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**PARMELIA RESOURCES LIMITED  
(TO BE RENAMED VERILUMA LIMITED)  
ACN 142 901 353**

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**NOTICE OF GENERAL MEETING**

**A General Meeting of the Company will be held at  
Suite 12, Level 1, 11 Ventnor Avenue, West Perth, Western Australia  
on 13 July 2016 at 11:00am (AWST)**

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*This Notice of General Meeting should be read in its entirety. The proposed Acquisition is considered to be highly speculative and is subject to certain risks which are set out in Section 2.20 and Schedule 3 of the Explanatory Memorandum.*

*The Directors believe the proposed change in the activities of the Company resulting from the Acquisition and the Capital Raising are in the best interests of Shareholders and recommend that Shareholders vote in favour of the Essential Resolutions.*

*If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter, please contact the Company Secretary on +61 (0)8 6141 3500.***

# NOTICE OF MEETING

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## IMPORTANT INFORMATION

### TIME AND PLACE OF MEETING

Notice is given that the general meeting of Shareholders of Parmelia Resources Limited to which this Notice of Meeting relates will be held at Suite 12, Level 1, 11 Ventnor Avenue, West Perth, Western Australia on 13 July 2016 at 11:00am (AWST).

### YOUR VOTE IS IMPORTANT

The Resolutions are important and affect the future of the Company. The business of the Meeting affects your shareholding and your vote is important.

### VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 5:00pm (AWST) on 11 July 2016.

### HOW TO VOTE

You may vote by attending the Meeting in person or by proxy, attorney or authorised representative.

### VOTING IN PERSON

To vote in person, you must attend the Meeting at the time, date and place set out above.

### VOTING BY PROXY

You have the right to appoint a proxy to vote on your behalf.

To vote by proxy, please complete and sign the enclosed Proxy Form and return in accordance with the instructions set out on the Proxy Form prior to 11:00am (AWST) on Monday, 11 July 2016, being not less than 48 hours prior to the commencement of the Meeting. Proxy forms received later than this time will be invalid.

A proxy can be an individual or a body corporate (refer to Bodies Corporate section below).

When the Proxy Form is executed under a power of attorney, the power of attorney must be lodged in the same way as the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the member's votes.

# NOTICE OF MEETING

## BODIES CORPORATE

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

## OTHER INFORMATION ON PROXIES

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

If you appoint the Chair as your proxy and do not direct him how to vote, you are expressly authorising the Chair to cast your undirected proxy in all proposed Resolutions in accordance with his intention set out below.

**If the Chair is appointed or taken to be appointed as a Shareholder's proxy and the appointment does not direct the Chair as to how to vote on a Resolution, the Chair is expressly authorised and intends to exercise all available votes in favour of all the proposed Resolutions. This express authorisation is included because without it, the Chair would be precluded from casting your votes on the Resolutions which are connected with the remuneration of the Key Management Personnel.**

## REQUIRED MAJORITIES

Resolutions 1 and 2, 4 to 10, and 12 to 14 are **ordinary resolutions** and will be passed only if supported by a majority of the votes cast by Shareholders entitled to vote on the Resolutions.

Resolutions 3, 11 and 15 are **special resolutions** and will be passed only if supported by at least 75% of the votes cast by Shareholders entitled to vote on the Resolutions.

## ESSENTIAL RESOLUTIONS

Resolutions 1 to 13 (except for Resolutions 7, 8, 9, and 10) are essential to Completion of the Acquisition and to the Capital Raising, and are interdependent, i.e. they are conditional upon one another. They are referred to in the Notice and the Explanatory Memorandum as Essential Resolutions.

Resolution 7 (Approval of Issue of Shares to Related Party - Mr Nigel Gellard In Satisfaction of Consulting Fees), Resolution 8 (Approval of Issue of Options to Related Party – Mr Jay Stephenson), Resolution 9 (Approval of Issue of Options to Related Party – Mr Peter Ellery), Resolution 10 (Approval of issue of Shares to SJSM Pty Ltd), Resolution 14 (Aggregate Remuneration of Directors) and Resolution 15 (Modification of Constitution) are not essential to Completion of the Acquisition. The Acquisition may proceed even if these Resolutions are not passed by the requisite majority.

## EXPLANATORY MEMORANDUM AND PROXY FORM

The Explanatory Memorandum to this Notice of General Meeting provides additional information on matters to be considered at the Meeting. You are urged to give careful consideration to the Notice of the Meeting and the contents of the Explanatory Memorandum. Further details of each Resolution are set out in the Explanatory Memorandum. The accompanying Explanatory Memorandum and the Proxy Form and voting instructions form part of this Notice of Meeting.

## NOTICE OF MEETING

### DEFINITIONS

Terms and abbreviations used in the Notice and Explanatory Memorandum are defined in the 'Definitions' section of the Explanatory Memorandum.

By Order of the Board



**NIGEL GELLARD**  
Director

Dated 8 June 2016

# NOTICE OF MEETING

## PARMELIA RESOURCES LIMITED (TO BE RENAMED VERILUMA LIMITED) ACN 142 901 353

### BUSINESS OF THE MEETING

#### AGENDA

##### 1. Resolution 1 – Change of Nature and Scale of Activities

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities arising from completion of the Acquisition as set out in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

##### 2. Resolution 2 – Approval for issue of Shares for the Capital Raising

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to a maximum of 50,000,000 Shares (**Capital Raising Shares**), at an issue price of \$0.07 each, to raise \$3,500,000 on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

##### 3. Resolution 3 – Approval of new class of securities - Performance Shares

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of section 246B(1) of the Corporations Act, the Constitution and for all other purposes, the Directors are authorised to issue the Performance Shares on the terms and conditions set out in the Explanatory Memorandum".*

##### 4. Resolution 4 – Approval of issue of Consideration Shares and Performance Shares to acquire Veriluma

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue:*

- (a) 162,857,400 Shares (**Consideration Shares**); and*
- (b) 10,000,000 Class A Performance Shares;*
- (c) 15,000,000 Class B Performance Shares;*

## NOTICE OF MEETING

(d) 15,000,000 Class C Performance Shares;

(collectively, the **Vendor Shares**),

to the shareholders of Veriluma Pty Ltd (or their nominees) (**Veriluma Shareholders**) in consideration for the acquisition of all of the issued capital of Veriluma Pty Ltd (**Acquisition**) on the terms and conditions set out in the Explanatory Memorandum."

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 5. Resolution 5 – Approval for the issue of Advisor Shares to K S Capital Pty Ltd as Lead Manager

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 3,665,883 Shares to K S Capital Pty Ltd (ACN 124 761 557) as the Lead Manager of the Company (or its nominee) (**K S Shares**) on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary Shares, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 6. Resolution 6 – Approval for the issue of Advisor Shares to InSync Equity Services Pty Ltd as Corporate Advisor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 13,800,000 Shares to InSync Equity Services Pty Ltd (ACN 114 328 988) as the Corporate Advisor of Veriluma (or its nominee) (**InSync Shares**) on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary Shares, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 7. Resolution 7 – Approval of issue of Shares to related party – Mr Nigel Gellard in satisfaction of consulting fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 5,714,286 Shares to Mr Nigel Gellard (or his nominee) for consulting fees due and payable to him on the terms and conditions set out in the Explanatory Memorandum."*

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**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Gellard or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition:** Further, a member of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such vote) as a proxy on Resolution 7 if the appointment does not specify how the proxy is to vote unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if this Resolution is connected directly or indirectly with remuneration of the Company's Key Management Personnel.

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### 8. Resolution 8 – Approval of issue of Options to related party – Mr Jay Stephenson

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Section 195(4) and Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 500,000 Options to Mr Jay Stephenson (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Stephenson or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition:** Further, a member of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such vote) as a proxy on Resolution 8 if the appointment does not specify how the proxy is to vote unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if this Resolution is connected directly or indirectly with remuneration of the Company's Key Management Personnel.

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### 9. Resolution 9 – Approval of issue of Options to related party – Mr Peter Ellery

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Section 195(4) and Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 500,000 Options to Mr Peter Ellery (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Ellery or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition:** Further, a member of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such vote) as a proxy on Resolution 9 if the appointment does not specify how the proxy is to vote unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if this Resolution is connected directly or indirectly with remuneration of the Company's Key Management Personnel.

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### 10. Resolution 10 – Approval of issue of Shares to SJSM Pty Ltd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,857,143 Shares to SJSM Pty Ltd (or its nominee) as payment of outstanding loans which are owed by Veriluma Pty Ltd to SJSM Pty Ltd on the terms and conditions set out in the Explanatory Memorandum."*

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**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 11. Resolution 11 – Change of Name of Company

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions and Completion of the Acquisition, for the purpose of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed from "Parmelia Resources Limited" to "Veriluma Limited" with effect from the date ASIC alters the Company's registration."*

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### 12. Resolution 12 – Election of Mr Richard Anstey as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions and Completion of the Acquisition, in accordance with rule 11.7 of the Constitution and for all other purposes, and with effect from Completion of the Acquisition, Mr Richard Anstey is elected as a Director."*

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### 13. Resolution 13 – Election of Ms Elizabeth Whitelock as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of all other Essential Resolutions and Completion of the Acquisition, in accordance with rule 11.7 of the Constitution and for all other purposes, and with effect from Completion of the Acquisition, Ms Elizabeth Whitelock is elected as a Director."*

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### 14. Resolution 14 – Aggregate remuneration of Directors

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, in accordance with Listing Rule 10.17, rule 11.14 of the Constitution, and for all other purposes, and with effect from Completion of the Acquisition, the maximum remuneration to be paid to the non-executive Directors in aggregate for acting as non-executive Directors is increased by \$150,000 per annum to a maximum of \$400,000 per annum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit if the Resolution is passed (including a Director) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition:** Further, a member of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such vote) as a proxy on this Resolution if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if this Resolution is connected directly or indirectly with remuneration of the Company's Key Management Personnel.

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### 15. Resolution 15 – Modification of Constitution

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That, in accordance with section 136(2) of the Corporations Act and for all other purposes, the Constitution of the Company is modified as set out in the Explanatory Memorandum."*



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**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**BY ORDER OF THE BOARD**



**NIGEL GELLARD**  
Director

Dated: 8 June 2016

# EXPLANATORY MEMORANDUM

## PARMELIA RESOURCES LIMITED (TO BE RENAMED VERILUMA LIMITED) ACN 142 901 353

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting.

The purpose of this Explanatory Memorandum is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting (of which this Explanatory Memorandum forms a part).

### ESSENTIAL RESOLUTIONS

Resolutions 1 to 13 (except for Resolutions 7, 8, 9, and 10) are essential to Completion of the Acquisition and to the Capital Raising, and are conditional upon one another, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. They are referred to in the Notice and the Explanatory Memorandum as Essential Resolutions. If any one of the Essential Resolutions is not approved at the Meeting, none of them will take effect and the Acquisition, Capital Raising and other matters contemplated by the Essential Resolutions will not be completed.

Resolution 7 (Approval of Issue of Shares to Related Party - Mr Nigel Gellard in satisfaction of Consulting Fees), Resolution 8 (Approval of Issue of Options to Related Party – Mr Jay Stephenson), Resolution 9 (Approval of Issue of Options to Related Party – Mr Peter Ellery), Resolution 10 (Approval of issue of Shares to SJSM Pty Ltd), Resolution 14 (Aggregate Remuneration of Directors) and Resolution 15 (Modification of Constitution) are not essential to Completion of the Acquisition. The Acquisition and Capital Raising may proceed even if these Resolutions are not passed by the requisite majority.

### ACTION TO BE TAKEN BY SHAREHOLDERS

This Explanatory Memorandum should be read in conjunction with, and forms, part of the accompanying Notice.

The Proxy Form attached to this Notice is to be used by Shareholders if they wish to appoint a representative ("**proxy**") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

### FORWARD LOOKING STATEMENTS

The forward looking statements in the Notice are based on the Company's and Veriluma's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in the Notice. These risks include but are not limited to, the risks referred to in Section 2.20 and further detailed in Schedule 3 to this Explanatory Memorandum.

Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

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## 1. KEY DATES

Set out below is an indicative timetable of the key dates:

Despatch of Notice of Meeting and Explanatory Memorandum	10 June 2016
Lodgement of Prospectus for Capital Raising	20 June 2016
Cut off for lodging Proxy Form for Meeting	11 July 2016
Snapshot date for eligibility to vote at Meeting	11 July 2016
General Meeting to approve the change of nature of activities and other matters	13 July 2016
ASX informed of Shareholder approvals	13 July 2016

# EXPLANATORY MEMORANDUM

Suspension of the Company's securities from trading on ASX at the opening of trading	13 July 2016
Completion of Capital Raising	25 July 2016
Completion of Acquisition	5 August 2016
Anticipated date the suspension of trading of Shares is lifted	19 August 2016

*These dates are indicative only and may change.*

The Company anticipates lodging the Prospectus with ASIC by 20 June 2016 or shortly thereafter.

## 2. ACQUISITION OF VERILUMA PTY LTD - CHANGE OF NATURE AND SCALE OF ACTIVITIES

On 8 and 24 December 2015, the Company announced that it had executed a binding and conditional Share Sale Agreement (**Agreement**) with the major shareholders of Veriluma Pty Ltd (**Veriluma**) pursuant to which the Company proposes to acquire 100% of the issued share capital in Veriluma (**Acquisition**).

The Acquisition will result in the Company undertaking a change of nature and scale of its activities. Given the significant change in the nature and scale of the activities of the Company upon completion of the Acquisition, the Company is required to re-comply with the listing requirements of ASX as set out in Chapters 1 and 2 of the Listing Rules.

The major shareholders of Veriluma are:

- (a) Tivisco Pty Ltd, as bare trustee separately for Corby Investments Pty Ltd as trustee for the Anstey Family Trust and Maneki Pty. Ltd as trustee for the Hammond Family Trust.; and
  - (b) Elizabeth Ann Whitelock,
- (Major Shareholders)**

who collectively own 90.4% of Veriluma (and respectively own 62.7% and 27.7% of Veriluma).

The Major Shareholders have agreed to sell 100% of their shares in Veriluma to the Company. In accordance with a Shareholders Agreement between the Veriluma Shareholders, the remaining shareholders are also required to sell their shares in Veriluma upon being notified by the Major Shareholders and have separately agreed to sell their shares to the Company on substantially the same terms as the Major Shareholders.

At the date of this Notice, the current shareholders of Veriluma (**Veriluma Shareholders**) are as set in Schedule 2.

Veriluma is a Sydney-based software company involved in the development of a unique patented software tool marketed under the Veriluma name that delivers Predictive Intelligence capabilities to complex scenarios and decision making processes.

A description of Veriluma's business and products are set out in Sections 2.2 to 2.5, and 2.7 of this Explanatory Memorandum.

For further details of the terms of the Agreement to complete the Acquisition, refer to Section 2.8 of this Explanatory Memorandum.

### 2.1 Existing Activities

The Company was incorporated as Sentosa Mining Limited on 31 March 2010 as a public company and was admitted to the Official List of the ASX on 15 December 2010. The Company has previously focused on mineral exploration in Australia, Philippines, and Mongolia.

The Company currently holds interests in the tenements set out in the table below:

Holder	Tenement	Percentage Held	Location	Prospective for
Maincoast Pty Ltd	E15/1410 Spa Go West	Earn in right of up to 80%	Australia	Nickel sulphide and gold
Toro Mining	M16/35 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/113 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/114 Jaurdi Hills	90	Australia	Gold

## EXPLANATORY MEMORANDUM

Holder	Tenement	Percentage Held	Location	Prospective for
Toro Mining	M16/193 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/194 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/201 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/203 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/204 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/205 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/254 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/255 Jaurdi Hills	90	Australia	Gold
Toro Mining	M16/301 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/365 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/425 Jaurdi Hills	100	Australia	Gold
Toro Mining	M16/462 Jaurdi Hills	100	Australia	Gold
Toro Mining	P16/2444 Jaurdi Hills	100	Australia	Gold
Toro Mining	P16/2460 Jaurdi Hills	100	Australia	Gold
Toro Mining	P16/2627 Jaurdi Hills	100	Australia	Gold
Toro Mining	P16/2673 Jaurdi Hills	100	Australia	Gold
Toro Mining	P16/2674 Jaurdi Hills	100	Australia	Gold

Except for E15/1410 Spa Go West (which the Company has a farm in right to earn an interest of up to 80%), all of the tenements are registered 100% in the name of Toro Mining Pty Ltd (which is 100% owned by the Company) (**Toro**), or jointly by Toro (90%) and JH Mining Pty Ltd (ACN 009 423 125) (10%) pursuant to a joint venture agreement 22 July 1991 (**Jaurdi Hills Joint Venture**) where Toro owns a 90% interest in the tenements and JH Mining owns a 10% free carried interest in the tenements to production and 100% of the surface alluvial rights.

The Company is not aware of any outstanding or ongoing liabilities or potential claims in relation to its interests in the above tenements other than the cost of maintaining the tenement in good standing.

Due to difficult market conditions in the mining and exploration sector, the Company has been evaluating high quality and value adding investment opportunities outside the mineral exploration industry to take advantage of global market trends and maximise the value of its Shares.

If the Acquisition is completed, the Company will either assign or surrender its interests in the tenements (including assigning or withdrawing from its interest in the Jaurdi Hills Joint Venture) and such interests will cease to form part of the assets of the Company.

## 2.2 About Veriluma

### (a) General

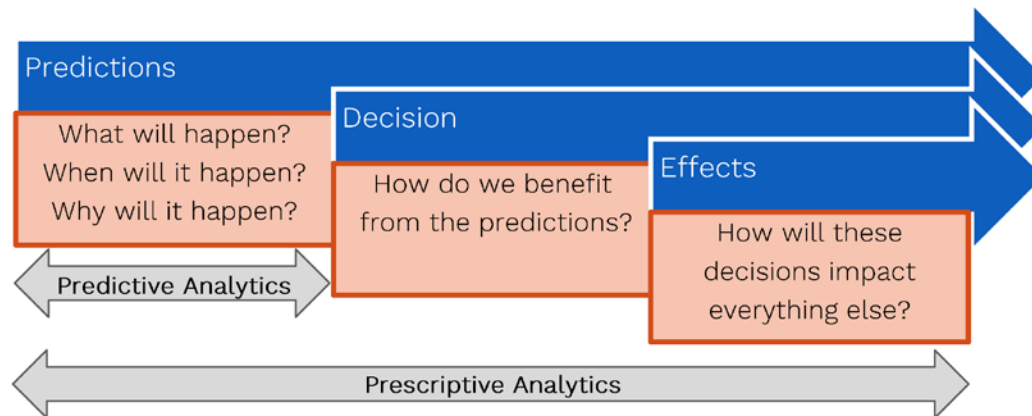
The past decade has seen dramatic economic, social, and technological growth and change. Such dynamism challenges individuals and organisations to rise up to meet it; to plan more effectively and to make better, more timely decisions in the face of uncertainty. Even with our access to unprecedented levels of data, there are still things we do not know, and things of which we cannot be sure.

According to IBM, every day, 2.5 quintillion bytes of data are created. Ninety percent of the data in the world today has been created in the last two years alone. This data comes from an ever-widening range of sources, such as sensors used to gather climate information, posts to social media sites, digital pictures and videos, purchase transaction records, and mobile phone GPS signals to name a few.

Veriluma is in the business of prescriptive analytics. Prescriptive analytics not only anticipates what will happen and when it will happen, but also why it will happen. Further, prescriptive analytics suggests decision options on how to take advantage of a future opportunity or mitigate a future risk and shows the implications of each decision option. Prescriptive analytics can continually take in new data to re-predict and re-prescribe, thus

## EXPLANATORY MEMORANDUM

automatically improving prediction accuracy and prescribing better decision options. Prescriptive analytics ingests hybrid data, a combination of structured (numbers, categories) and unstructured data (videos, images, sounds, texts), and business rules to predict what lies ahead and to prescribe how to take advantage of this predicted future without compromising other priorities. This approach is depicted in the following diagram:



Veriluma's unique software uses a patented process to assess both the known and unknown circumstances described to determine the likelihood or probability of an event, action or result. For example, in a business or company acquisition scenario, how likely is it that the combined firms will deliver good value in terms of earnings, sales and market share? How likely is a virus to become a pandemic? What is the probability of one country invading another?

Such problems are highly complex, with many factors driving and affecting the outcome. There may be historical evidence to review, but there will also be expert opinions, supposition, rumours, biased reporting and people who simply wish to deceive. Veriluma's software may also highlight potential areas of deception, and unanticipated or untoward circumstances.

