

Veriluma Limited And Controlled Entities**ASX: VRI****ABN: 48 142 901 353****1. Reporting period**

Year ended: 30 June 2019

Previous corresponding period – year ended: 30 June 2018

	30 June 2019	Change
	\$'000	%
2. Results for announcement to the market		
2.1 Revenue from continuing operations	825	280
2.2 Loss after income tax expense	(527)	(74)
2.3 Total comprehensive loss for the period attributable to the members of the Company	(527)	(66)

2.4 Dividend and distribution information

Current period: No final dividends were declared for the period ending 30 June 2019. For the period ended 31 December 2018, no interim dividend was declared.

Previous corresponding period: No final dividends were declared for the period ending 30 June 2018. For the period ended 31 December 2017, no interim dividend was declared.

2.5 Record date for determining entitlements to dividends

N/A

2.6: Brief explanation of figures in 2.1 to 2.3 (if necessary)

Resulting from significant contract with the Australian Department of Defence for the provision of software and services.

	Consolidated Entity 30 June 2019 \$	Consolidated Entity 30 June 2018 \$
3. Consolidated statement of comprehensive income		
Revenue	824,530	14,635
Other income	183	202,114
Creditor relief	-	452,949
Audit fees	(89,725)	(88,938)
Consulting and professional fees	(307,857)	(569,353)
Employee costs	(566,336)	(635,397)
Finance expenses	(104,941)	(2,508)
Marketing and public relations expense	-	(81,313)
Non-Executive Directors' fees	(128,986)	(75,823)
Other expenses	(73,169)	(310,687)
Share based payments expenses – Directors' fees	(78,955)	(6,027)
Share of net profits/(losses) of equity accounted associates and joint ventures	2,140	158
Share registry and listing fees	(34,022)	(25,463)
Voluntary administration expense	29,974	(875,933)
Loss before tax	(527,164)	(2,001,586)
Income tax benefit/(expense)	-	-
	(527,164)	(2,001,586)
Discontinued operation		
Profit/(loss) from discontinued operation, net of tax	-	464,117
Net loss for the year	(527,164)	(1,537,469)
Other comprehensive income	-	-
Total comprehensive loss for the year	(527,164)	(1,537,469)

	Consolidated Entity 30 June 2019 \$	Consolidated Entity 30 June 2018 \$
4. Consolidated statement of financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	714,039	473,855
Trade and other receivables	102,382	313,381
Other assets	762	-
Total Current Assets	817,183	787,236
Non-Current Assets		
Investments in associates	3,961	1,821
Plant and equipment	153	240
Total Non-Current Assets	4,114	2,061
Total Assets	821,297	789,297
LIABILITIES		
Current Liabilities		
Trade and other payables	424,701	376,723
Borrowings	782,746	317,663
Employee benefits	116,106	148,360
Provisions	-	87,500
Unearned revenue	-	-
Total Current Liabilities	1,323,553	930,246
Non-Current Liabilities		
Employee benefits	14,686	6,441
Total Non-Current Liabilities	14,686	6,441
Total Liabilities	1,338,239	936,687
Net Assets/(Liabilities)	(516,942)	(147,389)
EQUITY		
Contributed equity	15,530,264	15,410,653
Reserves	63,400	25,400
Accumulated losses	(16,110,606)	(15,583,442)
Total Equity	(516,942)	(147,389)

	Consolidated Entity 30 June 2019 \$	Consolidated Entity 30 June 2018 \$
5. Consolidated statement of cashflows		
Cash flows from operating activities		
Receipts from customers	774,530	8,951
Payments to suppliers and employees	(1,186,969)	(2,070,303)
Interest received	183	494
Interest paid	(5,615)	(2,786)
Receipts from grants	215,659	401,682
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Net cash (used in) operating activities	(202,212)	(1,661,962)
Cash flows from investing activities		
Disposal of discontinued operation	-	410,000
Purchase of plant and equipment	-	(3,026)
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Net cash from / (used in) investing activities	-	406,974
Cash flows from financing activities		
Proceeds from equity issues	67,612	1,048,908
Payment for costs of equity issues	-	-
Proceeds from issue of convertible notes	430,000	-
Proceeds from related party borrowings	29	317,662
Repayment of borrowings	(55,245)	-
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Net cash provided from financing activities	442,396	1,366,570
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Net increase/(decrease) in cash held	240,184	111,582
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Cash and cash equivalents at beginning of the year	473,855	362,273
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Cash and cash equivalents at year end	714,039	473,855
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	Consolidated Entity 30 June 2019 \$	Consolidated Entity 30 June 2018 \$
5.1. Reconciliation for the year to cashflows from operating activities		
Loss before tax	(527,164)	(1,537,469)
Amortisation and depreciation	87	1,468
Impairment of related party loans	-	10,259
Impairment of trade and other receivables	-	61,017
Creditor relief	-	(452,949)
Share based payments	78,955	6,027
Share of net profits of equity accounted associates	(2,140)	(158)
Change in trade & other receivables	210,999	218,185
Change in other assets	(762)	55,344
Change in trade & other payables	(25,677)	33,452
Change in employee benefits	(24,010)	(57,138)
Change in provisions	87,500	-
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Net cash used in operating activities	(202,212)	(1,661,962)

