes:

- These tenements are held 100% by Gen Resource Pty Ltd (a subsidiary of Velpic Limited) but are subject to a joint venture with Queensland Coal Investment Pty Ltd (QCI), which enables QCI to earn into the project up to 51%.
- Tenements held by Coal Face Resources Pty Ltd (In liquidation) (CFR) is subject to a joint venture arrangement which currently provides the Company with a 20% interest in the tenement.





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