The software provides an environment in which to dissect a problem while capturing relationships, observations and opinions. These help shape the assessment of the situation. The result predicts the likelihood of, and the factors and evidence contributing to, this outcome.

### (b) Veriluma products and services

#### (i) The Veriluma software

The Veriluma software provides a disciplined software-driven approach to reduce the complexity and guesswork in decision-making. It takes known factors and associated unknown factors and applies an algorithmic framework to reach conclusions about a stated hypothesis. It uses "subjective logic", which is a type of probabilistic logic that explicitly takes uncertainty and belief ownership into account. In general, subjective logic is suitable for modelling and analysing situations involving uncertainty and incomplete knowledge. The Veriluma software allows an information gathering interface to be developed to enable data to be gathered and assessed against specified questions or issues of probability. By this means, very large volumes of data may be provided and processed.

The mathematical probability functions underpinning the Veriluma software are well-tested and robust, and disclosed in plain terms in the relevant patent specifications. The software that implements the mathematical functions however is complex and highly confidential. Should Shareholders wish to obtain more detailed information, they are encouraged to read the relevant patent specifications and the publicly available white papers entitled *Analysis of Competing Hypotheses using Subjective Logic*, and *Formal Methods of Countering Deception and Misperception in Intelligence Analysis*.

The Veriluma software supports the rapid development and implementation of solutions or generic products for customers and specific industry problems. A template for a product or problem resolution can be developed within hours and implemented within a cloud environment to deliver a solution in a timely manner.

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### (ii) *Related Services*

The Veriluma software has been licensed with support and maintenance services. Veriluma also offers training and implementation services to assist new customers. Veriluma stands behind its product with billable services to ensure customer take-up and effective use of Veriluma software.

Details of how Veriluma generates revenue are set out in Section 2.3 of this Explanatory Memorandum.

### (c) **Intellectual Property**

The proprietary process and methodology embodied in the Veriluma software is protected by the following patent registrations (**Patents**):

- United States Patent Registration 7720787, with effect from 10 June 2006; and
- Australian Patent Registration 2006202485, with effect from 9 June 2006.

Each Patent relates substantially to the same subject matter and is entitled “*Intelligence analysis method and system using subjective logic*”.

The Patents are currently granted, in force, and registered in the name of Veriluma.

The concept for Veriluma's software was originally conceived within an Australian Commonwealth Government Research Centre and the process and methodology were further developed with input from the Australian Commonwealth Department of Defence. The intellectual property behind the patented process was subsequently conveyed by the individual inventors, in the case of the US patent, to Veriluma pursuant to an assignment of assignors' interest registered with the US Patent Office and, in the case of the balance of the intellectual property, assigned under and as contemplated by an Intellectual Property Sale Agreement dated 27 January 2006 as altered by agreement dated 28 February 2006 between DSTC Pty Ltd ACN 052 372 577 (since deregistered) and Veriluma.

For convenience, an abstract from one of the Patents summarising Veriluma's patented process is set out below.

*Method of and system for analysing a set of exhaustive and exclusive hypotheses, including assessing and assigning base rates for each hypothesis; determining a set of items of evidence that are relevant to, have a causal influence on, or would disconfirm more than one hypothesis; assessing and assigning base rates for each item of evidence; deciding, for each item of evidence, whether the item should be treated as being a causal influence or diagnostic indicator with respect to the set of the hypotheses; if the item of evidence is to be treated as a causal influence—making a judgement as to the likelihood of each hypothesis, both if the evidence were true, and also if the evidence were false; if the item of evidence is to be treated as a diagnostic indicator—making a judgement as to the evidence being true if the hypothesis were true; assessing the belief for each item of evidence being true; deciding a set of interim beliefs in each hypothesis for each individual item of evidence by:*

- *employing a conditional inference operator for evidence that is to be treated as a causal influence; and*
- *employing a reverse conditional inference operator for evidence that is to be treated as a diagnostic indicator; and*
- *deciding the overall belief in each hypothesis by employing a consensus operator on the respective set of interim beliefs.*

The intellectual property in the Veriluma software is also protected through commercial-in-confidence alliance agreements and confidentiality agreements.

The grant of the Patents supports the novelty of the claims made in the patent specifications behind the Veriluma process embodied in its software. However, as with all patents, the grant of the Patents themselves do not guarantee the validity or enforceability of the Patents or their granted claims. Nor do they provide the patent owner with freedom to commercialise the invention behind the Patents where to do so would infringe third party rights. As such there is always a potential risk of third parties challenging the validity of the granted Patents where they have a legitimate basis to do so and accordingly there can be no guarantees as to the validity, enforceability or scope of any of the claims made in the Patents owned by Veriluma. Notwithstanding this, Veriluma has advised the Company that it is not aware of any such third party claims.

Further information regarding the risks associated with ownership of intellectual property is discussed in Schedule 3.

# EXPLANATORY MEMORANDUM

## (d) Operations

Veriluma operates out of a single office located in St. Leonards, a business centre on the lower north shore of Sydney, Australia. It currently has 5 employees located in Sydney, the Gold Coast and the Australian Capital Territory. Apart from Amazon hosted software, all Veriluma computer servers and principal suppliers are located in Australia. Veriluma has found these operational arrangements to be over a number of years reliable, secure and well matched to its business objectives.

## 2.3 Veriluma Business Model

Veriluma's business and associated revenue streams are derived from two distinct business models:

### (a) Horizontal Market offering

The first business model offers a predictive, software-based, problem-solving solution that applies to any industry or market sector. Under this model, the Veriluma customer has access to the standard Veriluma software. The software can be used to define the customer's problem within one or more templates or models, which can then be used to gather relevant factors defined by the model. The model provides a user interface and the predictive engine in the Veriluma software is initiated to pass the factors across the problem template to assess and define the outputs. These outputs provide the likelihood of outcomes for the defined problem.

The Veriluma software can be hosted in the cloud under a Software as a Service (**SaaS**) model. This SaaS model supports recurring revenue streams based on either revenue or profit share or subscription fees. Alternatively, the Veriluma software can also be downloaded by those customers wishing to do so for guided self-installation.

Revenue can be calculated on a "per seat" basis, as royalties or through technical support and consulting fees.

### (b) Vertical Market offering

The second business model is for Veriluma to use the Veriluma software to create solutions for industry-specific problems. Under this model, Veriluma secures a suitable industry partner and then itself uses the Veriluma software to create a solution for the business. The partner then commercialises the customised product, and Veriluma shares in the revenues or profits under a joint venture or similar contractual agreement.

Under this model, revenue is generated through royalties for the exploitation of the customised software as well as minimum annual fees paid by the industry partner. Alternatively, the industry partner may identify competitors who may wish to have access to a "white-labelled" product offering.

### (c) Research and Development

The concept for the Veriluma software technology was conceived within a Commonwealth Government Research Centre and developed with input from the Commonwealth Department of Defence. As with all software products, Veriluma software requires continual enhancement, maintenance and support. Veriluma is committed to ongoing research and development and an active dialogue with customers to ensure the Veriluma software meets changing market demands.

Veriluma intends to supplement its working capital by accessing Government grants for research and development.

### (d) Sales and Marketing Strategy

Veriluma embraces two sales channels: direct sales and indirect sales.

#### (i) Direct sales

In this channel, Veriluma uses its own resources to secure new business and maintain existing revenue generating clients. Fees are derived from a mixture of upfront licence fees and revenue from support and maintenance, training and implementation, royalty income and subscription fees based on use and users. Veriluma embraces this approach to sales within the defence and intelligence markets and has worked with a number of agencies within the Commonwealth Department of Defence. Veriluma continues to provide maintenance and support to the Department of Defence and has a Canberra-based Business Development Executive with appropriate security clearance to address opportunities across the Department of Defence and the Commonwealth Government more widely.

## EXPLANATORY MEMORANDUM

### (ii) *Indirect Sales*

In this channel, Veriluma identifies industry or market opportunities and selects a suitable industry partner who uses its own resources to market Veriluma software, whether customised or not. The partner may choose not to use the Veriluma brand.

### (iii) *Marketing*

The marketing used to support the above sales channels combines brand and product advertising, public relations and social media activities.

## (e) **Revenue Generation**

Veriluma intends to expand upon its current sales activities and proposes to generate its revenue from a number of sources including products and product related services.

### (i) *Products*

Veriluma product revenue has and is expected to continue to derive from subscription fees and royalties arising from the use of the Veriluma software, including customised Veriluma software. Alternatively, revenues can be generated through licence fees to use the product.

### (ii) *Product Related Services*

Revenue from product-related services is generated through training and implementation, support and maintenance, and customisation with respect to the use of the Veriluma software within a customer environment.

## (f) **Customers**

Veriluma customers are found in the government and commercial enterprise sectors where large volumes of data are required to be processed in order to determine the probability of different outcomes in support of decision-making.

Veriluma's foundation customer is the Commonwealth Department of Defence. Veriluma has worked with several other agencies across the armed forces and other intelligence agencies such as the Office of National Assessments. Typically, these agencies work in a highly secure environment and the Veriluma software assists decision-making with respect to a wide range of geopolitical and national security problems, and defence areas.

Veriluma's growth strategy has been to address targeted commercial markets by using partners that are established within those markets and have a well-established network or client base.

Customers are being targeted through industry partners across a wide range of market sectors. Veriluma intends to secure and develop customers across the government, insurance, and financial services and technology sectors. In addition, Veriluma is actively exploring growth opportunities in the health, legal services, mining, oil and gas and energy sectors.

## (g) **Product Development**

The Veriluma software is currently being used by clients in the defence, resources, utilities, and financial services sectors. Delivery to these clients is either on-premises installed within the client's technical architecture or through specific cloud-based solutions.

Veriluma is committed to adding functionality to the Veriluma software. Veriluma's plans include offering automated work-flow, problem reasoning interfaces, machine learning, structured and unstructured data feeds/integration and data mining/analytics. Veriluma may itself develop this added functionality or it may license or use synergistic functionality offered by third party software providers.

Veriluma is also exploring opportunities to acquire or partner with synergistic product-based companies. As Veriluma grows, it intends to investigate options to increase its client base, add more revenue streams and extend its reach by creating an end-to-end decision support solution. Veriluma believes there are valuable strategic opportunities to acquire such technologies as part of its vision to grow the business.



## EXPLANATORY MEMORANDUM

### (h) **Market Opportunity**

Veriluma perceives a need for a generic analyst tool to identify specific project-based problems across government and commercial enterprise. Initially, Veriluma aims to capitalise on this market opportunity through the delivery and customisation of the Veriluma software. However, Veriluma also plans to react to demands across other areas of government and commercial enterprise that require similar problem solving or predictive planning capabilities.

### 2.4 **Veriluma Material Contracts**

Veriluma's key contracts are summarised below. These summaries are not complete summaries of all terms and are qualified by the text of the contracts themselves.

#### (a) **Department of Defence Contract – Source IT Licence and Support Contract**

##### (i) *Criticality*

On 24 October 2012, Veriluma granted a worldwide non-exclusive commercial licence to the Commonwealth Department of Defence to use the Veriluma software in both an operational environment and a testing and development environment. Veriluma also agreed to provide related support services. This contract has generated income for Veriluma through licence fees and services charges, which over FY2012 to FY2015 amounted to \$458,370.

##### (ii) *Key terms*

The contracted licence and support services term was for a fixed term of three years until 30 June 2015. The Department of Defence has for this term paid in advance a fixed licence fee of \$310,610 and total service charges of \$147,760.

The software continues to be used by the Commonwealth Department of Defence under a licence surviving the fixed term of the contract.

##### (iii) *Currency and renewal*

The contract expired on 30 June 2015. However, the Department of Defence continues to assess its future uses of the Veriluma software. Veriluma remains an approved Department of Defence project partner.

##### (iv) *Related party agreement*

This contract is not a related party agreement.

#### (b) **Tyndall Capital Agreement – Co-operation Agreement**

##### (i) *Criticality*

In September 2014, Veriluma agreed to a co-operation joint venture agreement with Tyndall Capital Pty. Ltd. ACN 154 750 268 (**Tyndall Capital**) to develop and commercialise credit risk assessment software, owned jointly by the parties, and to be used within Tyndall Capital's peer-to-peer lending platform, Marketlend (**Marketlend Software**). The software assesses the credit risk of, and assigns a level of risk to, a borrower that can be used by a lender to provide an opinion on the likelihood of repayment. Tyndall Capital is yet to commercialise the Marketlend Software in a manner that generates more than nominal revenue or profit for Veriluma.

##### (ii) *Key terms*

At the date of this Notice, each party's participating interest in the joint venture is 50% which is adjusted over time based on contribution payments made by the parties towards the commercialisation of the Marketlend Software.

The Marketlend Software is jointly owned by the parties in proportions equal to their participating interests in the joint venture.

Tyndall Capital is licensed to use the Marketlend Software developed by Veriluma under the agreement for credit risk assessment.

Neither party can terminate the agreement early for convenience. Neither party can use the developed Marketlend Software in competition with the other party without the other party's consent. The agreement does not restrain Veriluma from licensing others or itself using the licensed software or from developing the software for use in other fields.

Nothing in the agreement conveys to Tyndall any title or rights in Veriluma's software.

## EXPLANATORY MEMORANDUM

(iii) *Currency and renewal*

The agreement is current at the date of this Notice and is non-renewable.

(iv) *Joint venture agreement*

This agreement is in the nature of an unincorporated joint venture between Veriluma and Tyndall Capital. At the date of this Explanatory Memorandum, Veriluma is entitled to 50% of the assets and 50% of the net profit generated by the joint venture. Under the agreement, the parties have successfully developed and successfully tested a proof of concept credit rating engine, which has been incorporated into jointly-owned credit risk assessment software, which is now deployed and used by Tyndall Capital in its peer-to-peer lending platform, Marketlend. Revenues to Veriluma from this source have commenced but are at present nominal. A business model for Veriluma to derive revenue from this source is being negotiated by Veriluma and Tyndall.

(v) *Related party agreement*

This agreement is not a related party agreement.

(c) **Oniqua Licence**

(i) *Criticality*

On 26 March 2016, Veriluma granted a worldwide non-exclusive commercial licence to Oniqua Pty Ltd ACN 098 250 063 and its related bodies corporate (**Oniqua**), to use the Veriluma software to create an enhanced version of Oniqua's mining and utilities inventory management software (**Combined Products**) and to provide related services to Oniqua's customers. This contract is anticipated to generate ongoing income for Veriluma through subscription fees and royalties – refer below.

(ii) *Key terms*

The initial licence term under the contract is two years from 28 March 2016, with the contract to then continue from year to year unless terminated earlier. Oniqua can terminate the contract early for convenience on 90 days' notice.

Oniqua has agreed to pay to Veriluma subscription fees of \$4,150 per user per month. Oniqua has also agreed to pay to Veriluma royalties equal to 15% of consultancy fees, and equal to 30% of licence fees, generated from the Combined Products.

In March 2016, Oniqua paid a non-refundable sum of \$18,000 to be applied towards any royalties to be paid to Veriluma on or before 31 December 2016.

CPI adjustments to the subscription fees are to occur on 28 March of each year. Veriluma can also initiate commercial reviews of the contract, including as to price, every six months and then request a meeting to renegotiate the contract.

(iii) *Currency and renewal*

This contract is current at the date of this Notice, and automatically renews from year to year after the initial two-year licence term, unless earlier terminated.

(iv) *Related party agreement*

This contract is not a related party agreement.

(d) **Global Business Resilience Licence**

(i) *Criticality*

On 1 April 2016, Veriluma granted a worldwide non-exclusive commercial licence to IBRMS Pty Ltd ACN 168 714 798, trading as Global Business Resilience and its related bodies corporate (**Global Business Resilience**), to use the Veriluma software for the creation of software applications for threat assessment as it pertains to political, social, economic, environmental and security risks in complex and hostile environments (**Combined Products**) and for the provision of related services. This contract is projected to generate in FY2016 ongoing royalty income for Veriluma.

(ii) *Key terms*

The initial licence term is two years from 1 April 2016, with the contract to then continue from year to year unless terminated earlier. Global Business Resilience can terminate the contract early for convenience on 90 days' notice.

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Global Business Resilience has agreed to pay to Veriluma royalties equal to 15% of the consultancy fees, and equal to 30% of other gross revenue, generated from the Combined Products.

Veriluma can initiate commercial reviews of the contract, including as to price, every six months and then request a meeting to renegotiate the contract.

(iii) *Currency and renewal*

This contract is current at the date of this Notice, and automatically renews from year to year after the initial two-year licence term, unless earlier terminated.

(iv) *Related party agreement*

This contract is not a related party agreement.

(e) **RPMGI Licence**

(i) *Criticality*

On 18 April 2016, Veriluma granted a worldwide non-exclusive commercial licence to RPM Group International Pty Ltd ACN 153 361 258 and its related bodies corporate (**RPMGI**), to use the Veriluma software to create an enhanced version of RPMGI's marketing and sales analytics software (**Combined Products**) and for the provision of related services to RPMGI's customers. This contract is anticipated to generate ongoing income for Veriluma through subscription fees and royalties – refer below.

(ii) *Key terms*

The initial licence term is two years from 5 April 2016, with the contract to then continue from year to year unless terminated earlier. RPMGI can terminate the contract early for convenience on 30 days' notice.

RPMGI has agreed to pay to Veriluma subscription fees of \$50 per user per month. RPMGI has also agreed to pay to Veriluma royalties equal to 15% of the consultancy fees, and equal to 30% of other gross revenue, generated from the Combined Products.

CPI adjustments to the subscription fees are to occur on 5 April of each year. Veriluma can also initiate commercial reviews of the contract, including as to price, every six months and then request a meeting to renegotiate the contract.

(iii) *Currency and renewal*

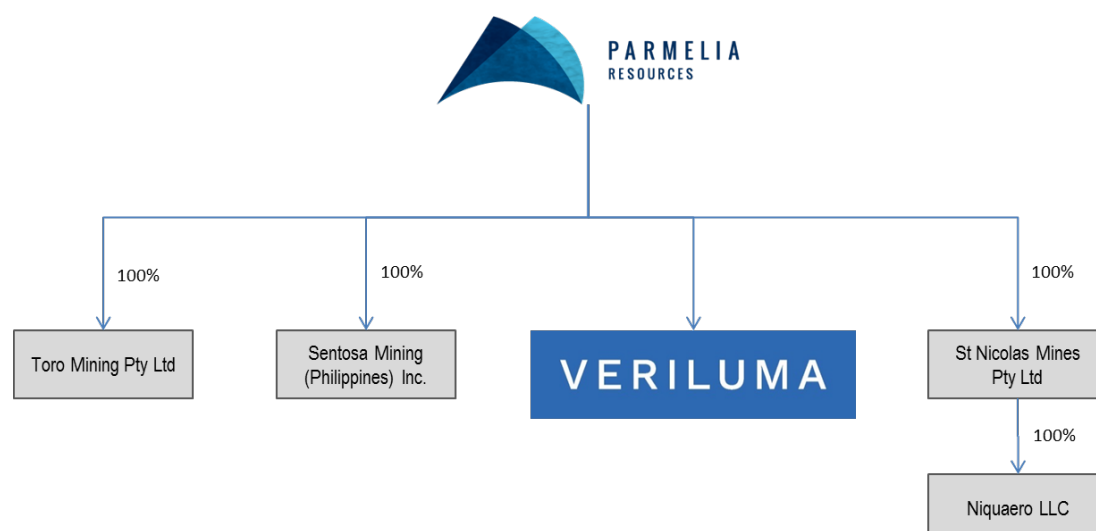
This contract is current at the date of this Notice, and automatically renews from year to year after the initial two-year licence term, unless earlier terminated.

(iv) *Related party agreement*

This contract is not a related party agreement.

## 2.5 Proposed Company Structure

Following Completion of the Acquisition, the corporate ownership of the Company and group will be as set out below.



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### 2.6 Board and Management Changes

In accordance with the Agreement and with effect from Completion, Mr Jay Stephenson and Mr Peter Ellery will resign as Directors. Mr Stephenson will remain as Company Secretary to assist the Company with its ongoing compliance obligations.

Mr Nigel Gellard will remain as a non-executive Director. In addition, the Proposed Directors, being Mr Richard Anstey and Ms Elizabeth Whitelock, will be appointed as Directors subject to Shareholders passing Resolutions 12 and 13.