6. Consolidated statement of changes in equity

Consolidated Entity	Contributed Equity	Options Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2018	15,410,653	25,400	-	(15,583,442)	(147,389)
Equity issues	119,611	-	-	-	119,611
Equity issue expenses	-	-	-	-	-
Share based payments	-	38,000	-	-	38,000
Loss for the year	-	-	-	(527,164)	(527,164)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(527,164)	(527,164)
Balance at 30 June 2019	15,530,264	63,400	-	(16,110,606)	(516,942)

Consolidated Entity	Contributed Equity	Options Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2017	14,361,745	150,950	-	(14,171,523)	341,172
Equity issues	1,048,908	-	-	-	1,048,908
Lapsed options	-	(125,550)	-	-	(125,550)
Loss for the period	-	-	-	(1,537,469)	(1,537,469)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,537,469)	(1,537,469)
Balance at 30 June 2018	15,410,653	25,400	-	(15,583,442)	(147,389)

7. Dividends

N/A

8. Dividend reinvestment plan

N/A

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Consolidated Entity 30 June 2019	Consolidated Entity 30 June 2018
\$	\$

9. Net tangible assets per ordinary share

Net tangible asset backing per ordinary share	(0.0068)	(0.0002)
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10. Details of entities over which control has been gained or lost

On 24 July 2017, the Consolidated Entity finalised the sale of its wholly owned subsidiary, Toro Mining Pty Ltd. This occurred due to a strategic decision to divest the exploration and evaluation permits held by the Consolidated Entity to focus on the product development, marketing and commercialisation of software, products and services in Australia.

Results of discontinued operations:

Expenses	-	(34,464)
Results from operating activities	-	(34,464)
Income tax expense	-	-
Results from operating activities, net of tax	-	(34,464)
Gain on sale of discontinued operation	-	498,581
Gain/(loss) for the year	-	464,117
Basic and diluted loss per share (cents)	-	0.128c
Cashflows from/(used in) discontinued operation:		
Net cash used in operating activities	-	(34,464)
Net cash from investing activities	-	410,000
Cashflows from discontinued operation	-	375,536

11. Details of associates and joint venture entities

Company Name	Place of Incorporation	30 June 2019 % Ownership	30 June 2018 % Ownership
Veriluma Software Pty Ltd	Australia	100%	100%
St Nicholas Mines Pty Ltd	Australia	100%	100%
Niquaero LLC	Mongolia	100%	100%

12. *Any other significant information*

In February 2019, the Consolidated Entity signed a contract which will generate up to \$1.97m in revenue over 3 years, with an option to extend for a further 2 years, to supply software and services to the Australian Department of Defence. This contract commenced in March 2019.

In March 2019, the Consolidated Entity received commitments from several sophisticated and professional investors for an aggregate of \$500,000 financing by way of a short-term convertible note facility (Facility) which was entered into on 28 March 2019. As at 30 June 2019 the Facility was drawn to \$430,000. The convertible notes issued will be convertible on or before 28 March 2020 at a conversion price of not less than \$0.002. Conversion is subject to obtaining shareholder approval. The funds will be used as working capital to allow the company to drive sales and deliver its prescriptive AI software.

The Consolidated Entity resolved to enter into a Corporate Advisory Mandate in March 2019 with King Corporate Pty Ltd, to assist with potential capital raising including the short-term convertible notes, this mandate is for a period of six months, the terms of which are as follows:

- First right of refusal to be engaged by the Consolidated Entity for any future capital raising in the twelve months following the acceptance of the Mandate.
- Lump Sum costs of \$25,000 were paid within 7 days of acceptance of the Corporate Advisory Mandate, additionally on the 4 April 2019 the Consolidated Entity issued 10,000,000 fully paid ordinary shares and 20,000,000 options to acquire shares exercisable at \$0.003 with an expiry date of 4 April 2022 from the date of issue.