Mr Richard Anstey will act as Chairman of the Company. At Completion, Ms Elizabeth Whitelock will enter into an executive employment contract (**Executive Employment Contract**) with the Company and will be employed as the Company's Chief Executive Officer. Under the terms of the Executive Employment Contract, Ms Whitelock will be employed by the Company on the following terms:

- (a) a salary of \$273,750 inclusive of superannuation and other statutory entitlements – to be reviewed after 12 months;
- (b) a notice period of six months after the first anniversary of employment whereby either the Company or Ms Whitelock may terminate the employment without cause with six months prior notice;
- (c) four weeks paid annual leave each year and ten days paid personal leave per year;
- (d) all intellectual property developed by Ms Whitelock during her employment will belong to the Company; and
- (e) a 12 month non-compete throughout Australia restricting Ms Whitelock from providing services to a direct competitor of the Company, or soliciting or enticing away customers or employees of the Company – during which period of restraint Ms Whitelock will be paid her usual remuneration.

Summaries of the backgrounds and experience of each Director and Proposed Director is set out below.

#### (a) Directors

##### **Mr Nigel Gellard** FAICD

Executive Chairman (continuing Non-executive Director)

Mr Gellard has over 20 years' experience in the resources, agricultural and financial services/funds management sectors. He was co-founder and executive director of a privately owned boutique funds management firm. Prior to this he spent five years dealing in the equities markets, most notably with Patersons Securities Limited.

Before entering into the financial services and funds management industry, Mr Gellard was Commercial Adviser to the Director of Exploration for Rio Tinto Plc, based in London where he was responsible for advising on commercial matters relating to Rio Tinto's activities in Europe, Eastern Europe, South America and Africa. He was also responsible for the negotiation of commercial agreements and risk management.

Mr Gellard was a director of public listed company General Gold Ltd (now Kairiki Energy Limited, ASX: KIK). He is currently also a director of a number of private companies. Mr Gellard is a Fellow of the Australian Institute of Company Directors.

#### (b) Proposed Directors

##### **Mr Richard Anstey** (proposed Chairman)

Mr Anstey has more than 30 years' experience in the IT & telecommunications industries and in associated investment banking roles. Across this time, he has built and managed his own companies. The first, Tangent Group Pty Ltd, established a strong reputation for the development of software, software products and strategic management consultancy for the banking and finance sector.

After the sale of Tangent and a year as a partner with Grant Samuel Technology Capital, he co-founded InQbator in 2000, an early stage investment group focused upon the technology, telecommunications and life sciences sectors. InQbator is now called iQFunds and has managed Commonwealth Government backed seed funds for the past 15 years. It has invested in over 30 companies and manages the remaining portfolio of 8 active companies in Australia and the U.S.

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Mr Anstey is an independent non-executive director of ASX 200: TNE Technology One Limited and has board roles with a number of his portfolio companies.

He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

### **Ms Elizabeth Whitelock** (proposed Chief Executive Officer)

Ms Whitelock is a co-founder of Veriluma Pty Ltd and is the company's CEO. Elizabeth started her career in the UK working for the Metropolitan Police Force and now has over 25 years' experience in Senior Management and CEO roles with IBM, Information Builders Inc. Alphablox, SAS, Ingres, Computer Associates and Rogen.

These roles have all shared a focus on Information Management Products and Services and have highlighted her strengths in strategic communications, sales, marketing and customer relations while also expanding partner programs and cementing customer relationships.

In this role, Ms Whitelock will focus on building recognition of the Veriluma brand, identifying and exploring new sales opportunities, managing the team, driving the sales pipeline and developing new go-to-market strategies such as various levels of channel partnerships.

### (c) **Advisory Committee**

Should the Acquisition and Capital Raising proceed, an advisory committee (**Advisory Committee**) formed by Veriluma will be continued to assist the Directors and Chief Executive Officer in formulating Veriluma's strategic direction. The Advisory Committee members are not officers, or related parties, of Veriluma, or the Company, but will continue to be used as a confidential and strategic sounding board to discuss and debate topics that are important in achieving strategic objectives, while being supportive in the management of identified risks.

Members of the Advisory Committee from time to time will, on a confidential basis, mentor and advise the Directors and management on topics of importance to Veriluma, including maintaining a policy framework for and assisting with stakeholder communications. The Advisory Committee will be dedicated to fulfilling these duties in a professional manner, and with the utmost integrity and objectivity, and to abide by an agreed code of conduct to be implemented by Veriluma. As such, in advising Veriluma, the Advisory Committee is expected to pursue best practice governance processes and outcomes. Advisory Committee members are to be appointed and may be removed by the Board at its discretion.

The Advisory Committee will not assume the duties or responsibilities of the Board which will remain at all times with the Directors. Apart from their role on the Advisory Committee, its members are not intended to become party to any material contracts with the Company or with Veriluma without following due process and full disclosure of such personal interests to the Directors in accordance with best practice governance processes. The Advisory Committee members hold minority shareholdings in Veriluma and currently do not formally charge fees for their services, however, it is expected that members of the Advisory Committee may from time to time charge consulting fees for their time in providing services to the Company provided that such fees are on commercial arm's length terms agreed in advance with the Company. Subject to any applicable regulatory approvals and the satisfactory performance of the Advisory Committee, the Company may also consider in the future issuing securities to members of the Advisory Committee to better align their interests with those of Veriluma and the Company.

The advisory committee is comprised of:

### **Mr Richard Howard**

With over 20 years' experience in financial services, including 16 years with J.P. Morgan in investment banking and fixed income in London, New York, Sydney and Melbourne and more recently as an investor and advisor to numerous emerging financial services companies, Mr Howard brings valuable international banking, advisory and capital markets experience to Veriluma.

Mr Howard is a Director of Access 32 Investments and a member of the Australian Institute of Company Directors.

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### **Mr Mark Carrick**

Formerly the Commander of Counter Terrorism Intelligence NSW Police and an advisor to the Australian and NZ Governments, Mr Carrick is the founding director of Global Business Resilience (GBR), an independent, resilience building consultancy specialising in building organisational resilience by enabling effective strategic decisions on the allocation of resources. Mr Carrick has worked across a broad range of industries and achieved outstanding success with large government and NGO (non-governmental organisation) organisations.

Mr Carrick holds a Masters of Business Administration (MBA) from the University of Sydney and is a graduate member of the Australian Institute of Company Directors.

### **Mr Andy Hill**

Originally a Rolls-Royce Manufacturing Systems Engineer, Mr Hill has spent the past 25 years founding and building Oniqua Intelligent MRO, a global inventory analytics software business serving many of the world's leading companies in the oil and gas, mining, and utilities industries, including ConocoPhillips, BP, BHP Billiton, Nebraska Public Power District, Rio Tinto, Newmont Mining, Xstrata and Freeport McMoRan. Oniqua was acquired by the ASCO Group in 2012. Mr Hill's experience across the full life cycle of a business, from start-up to exit, and expertise in analytics technology, enterprise sales and data management, provides Veriluma with valuable opportunities and perspective.

### **Mr Tim Molloy**

Executive Director at Mainsheet Capital, Mr Molloy has seen a career spanning the corporate development of IT companies such as Solution 6, Exonet and MYOB. Mr Molloy's valuable experience comes from growing IT businesses with international experience in mergers and acquisitions, marketing and sales, strategy, and profitable revenue generation, leading to wealth creation for shareholders. A company director and a graduate member of the Australian Institute of Company Directors, Mr Molloy's strength is in developing IT companies and enhancing growth opportunities.

### **Personal interests of the Advisory Committee**

At the date of this Notice, the Advisory Committee members have disclosed the following personal interests in relation to Veriluma:

- (i) Mr Mark Carrick is the founder and shareholder of Global Business Resilience, which has entered into a worldwide non-exclusive licence agreement with Veriluma for the commercialisation of Veriluma's software within the national security agencies – details of which are further disclosed in section 2.4(d) of this Explanatory Memorandum;
- (ii) Mr Andy Hill is a shareholder in Oniqua, which has entered into a worldwide non-exclusive licence agreement with Veriluma for the commercialisation of Veriluma's software within the energy and resources sectors – details of which are further disclosed in section 2.4(c) of this Explanatory Memorandum; and
- (iii) as disclosed in items 23, 24 and 25 of the table that appears in Schedule 2, Messrs Carrick, Hill, and Howard have minority shareholdings in Veriluma and will consequently hold Shares in the Company following completion of the Acquisition.

None of the Advisory Committee members holds any interests in the Company.

### **(d) Government Business and Relations Manager**

#### **Mr Glen Toscan - Government Business and Relations Manager**

Mr Toscan is a former RAAF Group Captain and defence and security industry executive who has consulted to the Australian Department of Defence since 2008 when he joined the global technology solutions and services firm CSC, based in their Canberra office. As CSC's Defence Client Manager, Mr Toscan was responsible for Intelligence Agencies, Defence and Air Services. Mr Toscan's experience and government relations network bring considerable weight to Veriluma's strategy of developing strong partnerships within Australian government departments and agencies. Mr Toscan has recently joined Veriluma, employed as its Government Business and Relations Manager with a focus on managing existing client and partner relationships; extending Veriluma's product offering within Defence; and building and maintaining a client base across federal agencies in Australia and overseas.

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### 2.7 Veriluma's Principal Activities and Business Strategy Post Completion

Post Completion of the Acquisition, Veriluma will operationally continue with its three year growth plan and operate very much to that plan.

The initiatives of this three year plan to note are:

- (a) resourcing of business development roles to maximise opportunities within targeted vertical markets;
- (b) ensuring that technical and other support is given to our base clients and prospects within the Australian Defence and Intelligence and associated agencies. Equally this effort will be actively exploring international opportunities for sales within that sector overseas, namely with Intelligence agencies in the US, Canada, New Zealand and the UK;
- (c) further ongoing development of Veriluma's software and its delivery platform to ensure it is continually supportive of the demands of Veriluma's clients and target markets; and
- (d) finally, the company will add additional resources around its Finance and Administration function to provide support to the CEO and the company's growth strategy.

### 2.8 Terms of Agreement for Acquisition

As mentioned at the beginning of Section 2 of this Explanatory Memorandum, the Company has entered into the Agreement with Veriluma and the Major Shareholders to acquire 100% of Veriluma, an unlisted Australian company.

Set out below is a summary of the key terms of the Agreement:

#### (a) Consideration

In consideration for the 100% Acquisition of Veriluma, the Company will issue to the Veriluma Shareholders (or their nominees, a total of:

- (i) 162,857,400 Consideration Shares in the Company; and
- (ii) 40,000,000 Performance Shares, which will be separated into three classes and convert into Shares in accordance with the terms and conditions summarised in Section 2.9 of this Explanatory Memorandum, the issue of each of which are the subject of Resolution 4.

One of the Major Shareholders of Veriluma, Tivisco, holds its shares in Veriluma on bare trust for Corby Investments Pty Ltd as trustee for the Anstey Family Trust and Maneki Pty Ltd as trustee for the Hammond Family Trust (**Trust Beneficiaries**). At the date of this Notice of Meeting, Tivisco has provided an irrevocable payment direction for the Company to issue Tivisco's Consideration Shares and Performance Shares to the Trust Beneficiaries in equal proportions.

Further details of the Consideration Shares and Performance Shares to be issued to the Veriluma Shareholders are set out in Schedule 2.

#### (b) Conditions Precedent

At the date of this Notice of Meeting, Completion of the Acquisition remains subject to a number of conditions precedent (**Conditions**) being satisfied (or waived), including:

- (i) the Company obtaining all necessary shareholder and regulatory approvals, consents or waivers required for the Acquisition, including without limitation:
  - (A) shareholder approval under Listing Rule 7.1 for the issue of the Vendor Shares;
  - (B) shareholder approval under Listing Rule 11.1 for the proposed change in nature and scale of activities of the Company as a result of the Acquisition;
  - (C) ASX approval of the proposed terms and conditions of the Performance Shares – of which in principle approval has now been received by ASX;
  - (D) ASX granting a waiver of the "20 cent rule" in Listing Rule 2.1, condition 2 to allow the issue of Shares (including under the Capital Raising) at less than 20 cents – of which in principle approval has now been received by ASX; and

## EXPLANATORY MEMORANDUM

- (E) ASX providing its approval that the Company has satisfied and re-complied with the listing and quotation requirements in Chapters 1 and 2 of the Listing Rules subject only to Completion occurring and on terms satisfactory to the Company and the Major Shareholders and ASX lifting any suspension imposed on the quotation of the Company's securities;
- (ii) the Company despatching this Notice of Meeting and Explanatory Memorandum to its shareholders seeking all shareholder approvals required for the Acquisition by 20 June 2016);
- (iii) the Company issuing the Prospectus by 30 June 2016 and successfully completing the Capital Raising of not less than \$3,250,000 by 3 August 2016;
- (iv) the redemption of all outstanding amounts owing under a convertible note dated 17 January 2012 (**Convertible Note**) and the discharge of any charges or other encumbrances by 15 December 2015 – which has now been satisfied pursuant to a Deed of Compromise and Release between SJSM Pty Ltd and Veriluma dated 14 December 2015 (**Deed of Compromise**). As contemplated by the Deed of Compromise, the Company has agreed to issue \$200,000 worth of Shares to SJSM Pty Ltd (ACN 151 335 992) (**SJSM**) the subject of Resolution 10 - further details of which are set out in Sections 9 of this Explanatory Memorandum;
- (v) the Company completing its due diligence investigations into Veriluma to its satisfaction by 28 February 2016;
- (vi) an employment contract being agreed by the Company and entered into with Ms Whitelock as the proposed Chief Executive Officer of Veriluma;
- (vii) Veriluma providing a business plan and budget satisfactory to the Company and issuing audited financial statements for the year ended 30 June 2015 and such other audited financial statements required to satisfy the ASX;
- (viii) there being no material adverse event occurring in relation to the Company or Veriluma prior to Completion;
- (ix) Veriluma obtaining all third party consents required to allow the sale of Veriluma without breaching any material contracts resulting from a change of control of Veriluma and, if required, all shareholders of Veriluma waiving any pre-emptive, participation or other rights over the issued capital of Veriluma;
- (x) repayment of all loans between Veriluma and its shareholders from the Capital Raising to the satisfaction of the Company and subject to ASX approval, or failing such ASX approval the lenders agreeing to the loans being repayable on 30 June 2019 with an interest rate of 8% per annum;
- (xi) termination or renegotiation to the satisfaction of the Company of any related party transactions that are not on arm's length commercial terms;
- (xii) all other debt owed by Veriluma being repaid or forgiven with all encumbrances and securities released and discharged, including all amounts owing under convertible notes being repaid by payment by Veriluma of \$300,000 in cash by 15 December 2015 and the issue by the Company of \$200,000 worth of Shares as part of the Capital Raising for nil consideration; and
- (xiii) the Company simultaneously acquiring at Completion 100% of the issued capital of Veriluma from all of the Veriluma Shareholders.

### (c) Termination

The Company and the Major Shareholders may terminate the Agreement prior to Completion by giving written notice if, amongst other things:

- (i) there is a breach of a material term of the Agreement;
- (ii) any of the warranties given by a party is or becomes false or inaccurate (except as previously disclosed);
- (iii) a material adverse effect occurs in relation to either Veriluma or the Company, being a material adverse change in the business, assets, liabilities or financial condition or prospects of Veriluma or the Company (as applicable), including a material breach of warranties or a material breach or default of a material contract; or
- (iv) there is a cessation of business or substantial part of the business of either Veriluma or the Company.

### (d) Completion



## EXPLANATORY MEMORANDUM

Completion of the Acquisition will occur on the date that is 5 business days after satisfaction or waiver of the last of the Conditions, or such other date as agreed by the parties.

### (e) Board Composition

At Completion, the Company will, subject to receiving consents to act and the passing of Resolutions 12 and 13, procure that Mr Richard Anstey and Ms Whitelock are appointed as Directors with effect from Completion.

Messrs Peter Ellery and Jay Stephenson will resign as Directors at Completion.

The composition of the Board at Completion is expected to be as set out in Section 2.6 of this Explanatory Memorandum.

## 2.9 Summary of the terms of the Performance Shares

The Performance Shares are convertible, on a 1 for 1 basis, into Shares on achieving objective milestones specific to the performance of Veriluma as set out below:

Objective criteria concerning conversion of Performance Shares into Shares		
Class	Shares on conversion	Performance Share Milestone
A Performance Shares	10,000,000	A Performance Share Milestone will be taken to have been satisfied if, on or before the 2nd anniversary of the issue of the A Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$2,000,000.
B Performance Shares	15,000,000	B Performance Share Milestone will be taken to have been satisfied if, on or before the 3rd anniversary of the issue of the B Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$3,000,000.
C Performance Shares	15,000,000	C Performance Share Milestone will be taken to have been satisfied if, on or before the 4th anniversary of the issue of the C Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$10,000,000.

Detailed terms and conditions of the Performance Shares are set out in Schedule 1.

## 2.10 Veriluma's Funding Agreements

### Secured Loan Facility from the Company

Pursuant to a Further Amended and Restated Binding Secured Loan Facility Agreement (**Facility Agreement**), the Company has agreed to provide funding to Veriluma of up to \$330,000 for the purpose of working capital and to provide funding for the further commercialisation of Veriluma's patented software technology.

The key terms of the Funding Agreements are set out below:

- (a) the Company has agreed to lend a maximum of \$330,000 for the purpose of working capital and further commercialisation of the Patents;
- (b) as security for repayment of amounts owing under the Facility Agreement, Veriluma must provide security to the Company in the form of security deed over all of the present and after acquired property of Veriluma, including the Patents;
- (c) interest accrues daily and is payable at the rate of 7.00% pa;
- (d) Veriluma must repay all outstanding amounts under the Facility Agreement, including interest, by 31 October 2016 (or such other date as agreed by the parties) – unless Completion of the Acquisition occurs first whereby all outstanding monies will be forgiven and deemed to be repaid in full; and
- (e) if an event of default occurs prior to Completion (including a default under the Agreement in relation to the Acquisition), all monies may be declared immediately due and payable by the Company.

### **Convertible Note - SJSM**

In addition, Veriluma had historically received funding under a Convertible Note between Veriluma and SJSM. As noted above, it is condition precedent that all loans and interest payable by Veriluma under the Convertible Note be repaid and discharged prior to completion of the Acquisition.

## EXPLANATORY MEMORANDUM

Pursuant to a Deed of Compromise between Veriluma and SJSM dated 14 December 2015, it was agreed that all amounts owing under the Convertible Note would be settled for \$500,000 which would be repaid by:

- (a) Veriluma repaying \$300,000 cash to SJSM which occurred on 15 December 2015; and
- (b) Veriluma procuring that Parmelia issue \$200,000 of Shares at the same issue price as the Capital Raising (**SJSM Shares**).

As contemplated by the Deed of Compromise, and subject to shareholder approval under Resolution 10, the Company intends to issue up to maximum of 2,857,143 Shares at a deemed issue price of \$0.07 per Share, being the issue price proposed for the Capital Raising.

### Repayment of Shareholder Loans

In addition, and apart from the amounts owing to SJSM to be repaid by the issue of the SJSM Shares as contemplated by Resolution 9, the following shareholder loans have been extended to Veriluma in the following amounts:

- (a) from Ms Elizabeth Ann Whitelock, a loan for \$79,211 as at 31 December 2015;
- (b) from Maneki Pty Ltd, a loan of \$249,615 as at 31 December 2015;
- (c) from Corby Investments Pty Ltd as trustee for the Anstey Family Trust, a loan for \$73,038 as at 31 December 2015;
- (d) from IQ Capital Management Pty Ltd (a company in which Mr Richard Anstey has a 50% interest), a loan of \$8,988 as at 31 December 2015; and
- (e) from Tivisco, a loan of \$75,022 as at 31 December 2015,

(collectively the **Shareholder Loans**).

Subject to ASX approval, the Company has agreed that the amounts of these Shareholder Loans as stated at 31 December 2015 will be paid out in full by the Company on behalf of Veriluma from the proceeds of the Capital Raising. The loans are on arm's length commercial terms with interest payable at 8% per annum and a maturity date of 30 June 2019.

### 2.11 Change of activities and change of name

As a result of the Acquisition, the Company will change the nature of its activities from a mineral exploration company to a software company.

The Company also proposes to change its name from "Parmelia Resources Limited" to "Veriluma Limited". Approval of the change of name is the subject of Resolution 11.

### 2.12 ASX Waiver of 20 cent rule

Listing Rule 2.1 Condition 2 provides that where an entity seeks admission on ASX, the issue price of the securities of the entity must be at least 20 cents.

The Company has applied for and received from ASX an in principle waiver from the requirement of Listing Rule 2.1 Condition 2 to allow the Company to issue Shares at a minimum of \$0.02 per Share under the Capital Raising.

### 2.13 Capital Raising

As a condition of the Acquisition and in order to fund the ongoing activities of Veriluma and re-comply with Chapters 1 and 2 of the Listing Rules, the Company will seek to raise \$3,500,000 via the issue of 50,000,000 Shares at an issue price of \$0.07 per Share which is the subject of Resolution 2 (**Capital Raising**).

The amount of \$3,500,000 for the Capital Raising will be the minimum and maximum subscription accepted by the Company.

The Company intends to conduct the Capital Raising through the issue of a full prospectus as part of its re-compliance with Chapters 1 and 2 of the Listing Rules (**Prospectus**).

K S Capital Pty Ltd (ACN 124 761 557 and AFSL No. 316880) will act as Lead Manager to the Capital Raising. The Lead Manager will receive a lead management fee of 1% of total funds raised under the Capital Raising and a brokerage

## EXPLANATORY MEMORANDUM

fee of 5% of total funds received under the Capital Raising. Such fees are exclusive of GST. The Company will also issue the Lead Manager 3,665,883 Advisor Shares, the subject of Resolution 5.

The Advisor Shares issued to the Lead Manager will be subject to escrow restrictions in accordance with Appendix 9B of the Listing Rules for a period of up to 24 months.

### 2.14 Use of Funds

The Company has current cash reserves of \$471,460 as at 31 December 2015. As detailed in Section 2.10 of this Explanatory Memorandum, prior to Completion of the Acquisition, the Company has lent \$330,000 to Veriluma under the Facility Agreement. In such circumstances the Company's cash reserves will reduce to \$241,460.

If the Acquisition is completed, the Company intends to use the current cash reserves, together with the amounts raised from the Capital Raising, which when aggregated would give a total of \$4,324,900 (after capital raising costs) in funds available, as set out below.

Funds will be utilised over the next two years as follows:

Item	Capital Raising of \$3,500,000 \$'000s	Percentage of Funds
Combined Pre-offer Pro-forma cash	1,253.0	
Total raised in the Offer (before costs)	3,500.0	
<b>Total Funds Available</b>	4,753.0	
Expenses of the Acquisition including the matters proposed in the Essential Resolutions <sup>1</sup>	428.1	9.0%
Repayment of Veriluma shareholder loans	485.9	10.2%
Veriluma product development	1,961.8	41.3%
Veriluma product commercialisation	1,196.4	25.2%
Veriluma product legal costs	240.2	5.1%
Administration	186.4	3.9%
Employee Expenses	254.2	5.3%
<b>Total Allocated Funds</b>	4,753.0	100.0%

Notes:

<sup>1</sup> Refer to table below for the itemised costs of the Acquisition, including the matters proposed in the Essential Resolutions:

Estimated Cost	Capital Raising of \$3,500,000 \$'000s
ASX Fees	32.5
ASIC Fees	2.1
Lead Manager fees	210.0
Legal, Accounting and Due Diligence Expenses	140.0
Investigating Accountant Fees	15.0
Shareholders Meeting/Share Registry Costs	10.0
Printing and miscellaneous	18.5
<b>Total Expenses of the Acquisition including the matters proposed in the Essential Resolutions</b>	<b>428.1</b>

The minimum subscription for the Capital Raising is \$3,500,000. In the event that less than \$3,500,000 is raised under the Capital Raising, the Acquisition will not proceed and any funds raised under the Capital Raising will be returned to investors.

The Board reserves the discretion to modify the proposed Capital Raising and the allocation of expenditure in the tables above. The above tables are statements of current intentions as at the date of the Notice of Meeting.

## EXPLANATORY MEMORANDUM

Subsequent events may alter the way funds are ultimately applied by the Company and may alter the costs estimated.

### 2.15 Pro-forma Balance Sheet

An unaudited pro forma balance sheet of the Company following completion of the Acquisition, Capital Raising and other matters in the Notice and this Explanatory Memorandum is set out in Schedule 5 to this Explanatory Memorandum.

### 2.16 Pro-forma Capital Structure

The capital structure of the Company following completion of the Acquisition, Capital Raising and other matters in the Notice and this Explanatory Memorandum is summarised in Schedule 4 to this Explanatory Memorandum.

### 2.17 Indicative timetable

The indicative timetable for the Acquisition and the subject of the Essential Resolutions is as follows:

Event	Date
Despatch Notice of Meeting and Explanatory Memorandum	10 June 2016
Lodgement of Prospectus	20 June 2016
Shareholders Meeting	13 July 2016
Suspension from Trading	13 July 2016
Closing Date of Prospectus Offer	25 July 2016
Completion of Acquisition and Issue Shares under Prospectus	5 August 2016
Re-compliance and Re-quotation of PML Shares on ASX	19 August 2016

The Board reserves the right to vary the above indicative timetable without further disclosure to Shareholders.

### 2.18 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each of the proposed Essential Resolutions:

- (a) The Acquisition represents an opportunity for the Company to acquire a business with unique, patented, field proven software technology. The patented technology is a disruptive technology deployable into a rapidly expanding area of need that enables analysts to develop rich and complex models of their intelligence problems without being overwhelmed by the complexity of the models they create.
- (b) The Acquisition and Capital Raising will enable the Company to further develop and commercialise the business of Veriluma. An increased focus on marketing and product development at Veriluma will allow it to scale its operations and generate potential future cash flows.
- (c) Proven board and management expertise in information technology, intelligence, government, and commercial spaces. The proposed additions to the Board will provide an experienced and balanced set of skills to guide the growth of the Company while it seeks to further commercialise Veriluma's unique software.
- (d) Equity-based consideration (no cash) for an existing business in an emerging sector with prospects for growth.
- (e) Given the current continued low investor sentiment with regard to junior exploration companies, including a lack of well valued investment opportunities, the Directors consider that in the current share market environment there is a greater likelihood of increasing shareholder value by progressing the proposed Acquisition than by the Company remaining as a junior mineral explorer listed on ASX.
- (f) The Acquisition provides Shareholders with exposure to an existing well managed and expanding business, with significant potential for growth. The business will be well capitalised, with cash reserves following Completion of approximately \$4,324,900, which will be used to fund sales and marketing activities, to repay shareholder loans (refer to Section 2.10), as well as continuing product development (as set out in Section 2.14 of this Explanatory Memorandum).

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- (g) Established contacts and contracted positions with key clients.

### 2.19 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each of the proposed Essential Resolutions:

- (a) the Company will be changing the nature and scale of its activities, from a mining exploration company, to a company which is focussed on software development and commercialisation which may not be consistent with the current objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Shares and Performance Shares to the Veriluma Shareholders, as well as Shares to the Lead Manager, Corporate Advisor and new investors in the Company, which will have a significant dilution effect on the current holdings of Shareholders;
- (c) Veriluma does not currently have strong recurring revenues. Its business faces a number of particular challenges, including effective global roll-out, securing pre-and post-sales support staff, transition to recurring revenue streams as opposed to up-front licence fees, lead times involved in defence and intelligence agency contracting and the securing of appropriately qualified staff;
- (d) there are many risk factors associated with the change of nature and scale of the Company's activities, or rather associated with the business and operations of Veriluma. Refer to Section 2.20 of this Explanatory Memorandum and Schedule 3;
- (e) transaction and capital raising costs will be incurred – refer to Section 2.14; and
- (f) significant future outlays of funds from the Company may be required for the Veriluma business.

### 2.20 Risks

The Acquisition of Veriluma by the Company is not without risk and is considered to be highly speculative.

Shareholders should be aware that if the Essential Resolutions are approved, the Company will be changing the nature and scale of its activities, which are subject to various and different risk factors. Based on the information available, a non-exhaustive list of risk factors is included in Schedule 3.

### 2.21 Intentions for the Company if the Acquisition is not completed

If the Company does not complete the Acquisition, the Company will seek and undertake due diligence on new opportunities for growth in order to retain its ASX Listing. In the event that it cannot obtain a new opportunity in accordance with the requirements of ASX, it is likely that the Company will cease to be listed on ASX.

### 2.22 Directors' Recommendation

The Directors consider that the Acquisition, the Capital Raising and the Essential Resolutions are in the best interests of the Company and, apart from Mr Gellard in relation to Resolution 8, Mr Stephenson in relation to Resolution 8 and Mr Ellery in relation to Resolution 9, in which they each hold a personal interest, unanimously recommend that Shareholders vote in favour of all of Resolutions 1 to 13 and 15. As Resolution 14 concerns an increase in the maximum aggregate Directors' fees that may be paid by the Company, each Director declines to make any recommendation regarding Resolution 14. Your Directors do however note that an increase as contemplated by Resolution 14 will give the Board and the Company greater flexibility to attract men and women with appropriate talent, skills and experience to serve on your Board.

The Essential Resolutions, being Resolutions 1 to 13 (except for Resolution 7, 8, 9 and 10), are interdependent, meaning that Shareholders must pass all of the Essential Resolutions for the Acquisition and Capital Raising to proceed.

Other than Resolutions 7, 8, 9 and 14, none of the Directors has any interest in the Resolutions or in the proposed Acquisition pursuant to the Agreement.

The Directors make no recommendations in respect of Resolutions 7, 8, 9 and 14.

### 2.23 Interests of Major Shareholders

Each of the Major Shareholders of Veriluma is a related party of the Company due to them either being a Proposed Director or controlled by a Proposed Director.

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In particular:

- (a) Mr Richard Anstey is a Proposed Director who controls Corby Investments Pty Ltd as trustee for the Anstey Family Trust. Mr Anstey controls Corby Investments Pty Ltd and is a beneficiary of the Anstey Family Trust; and
- (b) Ms Elizabeth Ann Whitelock is a Proposed Director.

None of the Veriluma Shareholders, including the Major Shareholders, however, has an existing interest in the Company's securities separate from the Resolutions and the Agreement.

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### 3. RESOLUTION 1 – CHANGE OF NATURE AND SCALE OF ACTIVITIES

#### 3.1 General

This Resolution seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to change the focus of the Company's activities from mineral exploration activities into software development and commercialisation.

As outlined in Section 2 of this Explanatory Memorandum, the Company has entered into the Agreement whereby the Company proposes to acquire all of the issued capital in Veriluma. A detailed description of the Acquisition is outlined in Section 2 of this Explanatory Memorandum.

This Resolution is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved by Shareholders.

#### 3.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of its shareholders and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that, given the significant change in the nature and scale of the Company's activities as a result of the Acquisition, it requires the Company to:

- (a) obtain shareholder approval under Listing Rule 11.1.2 for the change in the nature and scale of the Company's activities and comply with any requirements of ASX in relation to the Notice of Meeting; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

Accordingly, it is anticipated that the Company's securities will be subjected to a trading halt or suspension and thereby cease trading on ASX's Official List prior to market open on the day of the Meeting. If the Essential Resolutions are approved at the Meeting, it is expected that the Shares will remain suspended from quotation until the Company has completed the Acquisition and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Essential Resolutions are not approved at the Meeting, it is expected that the Shares will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and the Corporations Act.

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### 4. RESOLUTION 2 – APPROVAL FOR ISSUE OF SHARES FOR THE CAPITAL RAISING

#### 4.1 General

As detailed in Section 2.13 of this Explanatory Memorandum, the Company proposes, pursuant to the Prospectus issued by the Company under Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the Listing Rules, to raise \$3,500,000.

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The Capital Raising Shares will be offered at an issue price of \$0.07 each. The minimum subscription for the Capital Raising will be \$3,500,000.

This Resolution seeks Shareholder approval for the issue of the Capital Raising Shares issued pursuant to the Capital Raising.

The Capital Raising will be conditional on the following:

- (a) Shareholders passing all of the Essential Resolutions; and
- (b) the completion of the Acquisition.

Further details of the Capital Raising will be set out in the Prospectus.

Listing Rule 7.1 provides that, subject to certain exceptions (which do not apply), a listed company may not issue equity securities (shares or other securities with rights of conversion to equity, such as options, performance shares and converting notes) equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval.

The effect of this Resolution will be to allow the Company to issue a maximum of 50,000,000 Capital Raising Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

This Resolution is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved.

### 4.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of Capital Raising Shares under this Resolution:

- (a) The maximum number of Shares to be issued under this Resolution is 50,000,000 Shares.
- (b) The Capital Raising Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Capital Raising Shares will all occur on the one date.
- (c) The issue price for each Capital Raising Share will be \$0.07 per Share.
- (d) The Capital Raising Shares are proposed to be issued to persons who apply for Capital Raising Shares under the Capital Raising. The Directors will determine to whom the Capital Raising Shares are issued, who are unknown as at the date of the Notice, but these persons will not be related parties of the Company.
- (e) The Capital Raising Shares will be fully paid ordinary shares in the capital of the Company which will be issued on the same terms and conditions as the Company's existing Shares.
- (f) The Company intends to use the funds raised from the Capital Raising Shares issued under the Capital Raising in accordance with Section 2.14 of this Explanatory Memorandum.

As noted in Section 2.12, the Company has applied for and received a waiver from ASX in relation to the requirement of Listing Rule 2.1 Condition 2, which allows the Company to issue Shares under the Capital Raising at less than 20 cents per Share but at a minimum of 2 cents per Share.

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## 5. RESOLUTION 3 – APPROVAL OF NEW CLASS OF SECURITIES - PERFORMANCE SHARES

This Resolution seeks shareholder approval for the Company to be authorised to issue Performance Shares under the Acquisition.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares is taken to vary the rights of the existing shareholders unless the constitution of the company already provides for such an issue.

Section 246B of the Corporations Act and Clause 3.7 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or

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- (b) the written consent of the members who are entitled to at least 75% of the votes that may be cast in respect of the shares in that class.

The Company currently has one class of shares on issue, being fully paid ordinary shares. Accordingly, the Company seeks approval from Shareholders for the issue to the Veriluma Shareholders of a total of 40,000,000 Performance Shares being:

- 10,000,000 Class A Performance Shares;
- 15,000,000 Class B Performance Shares; and
- 15,000,000 Class C Performance Shares.

Each Performance Share, if the relevant milestone is achieved, will convert into one fully paid ordinary share in the Company. The milestones are set out in Section 2.9 of this Explanatory Memorandum. The full terms and conditions of the Performance Shares are set out in Schedule 1 to this Explanatory Memorandum.

This Resolution is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved.

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### 6. RESOLUTION 4 – APPROVAL OF ISSUE OF CONSIDERATION SHARES AND PERFORMANCE SHARES TO ACQUIRE VERILUMA

#### 6.1 General

As outlined in Section 2.8 of this Explanatory Memorandum, the Company has entered into the Agreement pursuant to which the Company has the right to acquire 100% of the issued share capital of Veriluma.

In consideration for the Acquisition, the Company has agreed to issue 162,857,400 Consideration Shares and 40,000,000 Performance Shares (together, the **Vendor Shares**) to the Veriluma Shareholders (or their nominees) in accordance with Schedule 2.

The Acquisition is considered by the Directors to be in the best interests of the Company having regard to its advantages in Section 2.18 and disadvantages in Section 2.19. Unless the Vendor Shares are issued to the Veriluma Shareholders, the Acquisition will not proceed. The implications of the Acquisition not proceeding are discussed in Section 2.21 of this Explanatory Memorandum.

If all of the Vendor Shares are issued under Resolution 4, a total of 162,857,400 Shares and 40,000,000 Performance Shares will be issued. This would increase the number of Shares on issue by 202,857,400 Shares from 120,209,347 (at the date of this Notice) to 323,066,747 (however this assumes no Options are exercised, all of the Performance Shares are converted into Shares, and no securities are issued by the Company other than the Vendor Shares contemplated by Resolution 4. The effect of Resolution 4 in isolation will be that existing Shareholders will be diluted by an aggregate of 62.79%. However, if all Shares are issued as contemplated by the Acquisition and the Capital Raising (being those under Essential Resolutions 2, 4, 5, and 6) and under Resolutions 7 and 10, then the percentage dilution to existing shareholders will reduce to 30.12%

Some or all of the Consideration Shares (and Shares issued on conversion of Performance Shares) may be subject to escrow conditions if required by the ASX. As such, during any escrow period, these Consideration Shares will be restricted from being traded for a period of up to 24 months. Trading in the Shares may therefore be less liquid, which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

The issue of the Vendor Shares is subject to the conditions precedent to the Acquisition, details of which are set out in Section 2.8(b) of this Explanatory Memorandum.

Resolution 4 seeks approval of Shareholders pursuant to Listing Rule 7.1 to issue a total of 162,857,400 Consideration Shares and 40,000,000 Performance Shares to the Veriluma Shareholders as consideration for the Acquisition.

Resolution 4 is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved.

#### 6.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 4.1 of this Explanatory Memorandum. This Resolution seeks Shareholder approval to allow the Company to issue all of the Vendor Shares to the Veriluma Shareholders as



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consideration for the Acquisition. The number of Consideration Shares and Performance Shares issued to each Veriluma Shareholder will be in accordance with Schedule 2.

The effect of this Resolution will be to allow the Company to issue the Vendor Shares during the period of three months after the date of the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 6.3 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of all of the Vendor Shares under this Resolution in consideration for the Acquisition:

- (a) the maximum number of securities to be issued is:
  - (i) 162,857,400 Consideration Shares; and
  - (ii) the following 40,000,000 Performance Shares (each of which will be convertible on a 1 for 1 basis into Shares on achieving objective milestones specific to the performance of the Veriluma Business):
    - (A) 10,000,000 Class A Performance Shares;
    - (B) 15,000,000 Class B Performance Shares; and
    - (C) 15,000,000 Class C Performance Shares.
- (b) The Company will issue all the Vendor Shares on Completion of the Acquisition, which is anticipated to occur no later than 5 August 2016 and, in any event, no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). It is proposed that all the Vendor Shares will be issued on the one date.
- (c) The Vendor Shares will be issued for no cash consideration as they are to be issued as consideration for the Acquisition. Accordingly, no funds will be raised from the issue of the Vendor Shares.
- (d) The Vendor Shares will be issued to the Veriluma Shareholders as set out in Schedule 2. None of the Veriluma Shareholders are related parties of the Company the issue of shares to whom requires Shareholder approval in accordance with Listing Rule 10.11.
- (e) The Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Performance Shares issued will be a new class of securities, which will have the right to convert to Shares upon satisfying specified performance criteria prior to their expiry dates. Detailed terms and conditions for the Performance Shares are set out in Section 2.9 and Schedule 1. On conversion of the Performance Shares, the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (f) The Performance Shares will be a new class of securities, which will have the right to convert to Shares upon satisfying specified performance criteria prior to their expiry dates. Detailed terms and conditions for the Performance Shares are set out in Schedule 1.

None of the Veriluma Shareholders has any relevant interests in securities of the Company at the date of this Notice of Meeting (excluding securities to be issued pursuant to this Notice).

### 6.4 Trading History of Company's Shares

The trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows:

	Share Price \$
High	0.098
Low	0.021
Average	0.049
Last Price at date of Notice	0.084

The average volume weighted price of the Company's Shares during the month immediately prior to the Acquisition being announced to the market on 8 December 2015 (**Announcement Date**) was approximately \$0.036 per Share, but in that period ranged between \$0.023 and \$0.034 per Share.

At the Announcement Date, the implied value of the Vendor Shares to be issued to the Veriluma Shareholders in consideration for the Acquisition was determined by the Company as \$7,100,009, being:

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- (a) \$5,700,009, which was calculated by multiplying the number of Considerations Shares to be issued by \$0.035, being the deemed acquisition price of the Consideration Shares determined by the Company on the Announcement Date; and
- (b) \$1,400,000, which was calculated by multiplying the number of Performance Shares to be issued by \$0.035, being the deemed acquisition price of the Consideration Shares determined by the Company on the Announcement Date.

At the date of this Notice, the implied value of the Vendor Shares is determined by the Company to be \$14,200,018, being:

- (a) \$11,400,018, which was calculated by multiplying the number of Considerations Shares to be issued by \$0.07, being the deemed acquisition-date fair values of the Consideration Shares to be issued by the Company at the time estimated time of completion of the Acquisition; and
- (b) \$2,800,000, which was calculated by multiplying the number of Performance Shares to be issued by \$0.07, being the deemed acquisition-date fair value of the Consideration Shares to be issued by the Company at the estimated time of completion of the Acquisition.

### 6.5 Substantial Shareholders

As at the date of this Notice of Meeting there are no substantial holders in the Company holding voting rights of 5% or more in the Company.

Following completion of the Acquisition and completion of the Capital Raising, it is anticipated that the following parties will be substantial holders of the Company with the approximate holdings:

*Table 1 – Substantial Holders post Completion of the Acquisition and Capital Raising*

Shareholder	Shares No.	Relevant Interest in the Company <sup>(1)(2)</sup> %
Maneki Pty. Ltd. <sup>(3)(4)</sup>	50,835,900	14.16
Corby Investments Pty Ltd <sup>(3)(5)</sup>	51,308,100	14.29
Elizabeth Ann Whitelock	45,156,000	12.58
<b>TOTAL</b>	<b>147,300,000</b>	<b>41.03</b>

<sup>(1)</sup> Capital Raising: 50,000,000 Capital Raising Shares

<sup>(2)</sup> Percentages are calculated on the basis that all Consideration Shares and other Shares are issued under this Notice, being Resolutions 2, 4, 5, 6, 7 and 10.