On 4 April 2019, the first right of refusal was exercised by King Corporate Pty Ltd to propose a capital raising of up to \$2,500,000 with a minimum of \$2,300,000 by way of an issue of up to 833,333,333 fully paid ordinary shares in the Consolidated Entity at an issue price of \$0.003 per share to sophisticated and professional investors. This was subject to shareholder approval and ASX confirmation of reinstatement of the Consolidated Entity's securities to trading.

Subsequent to the end of the reporting period:

- on 24 July 2019 King Corporate Pty Ltd waived its first right of refusal, and on 26 July 2019 the Company entered into a Lead Manager and Corporate Advisory Mandate with Taurus Capital Group Pty Ltd. The Consolidated Entity, pursuant to the Taurus mandate and with the assistance of King Corporate Pty Ltd, proposed to conduct a capital raising of up to \$5,400,000 by way of an issue of up to 1,800,000,000 fully paid ordinary shares in the Consolidated Entity at an issue price of \$0.003 per share; and
- on 15 August 2019, following shareholder approval obtained at the annual general meeting held on 9 August 2019, the Consolidated Entity effected a 10:1 consolidation of its issued capital.

13. *Accounting standards*

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001.

	Consolidated Entity 30 June 2019	Consolidated Entity 30 June 2018
14. Results for the year		
14.1 Earnings per security		
Basic loss per share (cents per share)	(0.08)c	(0.42)c
Diluted loss per share (cents per share)	(0.08)c	(0.55)c
Net loss attributable to ordinary shareholders (\$)	(527,164)	(1,537,469)
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	698,684,221	362,005,184
Weighted average number of ordinary shares used in the calculation of diluted loss per share	734,506,138	279,539,818

14.2 Returns to shareholders

N/A

14.3 Significant features of operating performance

In response to a Request for Quote by the Department of Defence, Veriluma Software were successful in securing a 3 year contract for the provision of software and services. This contract has an option to extend for a further 2 years. The 3 year contract value is up to \$1.97m.

In this period, two joint ventures were signed. The first is with global incubator, Made in the Now, with AVVA, the venture validator, as the first product offering. The second joint venture is with Potentiate where predicting the next purchase decision of a customer is the initial focus. Both ventures are global in their application and reach, and both have the potential to be strong revenue streams with the current, and future, product offerings.

A fulltime business development manager has been appointed in Canberra to expand sales into non-defence agencies and departments and across other Australian Intelligence Community members. Dedicated sales people with an industry focus are essential to grow the revenue of the company. This is the company's first fulltime sales resource.

Overseas markets play an important part in the growth of the company. In May 2019, the company signed an agreement to establish a business unit in the UK. This business unit is headed by Karl Smith and Paul Kiernan both industry veterans with strong networks and global reach particularly in the banking and finance arena. The Australian team are supporting the awareness, training and sales efforts until such time as the business unit can be self-sustaining.

During the last quarter of the financial year, candidates for Advisory Board positions were considered, offers made and accepted. The Advisory Board comprises people with industry sector experience and networks both local and global. The Advisory Board is a platform to support the management team and board as well as a channel for introductions to new opportunities.

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14.4 Segment results

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the Directors. The Consolidated Entity has identified it only operates in one business segment, being the product development, marketing and commercialisation of software, products and services in Australia. As all significant assets and liabilities and the financial result relates to the one business segment, no detailed segment analysis has been performed. No seasonality in the business segment has been identified that would have a significant impact on the interim results of the Consolidated Entity.

14.5 Trends in performance

With control of the Company returned to the Directors on 28 June 2018, the focus of the Consolidated Entity was primarily in responding to the Government Request for Proposal for software and services.

14.6 Any other factors which have affected the results in the period which are likely to affect the results in the future, including those where the effect could not be quantified

N/A

15. This report is based on accounts to which one of the following applies

The Consolidated Entity's accounts are currently being audited and the Company has not received any indication as to whether the audited accounts may be subject to a modified opinion, emphasis of matter or other matter paragraph.

Signed



Elizabeth Whitelock
Managing Director and Chief Executive Officer
30 August 2019