<sup>(3)</sup> Under the Agreement, Tivisco is entitled to be issued a total of 101,671,800 Consideration Shares which it may as a Vendor hold separately on bare trust for Corby Investments Pty Ltd as trustee for the Anstey Family Trust and Maneki Pty Ltd as trustee of the Hammond Family Trust respectively (**Trust Beneficiaries**). Tivisco has irrevocably directed the Company to issue 50% (or 50,835,900) of the Consideration Shares directly to Corby Investments Pty Ltd and 50% (or 50,835,900) of the Consideration Shares to Maneki Pty. Ltd as the Trust Beneficiaries. Corby Investments Pty Ltd will also receive an additional 472,200 Consideration Shares in its capacity as a Veriluma Shareholder under the Agreement.

<sup>(4)</sup> In its capacity as trustee for the Hammond Family Trust. Tivisco has directed that Maneki Pty Ltd be issued 50% of the Consideration Shares that Tivisco is entitled to be issued under the Agreement.

<sup>(5)</sup> In its capacity as trustee for the Anstey Family Trust. Tivisco has directed that Corby Investments Pty Limited be issued 50% of the Consideration Shares which it is entitled to be issued under the Agreement, in addition to the 472,200 Consideration Shares that Corby Investments Pty Limited is entitled to be issued directly under the Agreement.

*Note: this table assumes that no Shares are issued other than the proposed issues for the Acquisition and the Capital Raising in Resolutions 2 and 4 and the Shares issued in Resolutions 5, 6, 7, and 10 as described in this Explanatory Statement.*

## 7. RESOLUTION 5 AND 6 – APPROVAL FOR THE ISSUE OF ADVISOR SHARES

### 7.1 Background

The Company has agreed to issue 13,800,000 Advisor Shares to Veriluma's Corporate Advisor, InSync Equity Services Pty Ltd (or its nominee) as fees payable for corporate advisory services provided to Veriluma in introducing the transaction to the Company and assisting with the Acquisition. The Corporate Advisor has not received any cash or other consideration for their role as Corporate Advisor to Veriluma.

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In addition, the Company has agreed to issue 3,665,883 Advisor Shares to the Company's Lead Manager, K S Capital Pty Ltd for its role in facilitating the Capital Raising.

Resolutions 5 and 6 are conditional on each of the Essential Resolutions being approved.

### 7.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 4.1 of this Explanatory Memorandum.

The effect of Resolutions 5 and 6 will be to allow the Company to issue the Advisor Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Advisor Shares will be subject to escrow restrictions in accordance with Appendix 9B of the Listing Rules for a period of up to 24 months.

### 7.3 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Advisor Shares under this Resolution:

- (a) The maximum number of Advisor Shares to be issued is 17,465,883.
- (b) Each Advisor Share will be issued for no cash consideration.
- (c) The Corporate Advisor is not being paid or provided any consideration by the Company in relation to the Acquisition or the Capital Raising other than the Advisor Shares the subject of Resolution 6. In relation to the Lead Manager, in addition to the Advisor Shares to be issued to the Lead Manager, the Lead Manager will receive a lead management fee of 1% of total funds raised under the Capital Raising (up to \$35,000) and a brokerage fee of 5% of total funds received under the Capital Raising (up to \$175,000) (exclusive of GST in each case).
- (d) The Advisor Shares will be issued on or about the date of Completion of the Acquisition and, in any event, no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). The Advisor Shares will all be issued on the one date.
- (e) The Advisor Shares are being issued to the Lead Manager as part of the commission and fees payable for assisting the Company with the Capital Raising. The Advisor Shares to be issued to the Corporate Advisor are in consideration for their role in providing corporate advisory services and assisting Veriluma with the Acquisition. No moneys will be raised from the issue of the Advisor Shares.
- (f) The Advisor Shares will be fully paid ordinary shares of the Company and will rank in all respects equally with the Company's existing Shares on issue.
- (g) The Lead Manager (and its nominees) and the Corporate Advisor (and its nominees) to whom the Advisor Shares will be issued are not related parties of the Company.

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## 8. RESOLUTION 7 – APPROVAL OF ISSUE OF SHARES TO RELATED PARTY – MR NIGEL GELLARD IN SATISFACTION OF CONSULTING FEES

### 8.1 General Effect

The effect of Resolution 7 will be to allow the Company to issue Shares to Mr Gellard (or his nominee) in lieu of consulting fees owing to Mr Gellard.

### 8.2 Details of Fees Payable to Mr Nigel Gellard

Mr Gellard was appointed to the Board on 31 March 2010 and holds the position of Executive Chairman of the Company.

Mr Gellard has provided executive services to the Company in addition to his duties as a Director. These executive services were provided to the Company on a consultancy basis between 1 August 2012 and 30 August 2013 and during this period the Company accrued fees owing to Mr Gellard. Mr Gellard and the Company agreed that in order to preserve the Company's working capital that the outstanding fees due to him would be settled by the issue of Shares in the Company. On 14 October 2015, Mr Gellard and the Company agreed to cap these outstanding fees owed to him at \$200,000, excluding GST, subject to the issues of Shares to him at a time and on terms acceptable to

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both the Company and Mr Gellard. Consequently, the Company agreed to issue 5,714,285 Shares (**Director Shares**) at a deemed issued price of \$0.035 per Share to satisfy the outstanding fees owing to Mr Gellard.

The Company has opted to satisfy the debt owing to Mr Gellard in this manner in order to conserve a greater proportion of the Company's cash. If Shareholder approval is not obtained, Mr Gellard will retain his right to payment of outstanding fees to which he would otherwise be entitled.

This Resolution is not an Essential Resolution and is not conditional on any of the Essential Resolutions being approved.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Director Shares constitutes giving a financial benefit and Mr Gellard is a related party of the Company by virtue of being a Director of the Company.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

### 8.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Shares:

- (a) the related party is Mr Gellard and he is a related party and a Director of the Company.
- (b) the maximum number of Director Shares (being the nature of the financial benefit being provided) to be issued to Mr Gellard is 5,714,286 Shares.
- (c) the Director Shares will be issued no later than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Shares will be issued on the one date.
- (d) the Director Shares will be fully paid ordinary shares in the capital of the Company at a deemed issue price of \$0.035 per Share.
- (e) the Director Shares will rank equally with the existing Shares on issue.
- (f) the deemed issue price of \$0.035 per Director Share was based on the same deemed issue price of the Consideration Shares for the Acquisition. The Directors consider this was at the time a fair and reasonable methodology to establish the issue price for each Director Share and the number of Director Shares to be issued.
- (g) the Director Shares will be issued for nil cash consideration - rather they will be issued in extinguishment of a debt, and accordingly no funds will be raised by the Company in issuing the Director Shares.
- (h) the value of the Director Shares based on the deemed issue price of \$0.035 per Director Share is \$200,000. The value of the Director Shares at the date of this Notice of Meeting is \$400,000 which is calculated by multiplying the number of Director Shares by \$0.07, being the issue price proposed for the Capital Raising.
- (i) the relevant interests of Mr Gellard in securities of the Company are as follows:

Shares	Options
1,544,444	6,222,219

- (j) the remuneration and emoluments from the Company to Mr Gellard for the previous financial years and the proposed remuneration and emoluments for the current financial year ending 30 June 2016 are as follows:

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Previous Remuneration	Short-term benefits		Post-employment benefits Superannuation	Equity Share-based payments	Total
	Salary, fees and leave	Other			
	\$	\$			
Year Ended 30 June 2015					
N Gellard	30,000	132,480	2,850	87,863	253,193
Year Ended 30 June 2014					
N Gellard	30,000	68,400	2,775	69,793	170,968
Proposed Remuneration	Short-term benefits		Post-employment benefits Superannuation	Equity Share-based payments	Total
	Salary, fees and leave	Other			
	\$	\$			
N Gellard	30,000	179,794	2,850	Note 1	212,645

### Notes

1. Mr Gellard provided executive services between 1 August 2012 and 30 August 2013 in accordance with Section 8.2 of this Notice. These fees, which are capped at \$200,000, which will be settled pursuant to Resolution 7, are costs of the 2013 financial year and are thus not reflected in the proposed remuneration for the financial year ending 30 June 2016.
- (k) if Resolution 7 is passed, a total of 5,714,286 Shares would be issued. This will increase the number of Shares on issue from 120,209,347 (at the date of this meeting) to 125,923,633 (assuming that no Options are exercised, no Performance Shares are converted and no Shares, other than those contemplated by Resolution 7 of this Notice, are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 4.54%. Assuming all Shares are issued under the Essential Resolutions, including those in relation to the Acquisition and the Capital Raising, the aggregate dilution caused by Resolution 7 will reduce to 1.59%. This assumes that no Options are exercised and none of the Performance Shares convert into Shares.
- (l) the trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows:

	Share Price \$
High	0.098
Low	0.021
Average	0.049
Last Price at date of Notice	0.084

- (m) the Board acknowledges the issue of Director Shares to Mr Gellard is contrary to Recommendation 8.2 of The Corporate Governance Principles and Recommendations (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the issue of the Director Shares to Mr Gellard reasonable in the circumstances for the reasons set out below.
- (n) Messrs Stephenson and Ellery both recommend that Shareholders vote in favour of Resolution 7 for the following reasons:
- (i) the issue of the Director Shares to Mr Gellard, will better align the interests of the Mr Gellard with those of Shareholders;
  - (ii) the issue of the Director Shares is a reasonable and appropriate method to discharge a debt owing to Mr Gellard for his services rendered to the Company and at the same time it will allow the Company to conserve its cash and spend a greater proportion of its cash on its operations; and
  - (iii) there is no significant opportunity cost to the Company or opportunity foregone by the Company in issuing the Director Shares on the terms proposed.
- (o) Mr Gellard declines to make a recommendation to Shareholders in relation to Resolution 7 due to Mr Gellard's material personal interest in the outcome of the Resolution on the basis that Mr Gellard will be issued Director Shares in the Company if Resolution 7 is passed.
- (p) in forming their recommendations, each Director considered the experience of Mr Gellard, his past services rendered to the Company, the market price of Shares of the Company at the relevant time an agreement was

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reached with Mr Gellard, and current market practices when determining the number of Directors Shares to be issued to Mr Gellard; and

- (q) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Shares to Mr Gellard as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the Director Shares to Mr Gellard will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

### 8.4 Other information

The Directors are not aware of any information other than that set out in the Notice or this Explanatory Memorandum that is reasonably required by Shareholders in order for them to decide whether or not it is in the Company's interest to pass this Resolution.

### 8.5 Directors' recommendations

Mr Gellard has an interest in the outcome of this Resolution and accordingly will not make a recommendation in relation to this Resolution. The other Directors have recommended that Shareholders vote in favour of Resolution 7 for the reasons set out above. The other Directors note that if Shareholders do not approve this Resolution, then the Company will be required to pay the outstanding fees to Mr Gellard which will reduce the current working capital position of the Company.

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## 9. RESOLUTIONS 8 AND 9 – APPROVAL OF ISSUE OF OPTIONS TO RELATED PARTY – MR JAY STEPHENSON AND MR PETER ELLERY

### 9.1 General Effect

The effect of Resolutions 8 and 9 will be to allow the Company to issue Options to Messrs Stephenson (or his respective nominee) and Ellery (or his respective nominee) in recognition of past services provided by these Directors to the Company.

### 9.2 Details of Options to be granted to Messrs Jay Stephenson and Peter Ellery

Subject to obtaining Shareholder approval, the Company is proposing to issue a total of 1,000,000 Options (**Related Party Options**) to Messrs Stephenson and Ellery (**Related Parties**) on the terms and conditions set out below.

Mr Stephenson was appointed to the Board on 26 May 2014, as ratified by Shareholders at the AGM held 14 November 2014, and holds the position of non-executive Director of the Company. Mr Stephenson has played a vital role in assisting the Company with its ongoing compliance obligations, raising capital and in evaluating various strategic acquisition opportunities over the last two years, including in relation to the proposed Acquisition the subject of the Essential Resolutions.

Mr Ellery was appointed to the Board on 22 November 2012, as ratified by Shareholders at the AGM held 7 November 2013, and similarly holds the position of non-executive Director of the Company. Over the past three and one half years, Mr Ellery has provided his time and services to the Company for minimal cash consideration (less than \$20,000 per annum).

In recognition of their loyalty and past services provided to the Company, the Company seeks approval of Shareholders to grant 500,000 Related Party Options to Mr Stephenson and 500,000 Related Party Options to Mr Ellery for nil cash consideration.

This Resolution is not an Essential Resolution and is not conditional on any of the Essential Resolutions being approved.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options constitutes giving a financial benefit and Messrs Stephenson and Ellery are related parties of the Company by virtue of being Directors.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Parties.

### 9.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Messrs Stephenson and Ellery and they are related parties by virtue of being Directors.
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
  - (i) 500,000 Related Party Options to Mr Stephenson; and
  - (ii) 500,000 Related Party Options to Mr Ellery.
- (c) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Related Party Options will all be issued on the one date;
- (d) the Related Party Options will be granted for nil cash consideration, accordingly no funds will be raised by the Company.
- (e) the terms and conditions of the Related Party Options are set out in Schedule 6.
- (f) the value of the Related Party Options and the pricing methodology is set out in Schedule 7.
- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

Directors	Shares	Options
J Stephenson	206,250	332,500
P Ellery	-	750,000
<b>TOTAL</b>	<b>206,250</b>	<b>1,082,500</b>

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

	Short-term benefits		Post-employment	Equity	
Directors	Salary, fees and leave	Other	benefits Superannuation	Share-based payments	Total
	\$	\$	\$	\$	\$
<b>Year Ended 30 June 2015</b>					
P Ellery	3,600	-	-	12,552	16,152
J Stephenson	30,000	48,000	2,850	12,552	93,402
<b>TOTAL</b>	<b>33,600</b>	<b>48,000</b>	<b>2,850</b>	<b>25,104</b>	<b>109,554</b>
<b>Year Ended 30 June 2014</b>					
P Ellery	24,686	3,927	-	4,979	33,592
J Stephenson	-	48,000	-	-	48,000
<b>TOTAL</b>	<b>24,686</b>	<b>51,927</b>	<b>-</b>	<b>4,979</b>	<b>81,592</b>

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Proposed Remuneration	Short-term benefits		Post-employment benefits Superannuation	Equity Share-based payments	Total
	Salary, fees and leave	Other			
Directors	\$	\$	\$	\$	\$
P Ellery	3,600	-	-	32,079	35,679
J Stephenson	30,000	-	2,850	32,079	64,929
<b>TOTAL</b>	<b>33,600</b>	<b>-</b>	<b>2,850</b>	<b>64,158</b>	<b>100,608</b>

- (i) if the Related Party Options granted to the Related Parties are exercised, a total of 1,000,000 Shares would be issued. This will increase the number of Shares on issue from 120,209,347 (at the date of this Notice) to 121,209,347 (assuming that no other Options are exercised and no other issue of Shares or other securities other than under Resolutions 8 and 9), with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.83%, comprising 0.42% by Mr Stephenson and 0.42% by Mr Ellery. However, if all Shares under the Acquisition and Capital Raising are issued (being those under Essential Resolutions 2, 4, 5, and 6) and under Resolutions 7 and 10, then the percentage dilution to existing Shareholders caused by Resolutions 8 and 9 will be reduced to an aggregate of 0.28%, comprising 0.14% by Mr Stephenson and 0.14% by Mr Ellery. This assumes that no Options are exercised and none of the Performance Shares convert into Shares.

If all Options are exercised in their entirety and the Performance Shares proposed to be issued as part consideration for the Acquisition also convert into Shares in their entirety, then the dilution will reduce to an aggregate of 0.21%, comprising 0.11% by Mr Stephenson and 0.11% by Mr Ellery. The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares of the Company on ASX in the 12 months before the date of this Notice is set out below:

	Share Price \$
High	0.098
Low	0.021
Average	0.049
Last Price at date of Notice	0.084

- (k) the Board acknowledges the grant of Related Party Options to each of the Directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to each of the Directors is reasonable in the circumstances for the reason set out in paragraph (m);
- (l) the primary purpose of the grant of the Related Party Options to the Related Parties is to reward the loyalty and past performance of the Related Parties in their respective roles as Directors;
- (m) in respect of Resolutions 8 and 9, Mr Gellard recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the Related Party Options are being granted to Mr Stephenson and Mr Ellery in recognition of their loyalty and past services to the Company as non-executive Directors. Mr Stephenson has played a vital role in assisting the Company with its ongoing compliance obligations, raising capital and in evaluating various strategic acquisition opportunities over the last two years since his appointment as a non-executive Director on 26 May 2014, including in relation to the proposed Acquisition. Mr Ellery has served as a non-executive Director since his appointment on 21 November 2012. In that period, he has provided his time and service to the Company for very little cash consideration (less than \$20,000 per annum) due to the Company having limited cash resources.
  - (ii) the use of Options is considered to be a reasonable and appropriate method to reward the loyalty and past services of Messrs Stephenson and Ellery as the non-cash form of this benefit will allow the Company to spend a greater proportion of it is cash reserves on its operations than it would if an alternative cash benefit were given to Mr Stephenson and Mr Ellery;



## EXPLANATORY MEMORANDUM

- (iii) the number of Related Options to be issued to Mr Stephenson and Mr Ellery was derived based on their valuation in Schedule 6. The amount was considered to be reasonable in light of the loyalty and past services provided by Mr Stephenson and Mr Ellery, their experience and qualifications and current market practices.
  - (iv) the Related Party Options will be issued at an exercise price which is equal to a that is 145% of the 10 day volume weighted average price (**VWAP**) prior to the date of the Meeting. Upon their exercise, the Company will receive additional cash reserves of \$115,803 assuming an exercise price in accordance with Schedule 7 of 11.59 cents;
  - (v) other forms of compensation such as cash or shares to reward Messrs Stephenson and Ellery for their past services were not considered appropriate;
  - (vi) there is no significant opportunity cost to the Company or opportunity foregone by the Company in issuing the Related Party Options on the terms proposed; and
  - (vii) if Messrs Stephenson and Ellery are not issued the Related Party Options, they will not be compensated for their past loyalty and services to the Company.
- (n) Mr Stephenson declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company if Resolution 8 is passed. In respect of Resolution 9, Mr Stephenson also declines to make a recommendation;
- (o) Mr Ellery declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company if Resolution 9 is passed. In respect of Resolution 8, Mr Ellery also declines to make a recommendation;
- (p) in forming their recommendations, each Director considered the experience and past performance of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options; and
- (q) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 8 and 9.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties are not included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

### 9.4 Section 195 of the Corporations Act

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during the meeting of directors when matters in which the director holds a "material interest" are being considered.

Messrs Stephenson and Ellery have a material personal interest in the outcome of Resolutions 8 and 9.

In the absence of shareholder approval under section 195 of the Corporations Act, the Directors may not be able to form a quorum at the director meeting necessary to carry out the terms of Resolutions 8 and 9. Accordingly, the Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to the Shareholders to decide.

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## 10. RESOLUTION 10 – APPROVAL OF ISSUE OF SHARES TO SJSM PTY LTD

### 10.1 Shares to SJSM Pty Ltd

As contemplated by the Deed of Compromise, the Company proposes to issue a total of 2,857,143 Shares to SJSM Pty Ltd (**SJSM Shares**), or its nominee, for nil further consideration as repayment of \$200,000 of outstanding loans and interest owed by Veriluma to SJSM under a Convertible Note. The issue of the SJSM Shares will be at the same issue price of the Capital Raising and it was agreed to by the Company as a condition to satisfying the debt due and payable by Veriluma to SJSM Pty Ltd.

## EXPLANATORY MEMORANDUM

Further details of the Deed of Compromise between SJSM and Veriluma are set out in Section 2.10 of this Explanatory Memorandum.

This Resolution is not an Essential Resolution.

### 10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 4.1 of this Explanatory Memorandum.

The effect of this Resolution will be to allow the Company to issue the SJSM Shares to SJSM Pty Ltd during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 10.3 Technical Information Required by Listing Rule 7.3

Pursuant to and in accordance with the Listing Rule 7.3, the following information is provided in relation to the issue of the SJSM Shares under this Resolution:

- (a) The maximum number of SJSM Shares to be issued to SJSM Pty Ltd pursuant to this Resolution will be 2,857,143 Shares.
- (b) The SJSM Shares will be issued at the same price as Shares issued under the Capital Raising and on or about the date of Completion of the Acquisition and, in any event, no later than three months after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). It is intended that the issue of each of the SJSM Shares will all occur on the same date.
- (c) The SJSM Shares will be issued at a deemed issue price of \$0.07 for each SJSM Share, being the issue price for the Capital Raising. The Directors consider this a fair and appropriate way to work out the deemed issue price for each SJSM Share.
- (d) The SJSM Shares will be issued for nil further consideration as they are being issued to SJSM Pty Ltd as consideration for the repayment of the loan amounts and interest owed by Veriluma to SJSM Pty Ltd. Accordingly, no funds will be raised from the issue of SJSM Shares.
- (e) The SJSM Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.

### 10.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this Resolution. If Shareholders do not approve this Resolution, the SJSM Shares will nevertheless be issued by the Company, but so as to diminish the Company's ability to issue further Shares within its annual 15% placement capacity under Listing Rule 7.1.

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## 11. RESOLUTION 11 – CHANGE OF NAME OF COMPANY

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name. To be passed as a special resolution, at least 75% of the votes of Shareholders voting on this Resolution must be cast in favour of the Resolution.

This Resolution seeks Shareholder approval for a change in the Company's name from Parmelia Resources Limited to Veriluma Limited, reflecting a change in the Company's core business.

This Resolution is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved.

If this Resolution is passed and each other Essential Resolution is approved, the change of name will take effect when ASIC alters the details of the Company's registration.

The Directors believe that this new name better suits the Company after the Acquisition.

If the Company does not complete the Acquisition (including raising \$3,500,000 pursuant to the Capital Raising), then the change of name of the Company will not take place. If this Resolution is passed, the Company will lodge a copy of the special resolution with ASIC following completion of the Acquisition in order to effect the change.

## EXPLANATORY MEMORANDUM

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

### 12. RESOLUTIONS 12 AND 13 - ELECTION OF MR RICHARD CHARLES ANSTEY AND MS ELIZABETH ANN WHITELOCK AS DIRECTORS

In accordance with Clause 11.7 of the Company's Constitution, the Company may in general meeting by ordinary resolution appoint any person as a Director.

Each of Mr Richard Charles Anstey and Ms Elizabeth Ann Whitelock seek approval from Shareholders to be appointed as Directors with effect from Completion of the Acquisition. If the Company does not complete the Acquisition (including raising \$3,500,000 pursuant to the Capital Raising), then Mr Anstey and Ms Whitelock will not be appointed as Directors. On their appointment, the majority of the Board of the Company will be persons currently associated with Veriluma.

A summary of the qualifications and experience of each of the Proposed Directors is set out in Section 2.6.

Each of Resolutions 12 and 13 is an Essential Resolution and is conditional on each of the other Essential Resolutions being approved.

The Directors recommend that Shareholders vote in favour of Resolutions 12 and 13.

### 13. RESOLUTION 14 - AGGREGATE REMUNERATION OF DIRECTORS

Under both Listing Rule 10.17 and Clause 11.14 of the Company's Constitution, the total aggregate remuneration per annum that may be paid to non-executive Directors can only be increased at a general meeting by ordinary resolution of Shareholders.

The current approved pool of aggregate fees to be paid to non-executive Directors is \$250,000 per annum.

Shareholder approval is sought to increase the maximum approved pool of aggregate fees for non-executive Directors by \$150,000 to an aggregate of \$400,000, to be divided amongst the non-executive Directors as they agree, or otherwise in equal shares. The proposed increase in the maximum approved pool of aggregate fees for non-executive Directors will provide capacity for new board appointments as the Company implements its business plan to grow and develop the Veriluma business over the next three years.

In accordance with Listing Rule 10.17, details of any securities in the Company issued to the non-executive directors in the last three years under Listing Rule 10.11 or Listing Rule 10.14 are:

Date	Security Issues	N Gellard	P Ellery	J Stephenson
12.12.2014	Shares: Purchased under Non-renounceable Entitlement offer at \$0.035 per share	-	-	47,500
12.12.2014	Options: Director options (exercise price \$0.064, exercise date 30/10/17)	3,500,000	500,000	500,000
28.11.2013	Shares: Tranche 2 at \$0.045 cents per Share	444,445	-	750,000
	Free attaching options \$0.15 (exercise price \$0.064, exercise date 30/10/17)	222,222	-	-
28.11.2013	Options: Director options (exercise price \$0.065, exercise date 30/10/16)	2,500,000	250,000	-

### 14. RESOLUTION 15 - MODIFICATION OF CONSTITUTION

The proposed modifications to the Constitution of the Company as set out in Schedule 8 are intended to bring the Constitution into line with current good Australian corporate practice and the current provisions of the Corporations Act. All modifications are to be considered by Shareholders and voted on together. To be passed as a special resolution, at least 75% of the votes of Shareholders voting on this Resolution must be cast in favour of the Resolution.

The first two proposed modifications are intended to bring the Constitution into line with the current provisions of the Corporations Act, which allow a dividend to be paid otherwise than out of profits.

## EXPLANATORY MEMORANDUM

The third proposed modification is to allow Company payments to be made other than by cheque and to allow the Directors to determine the manner, means and currency of dividend and other payments.

The final modification proposed is intended, first, to limit and clarify the indemnities that may be granted by the Company and, secondly, to reflect the current law on insuring directors. Under the current Constitution, the Company indemnifies its officers, auditors and agents. The proposed modification would allow the Company to indemnify current or former officers, or any other person, and would remove the auditor indemnity.

This modification would also allow:

- (a) the payment of insurance premiums for current and former officers of the Company except to the extent prohibited by section 199B of the Corporations Act; and
- (b) entry into access, indemnity and insurance deeds between the Company and its directors except to the extent to do so would be void under section 199C of the Corporations Act.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

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### 15. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (08) 6141 3500 if they have any queries in respect of the matters set out in these documents.

# EXPLANATORY MEMORANDUM

## SCHEDULE 1: TERMS AND CONDITIONS OF PERFORMANCE SHARES (RESOLUTIONS 3 AND 4)

The terms and conditions of the Performance Shares are set out below:

### 1. DEFINITIONS

In these terms and conditions:

**\$** means Australian dollars.

**A Performance Share** means a Performance Share issued by the Company that is subject to the A Performance Share Milestone and these terms;

**A Performance Share Milestone** will be taken to have been satisfied if, on or before the second anniversary of the issue of the A Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$2,000,000;

**Associate** has the same meaning as "associate" in the Corporations Act and includes a person deemed to be an associate of a designated body (within the meaning of section 12 of the Corporations Act);

**ASX** means ASX Limited (ABN 98 009 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**B Performance Share** means a Performance Share issued by the Company that is subject to the B Performance Share Milestone and these terms;

**B Performance Share Milestone** will be taken to have been satisfied if, on or before the third anniversary of the issue of the B Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$3,000,000;

**C Performance Share** means a Performance Share issued by the Company that is subject to the C Performance Share Milestone and these terms;

**C Performance Share Milestone** will be taken to have been satisfied if, on or before the Expiry Date, the Veriluma Business achieves annual sales revenue of not less than \$10,000,000;

**Change of Control Event** means the occurrence of either of the following:

- (a) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional; or
- (b) the announcement by the Company that Shareholders have, at a court convened meeting of Shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
  - (i) cancelled or transferred to a third party; and
  - (ii) the court, by order, approves the proposed scheme of arrangement;

**Company** means Parmelia Resources Limited ACN 142 901 353;

**Corporations Act** means the *Corporations Act 2001 (Cth)*;

**Expiry Date** means the date four years after the date of issue of the Performance Shares;

**Failure Event** is defined in clause 2.4(b);

**Listing Rules** means the official listing rules of ASX;

**Milestone** means the A Performance Share Milestone, B Performance Share Milestone or C Performance Share Milestone (as the case may be);

**Performance Share** means an A Performance Share, B Performance Share or C Performance Share (as the case may be);

**Performance Shareholder** means the holder of a Performance Share;

**Related Body Corporate** has the meaning as defined in the Corporations Act;

**Relisting** means the re-admission of the Company to the official list of ASX following completion of the Veriluma Acquisition;

**Share** means a fully paid ordinary share in the capital of the Company;

**Section 606(1)** means section 606(1) of the Corporations Act;

# EXPLANATORY MEMORANDUM

**Shareholder** means a holder of Shares;

**Trading Days** means days on which ASX is open for trading;

**Veriluma** means Veriluma Pty Ltd ACN 117 490 785;

**Veriluma Acquisition** means the acquisition of Veriluma by the Company; and

**Veriluma Business** means the software business operated by Veriluma.

## 2. CONVERSION

### 2.1 Conversion

The Performance Shares will convert into Shares in accordance with this clause 2.

### 2.2 Conversion milestones and ratio

Subject to clause 2.5, upon the satisfaction of the Milestone in respect of a particular class of Performance Shares before the Expiry Date, each Performance Share of that class will automatically convert into one Share.

### 2.3 Conversion on Change of Control Event

Subject to clause 2.5, upon the occurrence of a Change of Control Event:

- (a) where the total number of Performance Shares on issue at the date of the Change of Control Event is less than or equal to 10% of the total number of Shares on issue, each Performance Share will automatically convert into one Share; and
- (b) where the total number of Performance Shares on issue at the date of the Change of Control Event is greater than 10% of the total number of Shares on issue:
  - (i) that number of Performance Shares that, after conversion, is equal to 10% of the issued Share capital of the Company as at the date of the Change of Control Event will automatically convert into Shares;
  - (ii) the Company will allocate the Shares issued under clause 2.3(b)(i) on a pro-rata basis to the Performance Shareholders; and
  - (iii) any Performance Shares that are not converted into Shares in accordance with clause 2.3(b)(i) will continue to be held by the Performance Shareholders on the same terms and conditions.

### 2.4 Lapse after Expiry Date

- (a) If, on the Expiry Date:
  - (i) the Milestone affecting the A Performance Shares has not been satisfied, all of the A Performance Shares held by the relevant holder will convert into one Share;
  - (ii) the Milestone affecting the B Performance Shares has not been satisfied, all of the B Performance Shares held by each holder will convert into one Share; and
  - (iii) the Milestone affecting the C Performance Shares has not been satisfied, all of the C Performance Shares held by each holder will convert into one Share.
- (b) If, before the Expiry Date, an event occurs which renders the Milestone in respect of a Performance Share incapable of satisfaction (**Failure Event**), the Company may apply the conversions referred to in clause 2.4(a) on the date the Failure Event occurs.

### 2.5 Takeover provisions

- (a) If the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 would result in any person being in contravention of Section 606(1) then the conversion of each Performance Share that would cause the contravention will be deferred until such time or times thereafter that the conversion would not result in a contravention of Section 606(1).
- (b) The Performance Shareholders will give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 may result in the contravention of Section 606(1), failing which the Company will assume that the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 will not result in any person being in contravention of Section 606(1).
- (c) The Company may (but is not obliged to) by written notice request the Performance Shareholders to give notification to the Company in writing within seven days if they consider that the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 may result in the contravention of Section

## EXPLANATORY MEMORANDUM

606(1). If the Performance Shareholders do not give notification to the Company within seven days that they consider the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 may result in the contravention of Section 606(1), the Company will assume that the conversion of Performance Shares (or part thereof) under clauses 2.2 or 2.3 will not result in any person being in contravention of Section 606(1).

### **2.6 After conversion**

The Shares issued on conversion of any Performance Shares will, as and from 5.00pm (Perth time) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue.

### **3. ISSUE OF SHARES FOR NO CONSIDERATION**

Upon conversion of the Performance Shares, the Company must as soon as practicable (and, in any event, no later than 10 business days after the conversion event has occurred):

- (a) issue Shares to the holder of the Performance Shares or its nominees for nil consideration;
- (b) apply to ASX for quotation of the Shares issued; and
- (c) record the issue in the manner required by the Corporations Act and the Listing Rules.

### **4. DIVIDENDS**

Performance Shareholders are not entitled to a dividend on their Performance Shares.

### **5. RECONSTRUCTION**

In the event of any reconstruction, consolidation or division of the issued capital of the Company, the Performance Shares and their terms of conversion will be reconstructed, consolidated or divided in the same manner such that no additional benefits are conferred on the Performance Shareholders by virtue of such reconstruction, consolidation or division.

### **6. WINDING UP**

If the Company is wound up before conversion of all of the Performance Shares into Shares, the Performance Shareholders will have no right to participate in surplus assets or profits of the Company on winding up in respect of their Performance Shares.

### **7. NON-TRANSFERABLE**

The Performance Shares are not transferable.

### **8. COPIES OF NOTICES AND REPORTS**

The Performance Shareholders have the same right as Shareholders to receive notices, reports and audited accounts.

### **9. VOTING RIGHTS**

Subject to the Corporations Act, the Performance Shareholders will have no right to vote in respect of their Performance Shares.

### **10. PARTICIPATION IN NEW ISSUES**

There are no participation rights or entitlements inherent in the Performance Shares and Performance Shareholders will not, in respect of their Performance Shares, be entitled to participate in new issues of capital offered to Shareholders.

### **11. QUOTATION**

The Performance Shares will remain unquoted. No application for quotation of the Performance Shares will be made by the Company.

### **12. ESCROW**

The Performance Shareholders must comply with all escrow restrictions imposed by ASX (including executing any restriction agreements required by ASX) in respect of the Performance Shares or Shares issued on conversion of the Performance Shares.

# EXPLANATORY MEMORANDUM

## SCHEDULE 2: CONSIDERATION SHARES AND PERFORMANCE SHARES TO BE ISSUED TO VERILUMA SHAREHOLDERS (RESOLUTION 4)

Name of Veriluma Shareholder	Ordinary Shares in Veriluma held immediately prior to Completion	Vendor Shares to be issued by the Company to the Veriluma Shareholders		% interest in the Company <sup>(1)</sup>	% interest on the Company (fully diluted) <sup>(2)</sup>
		Ordinary Shares	Performance Shares		
1 <b>TIVSCO PTY LTD</b> ACN 095 269 944 and as trustee for the Anstey Family Trust and the Hammond Family Trust <sup>(3)</sup>	169,453	-	-	-	-
<b>MANEKI PTY. LTD</b> as trustee for the Hammond Family Trust <sup>(3)(4)</sup>	-	50,835,900	3,389,060 Class A 5,083,590 Class B 5,083,590 Class C	14.16%	10.83%
<b>CORBY INVESTMENTS PTY LTD</b> as trustee for the Anstey Family Trust <sup>(3)(5)</sup>	-	50,835,900	3,389,060 Class A 5,083,590 Class B 5,083,590 Class C	14.16%	10.83%
2 <b>ELIZABETH ANN WHITELOCK</b>	75,260	45,156,000	3,010,400 Class A 4,515,600 Class B 4,515,600 Class C	12.58%	9.62%
3 <b>SIMON POPE</b> and <b>GILLIAN CORKERON</b>	2,771	1,662,600	110,840 Class A 166,260 Class B 166,260 Class C	0.46%	0.35%
4 <b>CLARITY CONSULTING PTY LTD</b> ACN 065 371 806 as trustee for the M&S Taylor Family Trust	388	232,800	15,520 Class A 23,280 Class B 23,280 Class C	0.06%	0.05%
5 <b>CHRISTOPHER EDWARD BURNETT</b>	554	332,400	22,160 Class A 33,240 Class B 33,240 Class C	0.09%	0.07%
6 <b>TJURUNGA PTY LTD</b> ACN 094 985 752	787	472,200	31,480 Class A 47,220 Class B 47,220 Class C	0.13%	0.10%
7 <b>CORBY INVESTMENTS PTY LTD</b> ACN 066 018 451 as trustee for The Anstey Family Trust	787	472,200	31,480 Class A 47,220 Class B 47,220 Class C	0.13%	0.10%
8 <b>GIANDRA ENTERPRISES PTY LTD</b> ACN 062 480 399 as trustee for the Goulds Super Fund	667	400,200	Nil	0.11%	0.09%
9 <b>SEAN MUFFET</b>	2,381	1,428,600	Nil	0.40%	0.30%
10 <b>DUNGOWAN ASSETS PTY LTD</b> ACN 164 263 085	1,700	1,020,000	Nil	0.28%	0.22%
11 <b>NORMA MAY STOKES</b>	1,191	714,600	Nil	0.20%	0.15%
12 <b>MICHAEL MCMAHON</b>	1,200	720,000	Nil	0.20%	0.15%
13 <b>ANDREW BLACKMAN</b>	1,191	714,600	Nil	0.20%	0.15%
14 <b>MRS. ANNA CARINA HART AND MR. PAUL HART</b> as trustee for the Hart Family Super Fund	1,070	642,000	Nil	0.18%	0.14%
15 <b>ANNA CARINA PTY LTD</b> ACN 092 162 822 as trustee for the Anna Carina Family Trust	1,000	600,000	Nil	0.17%	0.13%
16 <b>INSYNC EQUITY SERVICES PTY LTD</b> ACN 114 328 988	616	369,600	Nil	0.10%	0.08%
17 <b>JODET DURAK</b>	1,000	600,000	Nil	0.17%	0.13%
18 <b>DURAK INVESTMENT CORPORATION PTY LTD</b> ACN 106 820 704	1,759	1,055,400	Nil	0.29%	0.22%
19 <b>ACTIVE OFFICE SERVICES PTY LTD</b> ACN 159 531 067 as trustee for the Badke Services Trust	1,000	600,000	Nil	0.17%	0.13%



## EXPLANATORY MEMORANDUM

Name of Veriluma Shareholder	Ordinary Shares in Veriluma held immediately prior to Completion	Vendor Shares to be issued by the Company to the Veriluma Shareholders		% interest in the Company <sup>(1)</sup>	% interest on the Company (fully diluted) <sup>(2)</sup>
		Ordinary Shares	Performance Shares		
20 <b>NUTSVILLE PTY LTD</b> ACN 002 294 439 as trustee for the Industrial Electric Co Super Fund	667	400,200	Nil	0.11%	0.09%
21 <b>GLEN TOSCAN</b>	1,700	1,020,000	Nil	0.28%	0.22%
22 <b>AARON BIRKBY</b>	239	143,400	Nil	0.04%	0.03%
23 <b>ANDREW JOHN HILL</b>	2,381	1,428,600	Nil	0.40%	0.30%
24 <b>RICHARD V HOWARD</b>	1,191	714,600	Nil	0.20%	0.15%
25 <b>MARK CARRICK LORENA DI CERLO</b>	476	285,600	Nil	0.08%	0.06%
<b>TOTAL</b>	<b>271,429</b>	<b>162,857,400</b>	<b>40,000,000</b>	<b>45.4%</b>	<b>34.7%</b>

<sup>(1)</sup> Percentages are calculated including all Shares to be issued under this Notice, being Resolutions 2, 4 (Capital Raising: 50,000,000 Capital Raising Shares), 5, 6, 7, and 10.

<sup>(2)</sup> Percentages are calculated with the same assumptions in Note 1, but on a fully diluted basis by assuming that all of the Performance Shares issued to the Veriluma Shareholders are converted into Shares.

<sup>(3)</sup> TivSCO Pty Ltd is entitled to be issued shares which it holds on bare trust for Corby Investments Pty Ltd and Maneki Pty. Ltd. as trustees of the Anstey Family Trust and the Hammond Family Trust respectively. TivSCO has directed the Company to issue relevant shares to Corby Investments Pty Ltd and Maneki Pty. Ltd. in their respective proportions.

<sup>(4)</sup> As trustee for the Hammond Family Trust. If the issues and raising proceed, Maneki Pty. Ltd. will acquire 50% of the shares that TivSCO Pty Ltd is entitled to be issued.

<sup>(5)</sup> As trustee for the Anstey Family Trust. If the issues and raising proceed, Corby Investments Pty Limited will acquire 50% of the shares which TivSCO Pty Ltd is entitled to be issued.

# EXPLANATORY MEMORANDUM

## SCHEDULE 3: RISKS

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to different and additional or increased risks arising from Veriluma and its business, as well as parties contracted or associated with Veriluma.

The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers immaterial, which may affect the Company and Veriluma. Based on the information available, a non-exhaustive list of risk factors for the Company, associated with the Company's proposal to acquire all of the Veriluma shares is set out below.

### COMPANY SPECIFIC

There are a number of specific risks involved for the Company, and consequently its Shareholders, in the acquisition of Veriluma, including risks specific to the business and assets of Veriluma, which include the risk factors set out below.

#### (a) Reinstatement of Shares to trading on ASX

It is anticipated that the Company's Shares will be suspended or placed in a trading halt prior to market open on the date of the Meeting. In the event all Essential Resolutions are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until completion of the sale and purchase under the Agreement and Capital Raising, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its listed Shares may consequently remain suspended from quotation.

#### (b) Dilution risk

On completion of the Acquisition and the Capital Raising, total Shares on issue will be 359,104,059 Shares (assuming the \$3,500,000 Capital Raising proceeds at an issue price of \$0.07 and no other Shares are issued other than those contemplated by Resolutions 2, 4, 5, 6, 7 and 10).

Following these issues (assuming that no Options are exercised and no Performance Shares are converted into Shares), the existing Shareholders will retain approximately 33.5% of the issued capital of the Company, with the Veriluma Shareholders receiving 45.4% pursuant to the Acquisition, investors under the Capital Raising holding approximately 13.9% and the continuing Director and Proposed Directors holding approximately 28.9% of the issued capital of the Company respectively.

On a fully diluted basis (assuming in each instance that all Options and Performance Shares on issue are exercised or converted), the Company will have 469,400,235 Shares on issue (assuming the full subscription of \$3,500,000 under the Capital Raising is achieved at an issue price of \$0.07 and no other Shares are issued other than those contemplated by Resolutions 2, 4, 5, 6, 7, 8, 9 and 10).

Following these issues, the existing Shareholders will retain approximately 25.6% of the issued capital of the Company, with the Veriluma Shareholders receiving 43.2% pursuant to the Acquisition, investors under the Capital Raising holding approximately 10.7% and the Directors and Proposed Directors holding approximately 27.6% of the issued capital of the Company respectively.

#### (c) Limited trading history

Veriluma is an early-stage business with a limited trading history. Since commencement of the Veriluma concept in 2010, Veriluma's activities have primarily comprised the expenditure of money to develop Veriluma's software and products.

Like many early-stage businesses, Veriluma has incurred losses since its inception. Veriluma officially commenced charging its commercial customers licence fees for the use of the Veriluma product in 2012. Total revenues of Veriluma since inception up until 31 December 2015 have been only \$468,414.

Given Veriluma's limited trading history, it is difficult to evaluate Veriluma's business or its prospects and no assurance can be given that Veriluma will be able to implement its business plan and ultimately become commercially viable.

## EXPLANATORY MEMORANDUM

### **(d) Reliance on key customers**

Veriluma's foundation customer is the Commonwealth Department of Defence, which contributed approximately 80% of the revenue generated by Veriluma in FY2015. The contract is under review with a view to a new contract being entered into with effect from 1 July 2016. Initial indications are that the Veriluma software continues to be used by the Department in its operations and that the Department intends to continue to use the software through the 2016 financial year and beyond. The loss of the Department of Defence as a customer would have a material adverse impact on Veriluma's business. There can be no guarantee that the Department of Defence will enter into a new contract with Veriluma.

### **(e) Reliance on sales and marketing success**

Following completion of the Capital Raising, the Company intends to fully commercialise the Veriluma product by focussing on sales and marketing. There is no guarantee that Veriluma's sales and marketing strategy will be successful. Even if Veriluma successfully commercialises its products, there is a risk that the Company may not generate sufficient revenue to cover its operating costs.

### **(f) Intellectual property risks**

If Veriluma fails to protect its intellectual property rights adequately, competitors or potential competitors may gain access to its technology which could harm the Veriluma business. Veriluma currently has registered patents in Australia and the US only, and Veriluma may not be able to obtain patent protection in other jurisdictions in the future. If patents are granted in the future, they may not provide Veriluma with any, or sufficient, competitive advantages, or may be challenged by third parties.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to Veriluma in every country in which its products are made available. Accordingly, despite its efforts, Veriluma may not be able to prevent third parties from infringing upon or misappropriating its intellectual property in every, including perhaps significant, jurisdiction in which its products are made available.

Veriluma may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to Veriluma and cause a distraction to management. In addition, unauthorised use of the Veriluma brands in counterfeit products may result in potential revenue loss and have an adverse impact on Veriluma's brand value and perceptions of its product qualities.

### **(g) Registered Patents**

The Patents held by Veriluma support the novelty of the claims made in the patent specifications behind the Veriluma process embodied in its software. However, as with all patents, the grant of the Patents themselves does not guarantee the validity or enforceability of the Patents or their granted claims. Nor do they necessarily provide Veriluma with freedom to commercialise the invention behind the Patent where it would infringe third party rights. As such, there is always a potential risk of third parties challenging the validity of the granted Patents where they have a legitimate basis to do so and, accordingly, there can be no guarantees as to the validity, enforceability or scope of any of the claims made in the Patents owned by Veriluma. Notwithstanding this, Veriluma has advised the Company that it is not aware of any such third party claims.

For further information on the intellectual property rights held by Veriluma, please refer to Section 2.2(c) of this Explanatory Memorandum.

### **(h) Reliance on key personnel**

The development of Veriluma's business has been largely due to the efforts, experience and leadership of its management team, including its founders, Mr Richard Anstey and Ms Elizabeth Whitelock. Veriluma is also dependent on the continued service of its existing development personnel because of the complexity of its technologies. Despite the Company's best efforts to attract and retain key personnel (including by entering into services agreements), there is no assurance that Veriluma or the Company will be able to retain the services of such persons. The Company's ability or inability to attract and retain key personnel could have a material adverse effect upon the Company's business, results or operations and financial condition.

## EXPLANATORY MEMORANDUM

### (i) Reliance on partners

Veriluma relies on partners to distribute the Veriluma product to their underlying customers. If Veriluma is not able to attract and retain suitably qualified and productive partners, it may not be able to implement its business plan.

### (j) Liquidity risk

Upon reinstatement of the Company's securities to quotation on ASX, a significant portion of the Shares on issue will be subject to escrow restrictions imposed by the Listing Rules. This may impact liquidity in the Shares as a large portion of the issued capital may not be able to be traded freely for a period of up to 24 months.

## INDUSTRY SPECIFIC

### (a) Competition and new technologies

Veriluma will be participating in a highly competitive market. Some of Veriluma's competitors may have greater financial and other resources than Veriluma and, as a result, may be in a better position to compete for future business opportunities.

However, there are few, if any, specific competitors who have a dominant market share and dictate the structure or practices in the market. The fact that there are few, if any, dominant competitors makes market entry and penetration easier. However, Veriluma will need to ensure that it can position, and differentiate, itself from its competitors to gain market share. There is no certainty that Veriluma will be successful in this market.

The industry in which Veriluma operates is subject to rapid change. Veriluma will have no influence over the activities of its competitors, whose activities may negatively affect the operating and financial performance of Veriluma. For example, new technologies could overtake Veriluma's products, in which case Veriluma's revenue and profitability could be adversely affected.

### (b) Product faults

Software products frequently contain undetected defects or bugs on launch or when new versions or enhancements are released. Veriluma has on occasions found defects and bugs in its products and new defects or bugs may be detected in its existing or future products. If that occurs, Veriluma's revenue may be adversely affected.

### (c) Customer service risk

Customers may need to engage with members of Veriluma's customer service personnel in certain circumstances, including if they have questions about Veriluma's products or if there is a dispute between a customer and Veriluma. Veriluma will need to recruit and retain staff with the requisite skills to appropriately respond to such matters. Poor customer service experiences may result in the loss of customers. If Veriluma loses key customer service personnel, fails to provide adequate training and resources for customer services personnel, or if the computer systems relied on by customer services personnel are disrupted, this could lead to adverse publicity, litigation, regulatory inquiries or a decrease in customers, all of which may negatively impact Veriluma's financial performance.

### (d) Failure to deal with growth

Veriluma's business has the potential to grow rapidly. If that occurs and Veriluma fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the business, including demand for Veriluma's solutions, or revenue collection, customer satisfaction and public perception.

### (e) Reliance on third party IT service provision

Veriluma utilises equipment, software and services supplied by third parties to provide its products and services. Significant or extended disruption in the supply of Veriluma's products and services caused by supplied equipment, or software or service failure may reduce Veriluma's ability to generate revenue, adversely impact customer service levels and damage Veriluma's brand. This could adversely affect Veriluma's ability to generate new business and cause it to suffer financial loss. Any mitigation of this loss via redress from third party suppliers may not be immediately available, if at all.

## EXPLANATORY MEMORANDUM

### (f) Reliance on core IT and other systems

The availability of Veriluma's products and services is dependent upon the performance, reliability and availability of its IT and communication systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war, cyber security breaches, other forms of hacking or civil disobedience, unauthorised wide public disclosures, a breakdown in utilities such as electricity and fibre optic cabling and even pandemics. Events of that nature may cause one or more of those core technologies to become unavailable.

There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or contractors or other technical issues. Veriluma's and its suppliers' disaster recovery plans may not adequately address every potential event and its insurance policies may not cover loss or damage that Veriluma suffers as a result of a system failure. Any damage to, or failure of, Veriluma's key systems can result in disruptions in Veriluma's ability to provide its products and services. Such disruptions have the potential to reduce Veriluma's ability to generate revenue, impact consumer service levels and damage the Veriluma brand. This could adversely affect Veriluma's ability to generate new business and cause it to suffer financial loss.

### GENERAL RISKS

#### (a) Future capital requirements

Further funding may be required by the Company to support its ongoing activities and operations, including the need to develop new products, improve existing products, enhance its operating infrastructure and to acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity raisings or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms (or at all) at the relevant time. Any inability to obtain additional funding (or inability to obtain funding on reasonable terms) may adversely affect the financial condition and financial performance of the Company.

#### (b) Currency risk

A proportion of Veriluma's future revenue and expenses may, in the future, be denominated in US dollars and other currencies, whereas the Company reports and incurs a substantial portion of its costs in Australian dollars. The Company will therefore be subject to foreign currency fluctuations which may materially affect its financial position and operating results. For example, a depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenue as a result of the translation of the US dollar revenue into Australian dollars. Conversely, an appreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenue as a result of the translation of the US dollar expenses into Australian dollars. Australian dollar denominated profits are also liable to be affected, for better or for worse, by movements in the Australian dollar to US dollar exchange rates.

#### (c) Insurance coverage

Veriluma faces various risks in connection with its business and may lack adequate insurance coverage. For example, Veriluma does not currently maintain business interruption or third party liability insurance. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, its profitability will be adversely affected. The Company intends to better assess its insurances strategy once, and should, the acquisition be complete.

#### (d) Potential acquisitions risk

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions or investments.

#### (e) Market conditions risk

Share market conditions may affect the buying and selling prices for of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;

## EXPLANATORY MEMORANDUM

- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of capital; and
- (vi) terrorism, hostilities, and other civil disobedience.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular.

**(f) General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may adversely impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any activities that may be conducted by the Company.

**(g) Regulatory risk**

Changes in relevant Australian and foreign taxes, legal and administrative regimes, accounting practices, money remittance rules, free and fair trade treaty obligations as may be enacted into domestic and government tax policies may adversely affect the financial performance of the Company.

**(h) Highly speculative investment risk**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company, Veriluma or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially adversely affect the financial performance of the Company and Veriluma and the value of the Company's securities.

Therefore, the Shares to be issued by the Company carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that investment in the Company is highly speculative.

# EXPLANATORY MEMORANDUM

## SCHEDULE 4: SUMMARY OF PROPOSED CAPITAL STRUCTURE

**Table 1: Fully Diluted Equity**

Tabled below is a summary of the current equity position of the Company and the dilution factor to existing Shareholders if all equity-related resolutions were passed and the securities approved to be issued by them then issued:

	Equity Instrument No.	% interest in the Company (Fully Diluted) <sup>(1)</sup>
<b>FULLY DILUTED EQUITY</b>		
(a) <b>SHARES</b>		
- <b>Current existing shareholders of the Company</b> as at the date of this Notice of Meeting	120,209,347	25.6%
SUBTOTAL SHARES	120,209,347	
- Shares issued in accordance with the terms of the Acquisition – Resolution 4	162,857,400	34.7%
- Shares issued to Lead Manager and Corporate Advisor (Non-Related Parties) – Resolutions 5 and 6	17,465,883	3.7%
- Shares issued to Director (Mr Nigel Gellard) (Related Parties) – Resolution 7	5,714,286	1.2%
- Shares issued to SJSM Pty Ltd in repayment of loan to Veriluma – Resolution 10	2,857,143	0.6%
SUBTOTAL SHARES	309,104,059	
- Shares issued as per Capital Raising <sup>(1)</sup> at an issue price of \$0.07 per Capital Raising Share – Resolution 2	50,000,000	10.7%
TOTAL SHARES	359,104,059	
(b) <b>PERFORMANCE SHARES</b>		
- Current issued Performance Shares as at the date of this Notice	-	
SUBTOTAL PERFORMANCE SHARES	-	
- Class A Performance Shares issued in accordance with terms of Acquisition – Resolution 4	10,000,000	2.1%
- Class B Performance Shares issued in accordance with terms of Acquisition – Resolution 4	15,000,000	3.2%
- Class C Performance Shares issued in accordance with terms of Acquisition – Resolution 4	15,000,000	3.2%
TOTAL PERFORMANCE SHARES	40,000,000	
(c) <b>OPTIONS</b>		
- Current issued Options as at the date of this Notice	69,296,176	14.8%
SUBTOTAL OPTIONS	69,296,176	
- Related Party Options to be issued to Mr Jay Stephenson	500,000	0.1%
- Related Party Options to be issued to Mr Peter Ellery	500,000	0.1%
TOTAL OPTIONS	70,296,176	
<b>FULLY DILUTED EQUITY</b>	<b>469,400,235</b>	<b>100.0%</b>

<sup>(1)</sup> Percentages are calculated on a fully diluted basis, including all Share issues of this Notice, being Resolutions 2 (Capital Raising: 50,000,000 Capital Raising Shares), 4, 5, 6, 7, and 10, and the dilutionary effect of conversion of Performance Shares and the issue of Shares in consequence of the exercise of Options.

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**Table 2: Undiluted Equity**

Tabled below is a summary of the current share capital position of the Company and the dilution factor to original Shareholders if all share-related resolutions were passed and acted upon:

UNDILUTED EQUITY	Equity Instrument No.	% interest in the Company (Fully Diluted) <sup>(1)</sup>
<b>SHARES</b>		
- <b>Current existing shareholders of the Company</b> as at the date of this Notice of Meeting	120,209,347	<b>33.5%</b>
<b>SUBTOTAL SHARES</b>	120,209,347	
- Shares issued in accordance with the terms of the Acquisition – Resolution 4	162,857,400	45.4%
- Shares issued to Lead Manager and Corporate Advisor (Non-Related Parties) – Resolutions 5 and 6	17,465,883	4.9%
- Shares issued to Director (Mr Nigel Gellard) (Related Parties) – Resolution 7	5,714,286	1.6%
- Shares issued to SJSN Pty Ltd in repayment of loan to Veriluma – Resolution 10	2,857,143	0.8%
<b>SUBTOTAL SHARES</b>	309,104,059	
- Shares issued as per Capital Raising <sup>(1)</sup> at an issue price of \$0.07 per Capital Raising Share – Resolution 2	50,000,000	13.9%
<b>TOTAL SHARES</b>	<b>359,104,059</b>	<b>100.0%</b>

<sup>(1)</sup> Percentages are calculated on a basic equity or undiluted basis including all share issues contemplated by this Explanatory Memorandum, being Resolutions 2, 4 (Capital Raising: 50,000,000 Capital Raising Shares), 5, 6, 7, and 10, excluding the dilutionary effect of Performance Shares and Options.





# EXPLANATORY MEMORANDUM

## SCHEDULE 5: HISTORICAL AND PRO-FORMA FINANCIAL POSITION

	Notes	Actual		Pro-forma Group
		31 Dec 2015 (Audited) Veriluma \$	31 Dec 2015 (Reviewed) Company \$	Unaudited Pro Forma After Acquisition and Capital Raising \$
<b>Current assets</b>				
Cash and cash equivalents	(2)	78,151	471,460	4,324,900
Trade and other receivables		13,465	15,839	29,304
Other current assets		13,895	13,312	27,207
<b>Total current assets</b>		<b>105,511</b>	<b>500,611</b>	<b>4,381,411</b>
<b>Non-current assets</b>				
Property, plant and equipment		3,911	-	3,911
Intangible assets		455	-	455
Exploration and evaluation assets		-	828,674	828,674
<b>Total non-current assets</b>		<b>4,366</b>	<b>828,674</b>	<b>833,040</b>
<b>Total assets</b>		<b>109,877</b>	<b>1,329,285</b>	<b>5,214,451</b>
<b>Current liabilities</b>				
Trade and other payables		79,940	132,772	212,712
Borrowings	(3)	750,449	-	485,874
Provisions		65,167	-	65,167
<b>Total current liabilities</b>		<b>895,556</b>	<b>132,772</b>	<b>763,753</b>
<b>Total liabilities</b>		<b>895,556</b>	<b>132,772</b>	<b>763,753</b>
<b>Net assets</b>		<b>(785,679)</b>	<b>1,196,513</b>	<b>4,450,698</b>
<b>Equity</b>				
Issued capital	(5)	423,109	6,835,205	14,360,375
Reserves	(1)(c),(6)	-	435,569	-
Accumulated losses	(1)(c),(i)	(1,208,788)	(6,074,261)	(1,144,213)
Less: Corporate transaction accounting expense	(3)(a)	-	-	(8,765,464)
<b>Total equity</b>		<b>(785,679)</b>	<b>1,196,513</b>	<b>4,450,698</b>

### (1) Pro-forma Adjustments

- (a) **Veriluma** – The Company is to acquire Veriluma in exchange for the issue of 162,857,400 Shares and 40,000,000 Performance Shares in the Company. The Acquisition has been accounted for as a reverse acquisition in accordance with AASB 3 Business Combinations. For the purposes of the Pro Forma, a value of \$0.07 has been used as the value per security issued.
- (b) **Performance Shares** – The Company will issue Veriluma's Shareholders, as part of the Acquisition consideration, 40,000,000 Performance Share as detailed below in the following tranches:
-  **A Performance Share Milestone** will be taken to have been satisfied if, on or before the second anniversary of the issue of the A Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$2,000,000;
  -  **B Performance Share Milestone** will be taken to have been satisfied if, on or before the third anniversary of the issue of the B Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$3,000,000;
  -  **C Performance Share Milestone** will be taken to have been satisfied if, on or before the fourth anniversary of the issue of the C Performance Shares, the Veriluma Business achieves annual sales revenue of not less than \$10,000,000.

## EXPLANATORY MEMORANDUM

- (c) For accounting purposes, the acquirer has been identified as Veriluma and the business combination referred to as a reverse acquisition. Accordingly, the pro-forma Group incorporates the assets and liabilities of the Company and of Veriluma as if the Group were headed by Veriluma. At the acquisition date, the assets and liabilities of Veriluma (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of the Company (being the acquiree for accounting purposes) are recorded at fair value. Furthermore, for pro-forma purposes, the 40,000,000 Performance Shares in the Company have been treated as issued capital for the purpose of determining the notional purchase price of the Company.

Components of equity (other than issued capital), including retained earnings and other reserves, reflect the balances of the accounting acquirer, Veriluma.

- (d) **Entitlement issue** – A 1 for 4 non-renounceable entitlement issue of Shares at an issue price of \$0.035, to raise approximately \$741,087, was completed on 2 March 2016. The costs for the Entitlement Issue were \$37,698 and this cost has been deducted from the Entitlement Issue of \$741,087.
- (e) **Prospectus Issue** – A Prospectus for the issue of a maximum of 50,000,000 Shares at an issue price \$0.07 to raise \$3,500,000, before estimated costs of \$428,100.
- (f) As detailed in Resolutions 5 and 6, the Company has agreed to issue 17,465,883 Advisor Shares to the Corporate Advisor and Lead Manager for the commission and fees otherwise payable for assistance with the Acquisition and the Capital Raising.
- (g) In reference to resolution 7, issue a total of 5,714,286 Shares are proposed to be issued to Mr Gellard (**Director Shares**), or his nominee, for nil cash consideration as payment for \$200,000 of outstanding fees owed to him by the Company.
- (h) As per Resolution 10, the Company proposes to issue a total of 2,857,143 Shares to SJSJ Pty Ltd (**SJSJ Shares**), or its nominee, for nil further consideration as repayment of a \$200,000 outstanding loan to Veriluma under a convertible note. The issue of the SJSJ Shares was agreed to by the Company as a condition to satisfying the \$200,000 debt due and payable by Veriluma to SJSJ Pty Ltd.
- (i) Subsequent to 31 December 2015, the Company and Veriluma have agreed pursuant to a variation agreement dated 9 May 2016 that these borrowings as at 31 December 2015 will be capped at \$485,874 and will be repaid from proceeds of the Public Offer subject to ASX approval. If ASX does not approve the repayment of the borrowings from the proceeds of the Public Offer, then following completion of the Acquisition, the loans will remain as a liability of Veriluma. The borrowings will have a repayment date of 30 June 2019 and will from 1 January 2016 accrue interest of 8% pa until repaid. This results in pro forma reductions to the borrowings payable and accumulated losses of \$64,575.
- (j) **Costs associated with the acquisition of Veriluma** – For pro-forma purposes the costs of acquisition for due diligence, preparation of the explanatory memorandum, etc. are assumed to have been incurred and expensed in the pro forma Group balance sheets.
- (k) No pro-forma adjustment has been made for any capital raised as a result of the exercise of any Options.

### (2) Cash and cash equivalents

The movement in cash and cash equivalents as reflected in the unaudited pro-forma balance sheet at 31 December 2015 is shown as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Cash and cash equivalents at 31 December 2015 – Actual		549,611
<i>Pro-forma adjustments</i>		
- Net proceeds from 1:4 entitlement issue of 21,173,927 shares at \$0.035	(1)(d)	703,389
- Proceeds from issue of 50,000,000 shares at \$0.07 per share	(1)(e)	3,500,000
- Payment of estimated capital raising costs	(1)(e)	(428,100)
		<u>4,324,900</u>

## EXPLANATORY MEMORANDUM

### (3) Borrowings

The movement in borrowings as reflected in the unaudited pro-forma balance sheet at 31 December 2015 is shown as follows

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Borrowings at 31 December 2015 – Actual		750,449
<i>Pro-forma adjustments</i>		
- Subsequent reduction in borrowings payable, pursuant to a variation agreement	(1)(i)	(64,575)
- Settlement via issue of Shares in accordance with Resolution 10	(1)(g)	(200,000)
	(3)(a),(b)	485,874

(a) Subject to the comments in (a) above, the Company expects to settle these loans through its funds raised under the Capital Raising, refer to Section 2.14 Use of Funds.

(b) Subsequent to 31 December 2015, Veriluma advised that it will need to extend its borrowing facilities in order to meet its working capital commitments. At the date of this announcement, the quantum of this extension is not known.

### (4) Corporate transaction accounting expense

Corporate transaction accounting expense represents the excess consideration over the fair value of the Company's net assets as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
<i>Pro-forma adjustment: Reverse Acquisition of Parmelia Resources</i>		
Market value of Shares immediately prior to the reverse acquisition at a deemed \$0.07 per share	(5)(c)	13,737,266
Less: Fair value of Company net assets (including cash raised in note (2))	(5)(c)	(4,971,802)
Corporate transaction accounting expense	(5)(c)	8,765,464

### (5) Issued Capital

The movement in issued capital as reflected in the pro forma balance sheets at 31 December 2015 is shown below:

	Notes	Issued ordinary shares No.	Performance shares No.	Unaudited Pro Forma After Acquisition and Capital Raising \$
Parmelia Resources 31 December 2015 – Actual	(5)(a)	98,981,420	-	6,835,205
<i>Merged Company/ Veriluma Issued Capital</i>				
Opening: Veriluma 31 December 2015 – Actual		423,109	-	423,109
- Elimination of existing shares of Veriluma	(5)(b)	(423,109)	-	-
- Existing shares of Company	(5)(a)	98,981,420	-	6,835,205
- Net issued as part 1:4 entitlement	(1)(d)	21,227,927	-	703,389
- Issued as part of reverse acquisition	(1)(a)	162,857,400	40,000,000	14,200,018
- Issued pursuant to Prospectus	(1)(e)	50,000,000	-	3,500,000
- Issued pursuant to Resolution 10	(1)(h)	2,857,143	-	200,000
- Issued pursuant to Resolution 7	(1)(g)	5,714,286	-	200,000
- Issued pursuant to Resolutions 5 and 6	(1)(f)	17,465,883	-	611,306
- Transaction Costs	(1)(e)	-	-	(428,100)
- Elimination of existing Shares of Company (value)	(5)(d)	-	-	(11,884,552)
		359,104,059	40,000,000	14,360,375

## EXPLANATORY MEMORANDUM

- (a) **Parmelia Issued Capital** – As at 31 December 2015, the Company had on issue 98,981,420 fully paid ordinary shares and 69,296,176 options.
- (b) **Reverse Acquisition – Veriluma** – The number of Shares on issue is adjusted to reflect only the listed entity's (Parmelia Resources) issued capital.
- (c) **Reverse Acquisition – Parmelia** – The pro-forma adjustment reflects the deemed issue of Shares to acquire the Company. Performance Shares have been issued at a value of \$0.07 for the purposes of this pro forma.

The fair value, as determined by the Board, of the Company's net assets at 31 December 2015, per the auditor reviewed balance sheet was \$1,196,513 plus the net cash raised in notes (1)(d) and (1)(e) of \$3,777,987, being \$4,971,802. The fair value of the deemed consideration was assessed at \$13,737,266, being the sum of the issued capital at 31 December 2015 plus the net equity raised in notes (1)(d) and (1)(e) at \$0.07. The difference between the deemed purchase price \$13,737,266 and fair value of net assets acquired represents a corporate transaction accounting expense of \$8,765,464.

- (d) **Elimination of existing shares of Parmelia** – As part of the reverse acquisition the issued capital includes the following adjustments (in value only):

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Elimination of existing capital in Parmelia Resources	(5)(a)	(6,835,205)
Elimination of net 1:4 entitlement issue of 21,173,927 Shares (treated as pre-acquisition equity)	(1)(d)	(703,389)
Elimination of net Prospectus Shares (treated as pre-acquisition equity)	(1)(e)	(3,071,900)
Elimination of N Gellard Shares (treated as pre-acquisition equity)	(1)(g)	(200,000)
Elimination of Advisor Shares (treated as pre-acquisition equity)	(1)(f)	(611,306)
Elimination of acquisition value of Veriluma	(5)(b)	(14,200,018)
Add deemed reverse acquisition value of Parmelia Resources	(3)(a),(5)(c)	13,737,266
		<u>(11,884,552)</u>

### (6) Options and Reserves

The movement in issued capital as reflected in the pro forma balance sheets at 31 December 2015 is shown below:

	Notes	Options No.	Options Reserve \$
Options on issue	(5)(a)	69,296,176	435,569
<i>Merged Company / Veriluma Issued Capital</i>			
Opening: Veriluma 31 December 2015 – Actual	(5)(a)	69,296,176	435,569
- Issued pursuant to Resolution 8 and 9	(6)(a)	1,000,000	64,157
- Elimination of existing Shares of Parmelia Resources (value)	(5)(b)	-	(499,726)
		<u>70,296,176</u>	<u>-</u>

- (a) For details of the Options issued pursuant to Resolutions 8 and 9, please refer to schedules 6 and 7

## EXPLANATORY MEMORANDUM

### SCHEDULE 6 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS (RESOLUTIONS 8 AND 9)

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be that amount that is 145% of the 10 day volume weighted average price (**VWAP**) prior to the date of the Meeting (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5.00pm (AWST) 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

## EXPLANATORY MEMORANDUM

**(j) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(k) Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

**(l) Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**(m) Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

# EXPLANATORY MEMORANDUM

## SCHEDULE 7 – VALUATION OF RELATED PARTY OPTIONS (RESOLUTIONS 8 AND 9)

The Related Party Options to be issued to the Related Parties pursuant to Resolutions 8 and 9 have been valued by internal management of the Company.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value at the date of this Notice of Meeting:

***Assumptions:***

<b>Valuation date</b>	<i>6 June 2016</i>
<b>Market price of Shares</b>	<i>8.4 cents</i>
<b>Exercise price</b>	<i>11.58 cents (being 145% of the ten day VWAP prior to the date of the Meeting)</i>
<b>Expiry date (length of time from issue)</b>	<i>6 June 2019</i>
<b>Risk free interest rate</b>	<i>1.53%</i>
<b>Volatility (discount)</b>	<i>145.84%</i>

<b>Indicative value per Related Party Option</b>	<i>6.416 cents</i>
--------------------------------------------------	--------------------

<b>Total Value of Related Party Options</b>	<i>\$64,157</i>
---------------------------------------------	-----------------

<b>- Mr Jay Stephenson</b>	<i>\$32,079</i>
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<b>- Mr Peter Ellery</b>	<i>\$32,079</i>
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Note: The valuation noted above is not necessarily the market price that the Related Party Options could be traded at and is not automatically the market price for taxation purposes.

## EXPLANATORY MEMORANDUM

### SCHEDULE 8 – MODIFICATION OF CONSTITUTION (RESOLUTION 15)

**[1] Clause 17.1**

In clause 17.1, omit "out of profits".

**[2] Clause 17.2**

In clause 17.2, for "justified by the profits of the Company", substitute "permissible under the Corporations Act".

**[3] Clauses 17.13 and 17.14**

In the heading preceding clause 17.13, for "Payment by cheque and receipts from joint holders", substitute "Manner of payment of dividends".

Omit clauses 17.13 and 17.14 and substitute:

- 17.13 The Directors may determine the manner, means and currency of payment of any dividend or other amount in respect of a share.
- 17.13A Without limiting clause 17.13, a dividend may be paid by:
- (a) electronic or other means, directly crediting an account nominated in writing by the Member (of a type approved by the Directors); or
  - (b) cheque sent through the post.
- 17.13B A cheque sent under clause 17.13A(b) must be directed to:
- (a) the address of the Member as shown in the Register or, in the case of joint holders, to the address shown in the Register as the address of the joint holder first named in the Register; or
  - (b) such other address nominated in writing by the Member or joint holder.
- 17.13C A cheque sent under clause 17.13A(b) may be made payable to bearer or to the order of the Member to whom it is sent or any other person nominated by the Member.
- 17.13D Without limiting clause 17.13, Directors may determine the foreign currency equivalent of any dividend or other amount in respect of a share by reference to such market rate or rates or the mean of such market rates prevailing at such time or times or on such date or dates, in each case falling on or before the record date for the dividend or other amount in respect of a share, as the Directors think fit.
- 17.13E Different methods of payment may apply to different Members or groups of Members.
- 17.13F The payment of any dividend or other amount in respect of a share is at the Member's risk.
- 17.13G If the Directors decide that payments will be made by electronic transfer into an account, but no such account is nominated by a Member, or an electronic transfer into a nominated account is rejected or refunded, the Company may credit the amount payable to an account of the Company to be held until the Member nominates a valid account.
- 17.13H If the Directors decide that payments will be made by cheque, but the address of a Member is not shown on the Register, or the Company believes that a Member is not known at the registered address, the Company may credit the amount payable to an account of the Company to be held until the Member claims the amount payable or nominates an address to which the cheque is to be directed.
- 17.13I An amount credited to an account of the Company under clauses 17.13G or 17.13H is to be treated as having been paid to the Member at the time it is credited to that account. The Company is not a trustee of the moneys and no interest will accrue on the moneys.



## EXPLANATORY MEMORANDUM

### [4] Clause 22

Omit clause 22 and substitute:

#### **22 INDEMNITY, INSURANCE AND ACCESS**

##### **Indemnity**

22.1 Except to the extent that the indemnity is unlawful or void, the Company may indemnify, or agree to indemnify, any current or former officer of the Company out of the property of the Company against:

- (a) liability (other than one for legal costs) incurred by the officer in that capacity;
- (b) legal costs incurred by the officer in that capacity in defending or resisting proceedings (including any appeal in relation to such proceedings); and
- (c) if approved in accordance with the Company's policy, legal costs incurred by the officer in good faith in obtaining legal advice on issues relevant to the performance of the functions and discharge of the duties of the officer,

regardless of whether the officer has previously incurred expense in respect of the liability or legal costs, and whether the liability or legal costs were incurred before or after the adoption of this clause 22.

##### **Insurance**

22.2 Except to the extent that the premium is unlawful or void, the Company may pay, or agree to pay, a premium for a contract insuring any current or former officer of the Company against liability and legal costs incurred by the officer in that capacity.

##### **Savings**

22.3 Nothing in this clause 22:

- (a) applies to the extent and for the amount that an officer of the Company is indemnified by another person (including an insurer under an insurance policy);
- (b) affects any other right or remedy of an officer of the Company in respect of liability or legal costs incurred by the officer in that capacity;
- (c) affects the power of the company to indemnify, or pay a premium for a contract insuring, any other person; or
- (d) affects any ongoing indemnity granted prior to the adoption of this clause 22.

##### **Deed**

22.4 The Company and any officer may enter into a deed (on such terms as the Directors think fit) in exercise of both the rights of the Company under clauses 22.1 or 22.2, and the rights of the officer (if any) to access the books of the Company.

# EXPLANATORY MEMORANDUM

## Definitions

In this Notice:

**\$** means Australian dollars.

**Acquisition** means the acquisition by the Company of 100% of the issued share capital of Veriluma in accordance with the Agreement.

**Advisor Shares** means the K S Shares and the InSync Shares which are the subjects of Resolutions 5 and 6 and will be issued to the Lead Manager and Corporate Advisor respectively.

**Advisory Committee** means the Advisory Committee established by Veriluma referred to in Section 2.6(c).

**Agreement** means the share sale agreement between the Company, Veriluma and the Major Shareholders for the Acquisition.

**ASIC** means Australian Securities and Investment Commission.

**ASX** means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** or **Listing Rules** means the official rules of the ASX.

**AWST** means Australian Western Standard Time (UTC +8:00).

**Board** means the Company's current board of Directors.

**Capital Raising** means the capital raising proposed to be undertaken by the Company by the issue of 50,000,000 Shares at an issue price of \$0.07 per Share to raise \$3,500,000 and which is the subject of Resolution 2.

**Capital Raising Share** means a Share which is the subject of Resolution 2.

**Class A Performance Share** means an A Performance Share as defined in Schedule 1.

**Class B Performance Share** means a B Performance Share as defined in Schedule 1.

**Class C Performance Share** means a C Performance Share as defined in Schedule 1.

**Closely Related Party** of a member of Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) an entity the member controls; or

- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Company** or **Parmelia Resources** means Parmelia Resources Limited (ACN 142 901 353).

**Completion** means completion Acquisition.

**Conditions** means the conditions precedent to the Acquisition referred to in Section 2.8(b).

**Consideration Shares** means the Shares which are the subject of Resolution 4 and which will be issued to the Veriluma Shareholders as consideration for the transfer of their Veriluma shares as part of the Acquisition.

**Constitution** means the constitution of the Company.

**Corporate Advisor** means InSync Equity Services Pty Ltd (ACN 114 328 988).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Deed of Compromise** means the deed so entitled between Veriluma and SJSM made 2015 referred to in Section 2.10.

**Director** means a director of the Company and Directors means all of them.

**Director Shares** means the Shares which are the subject of Resolution 6 and which are to be issued to Mr Nigel Gellard.

**Essential Resolutions** means all Resolutions other than Resolution 7 (Approval of Issue of Shares to Mr Nigel Gellard In Satisfaction of Consulting Fees), Resolution 8 (Approval of Issue of Options to Mr Jay Stephenson), Resolution 9 (Approval of Issue of Options to Mr Peter Ellery), Resolution 10 (Approval of issue of Shares to SJSM Pty Ltd) Resolution 14 (Aggregate remuneration of Directors) and 15 (Modification of Constitution).

**Executive Employment Contract** means the executive employment contract to be entered into between Ms Elizabeth Whitelock and the Company referred to in Section 2.6.

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice.

**Facility Agreement** has the meaning in Section 2.10 of the Explanatory Memorandum.

**InSync Shares** means the Shares to be issued to the Corporate Advisor the subject of Resolution 6.

**Key Management Personnel** means key personnel as disclosed in the remuneration report of the Company.

**K S Shares** means the Shares to be issued to the Lead Manager the subject of Resolution 5.

## EXPLANATORY MEMORANDUM

**Lead Manager** means K S Capital Pty Ltd (ACN 124 761 557).

**Major Shareholders** means Tivsco and Elizabeth Ann Whitelock.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice or Notice of Meeting or Notice of General Meeting** means the Notice of General Meeting to which the Explanatory Memorandum is attached and of which the Explanatory Memorandum forms part.

**Options** means an option to acquire a Share.

**Patents** means United States Patent Registration 7720787, and Australian Patent Registration 2006202485, both owned by Veriluma.

**Performance Shares** means the performance shares which are the subject of Resolutions 3 and 4 and which will be issued to some of the Veriluma Shareholders or their nominees as part of the consideration for the Acquisition.

**Predictive Intelligence** means the process of bringing together disparate types of information – qualitative and quantitative, reliable and unreliable, known and unknown, old and new – to model scenarios where assumptions can be tested without bias or prejudice interfering, and results can be refreshed as new information becomes available.

**Proposed Directors** means Richard Charles Anstey and Elizabeth Ann Whitelock.

**Prospectus** means the prospectus to be issued in respect of the Capital Raising.

**Proxy Form** means the proxy form attached to the Notice.

**Related Party Option** means the Options which are the subject of Resolutions 8 and 9 to be issued to Mr Jay Stephenson and Mr Peter Ellery who are Directors.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Schedule** means a schedule to this Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shareholders Agreement** means a shareholders agreement between the Veriluma Shareholders dated on or about 9 December 2005, as varied by deeds of accession dated 23 December 2015.

**SJSM** means SJSM Pty Ltd (ACN 151 335 992).

**SJSM Share** means a Share which is the subject of Resolution 9.

**Software as a Service or SaaS** means a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.

**Tivsco** means Tivsco Pty Ltd ACN 095 269 944 as bare trustee, separately, for Corby Investments Pty Ltd as trustee for the Anstey Family Trust and Maneki Pty Ltd as trustee for the Hammond Family Trust.

**Toro** means Toro Mining Pty Ltd ACN 079 423 886.

**Vendor Shares** means collectively the 162,857,400 Consideration Shares and the 40,000,000 Performance Shares.

**Veriluma** means Veriluma Pty Ltd ACN 117 490 785.

**Veriluma Business** means the software business operated by Veriluma.

**Veriluma Shareholders** means the shareholders of Veriluma as set out in Schedule 2.

**Veriluma software** means a cross-platform software technology embedded in Veriluma's Predictive Intelligence products. It provides an environment for analysts to structure and assess Predictive Intelligence problems such as competitive intelligence, market analysis, financial and security risk modelling, strategic planning, and forensics.

In this Notice, words importing the singular include the plural and vice versa.

# PROXY FORM

**PARMELIA RESOURCES LIMITED (TO BE RENAMED VERILUMA LIMITED) ACN 142 901 353**

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR:

☐

(please tick box if applicable) the Chair of the Meeting as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws, as the proxy sees fit, at the Meeting to be held at 11:00am (AWST), on 13 July 2016 at Suite 12, Level 1, 11 Ventnor Avenue, West Perth, Western Australia, and at any adjournment thereof.

## CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote and is authorised to vote undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution. In this event, an ASX announcement will be made by the Company immediately disclosing the reasons for the change. Where you have appointed the Chair as your proxy (or the Chair becomes your proxy by default), you expressly authorise the Chair as your proxy to exercise your vote on any items of business below (except where you have indicated a different voting intention below) even though an item of business may be connected directly or indirectly with the remuneration of a member of key management personnel which includes the Chair.

**Important Note:** If the Chair of the Meeting is (or becomes) your proxy, you can direct the Chair to vote for or against or abstain from voting on any of the items of business by marking the appropriate box below.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Change of Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for issue of Shares for the Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of new class of securities - Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issue of Consideration Shares and Performance Shares to acquire Veriluma	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval for the issue of Advisor Shares to K S Capital Pty Ltd as Lead Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for the issue of Advisor Shares to InSync Equity Services Pty Ltd as Corporate Advisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of issue of Shares to related party – Mr Nigel Gellard in satisfaction of consulting fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of issue of Options to related party – Mr Jay Stephenson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of issue of Options to related party – Mr Peter Ellery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approval of issue of Shares to SJSM Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Change of Name of Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Election of Mr Richard Anstey as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Election of Ms Elizabeth Whitelock as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Aggregate remuneration of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Modification of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

## SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director/Company Secretary/Attorney

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

Contact name:

E-mail address:

Contact ph (daytime):

Consent for contact by e-mail in relation to this Proxy Form: Yes ☐ No ☐

## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business.

The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. **(Signing instructions):**

- a. **(Individual):** Where the holding is in one name, the Shareholder must sign.
- b. **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
- c. **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- d. **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- a. post to Parmelia Resources, PO Box 52, WEST PERTH, WA, AUSTRALIA, 6872; or
- b. facsimile to the Company on facsimile number +61 8 6141 3599.

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**