

Appendix 4D (Rule 4.2A)

Interim financial report

VERILUMA LIMITED (ASX: VRI) – ABN: 48 142 901 353

For the half-year ended 31 December 2018

Results for announcement to the market

(all comparisons to half-year ended 31 December 2017)

	2018 A\$'000	% change
Revenue from continuing operations	25	69%
Loss after income tax expense	(529)	-49%
Total comprehensive loss for the period attributable to members of the Company	(529)	-49%

Dividend and distribution information

Current period

No Interim dividends were declared for the period ending 31 December 2018.

For the year ended 30 June 2018, no final dividend was declared.

Previous corresponding period

No Interim dividends were declared for the period ending 31 December 2017.

For the year ended 30 June 2017, no final dividend was declared.

Net tangible asset per ordinary share

	31-Dec-18 \$	30-Jun-18 \$
Net tangible asset backing per ordinary share	(0.0008)	(0.0002)

Additional Appendix 4D disclosure requirements can be found in the notes to the 31 December 2018 Interim financial report of Veriluma Limited (formerly Parmelia Resources Limited).

This report is based on the consolidated 31 December 2018 Interim financial report which has been reviewed by KPMG, with the Independent Auditor's review report included in the report. The review report contains the following Emphasis of Matter:

Material uncertainty regarding continuation as a going concern

We draw attention to Note 1, "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

A photograph of two men in business attire. The man on the left, wearing glasses and a dark suit with a striped tie, is holding a pen and pointing at a document on a desk. The man on the right is partially visible, also in a suit. They are in a modern office setting with a large window in the background showing a blurred cityscape. On the desk, there is a glass of water, a laptop, and some papers.

VERILUMA

VERILUMA LIMITED

AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

INTERIM FINANCIAL REPORT

31 DECEMBER 2018

VERILUMA LIMITED
and its controlled entities

CONTENTS

CORPORATE DIRECTORY	1
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	12
DIRECTORS' DECLARATION	21
INDEPENDENT AUDITOR'S REVIEW REPORT	22

**VERILUMA LIMITED
and its controlled entities**

CORPORATE DIRECTORY

Directors

Steven Formica	Non-Executive Director
Arun Sengupta	Non-Executive Director
Elizabeth Whitelock	Managing Director and Chief Executive Officer
John Welsh	Non-Executive Chairman

Company Secretary

Patrick Raper

Registered Office

Level 3
33-35 Atchison Street
St Leonards, New South Wales 2065
Telephone +612 9146 4742
Website: www.veriluma.com
Email: info@veriluma.com

Auditor

KPMG
Level 11, Corporate Centre One
Cnr Bundall Road & Slatyer Avenue
Bundall Queensland, 4217
Telephone +617 5577 7555
Facsimile +617 5577 7444
Website: www.kpmg.com.au

Share Registry

Computershare Investor Services Pty Ltd
Levell 11, St Georges Terrace
Perth, Western Australia, 6000
Telephone 1300 850 505
Telephone +61 8 9323 2000 (outside Australia)
Facsimile +61 8 9323 2033
Email: web.queries@computershare.com.au

Home Exchange

Australian Stock Exchange (Sydney) Limited
20 Bridge Street
Sydney, New South Wales, 2000

VERILUMA LIMITED
and its controlled entities

DIRECTORS' REPORT

The Directors present their report, together with the consolidated interim financial statements of the Group, being Veriluma Limited (the Company) and its controlled entities, for the half year ended 31 December 2018.

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the half year are:

John Welsh – Non-Executive Chairman

Graduate of the Australian Institute of Company Directors (AICD)

Director and Chairman since 12 March 2018

Appointed Director 27 July 2017 and resigned on 15 September 2017

Mr Welsh has extensive operational and investment banking experience. As a Board Director and business executive, he has experience across Fintech, Industrial, and Equity Capital Markets. He is a graduate of the Australian Institute of Company Directors.

He has not served as a director of any other listed company during the past three years.

Elizabeth Whitelock – Managing Director and Chief Executive Officer

Director since 8 September 2016

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 has over 25 years' experience in Senior Management and CEO roles. Elizabeth has worked with organisations such as IBM, Information Builders, SAS, Ingres and Microstrategy.

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

She has not served as a director of any other listed company during the past three years.

Arunava Sengupta – Non-Executive Director

Director since 12 March 2018

Mr Sengupta has over 30 years experience working in the financial markets, private equity and corporate finance sector. He began his career working in Treasury at Westpac Banking Corporation before starting his own trading business in 1992 and has been involved in a broad range of corporate advisory, funds management, and principal investment activities. He has been involved in private equity and the establishment, fundraising and operation of ASX listed companies.

He has not served as a director of any other listed company during the past three years.

Steven Formica – Non-Executive Director

Director since 2 July 2018

Mr Formica brings to the Company practical management and business development experience. He has been a successful businessman and operations manager for over 30 years in several privately held business ventures including manufacturing, construction, landscape contracting, property development and integrated wholesale and retail businesses.

More recently he has been a successful investor and Non-Executive Director in mineral resource companies. Mr Formica is currently a Non-Executive Director of ASX listed companies Lindian Resources Ltd (ASX: LIN), Bowen Coking Coal Ltd (ASX: BCB) and High Grade Metals (ASX: HGM).

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

VERILUMA LIMITED and its controlled entities

Directors' report (continued)

Operating results and review of operations

A review of the operations of the Group during the financial period and results of those operations are as follows:

Highlights

- During the half year, Veriluma continued discussions with various parties to trial the software and with partner organisations to include the software in their solutions to market.
- A proof of concept trial began with a leading international electronics and systems group.
- A leading Australian university purchased a software licence for use in a research project.
- Veriluma began negotiations with the Department of Defence who were anticipating using the software to transform data into value-added intelligence.

Business Overview

The Group continued its focus on opportunities in defence and national security as well as legal and financial services.

Partnerships

The corporate strategy focused on building partnerships using subject matter experts with specific industry focus, partnerships included:

Marketlend - Marketlend continues to grow their investor base and assess loans using our software to evaluate the risk of lending to a specific borrower.

AdviceRegTech - A RegTech solution for compliance within the financial advice industry. Their application helps to check advice documents for regulatory compliance to enable pre-emptive, proactive risk management, thereby reducing the compliance burden. The intention is to use our software to assist in the identification of advisors not acting in a client's best interests.

Defence and National Security

The Group delivered its final report in relation to a Proof of Concept, to Vice Chief of Defence, CSIRO and other Commonwealth agencies where climate change, and its effect on governance, are monitored for early action and intervention to prevent catastrophic consequences.

Agriculture

The group continued to push ahead with trials of its technology with a Proof of Concept trial including workshops delivered to ASX-200 Listed Company and leading Australian producer of Atlantic salmon, Tassal. Tassal were looking to forecast workplace safety incidents and recommend prescriptive courses of action to minimize the occurrence of incidents that could result in an injury in the workplace.

VERILUMA LIMITED
and its controlled entities

Directors' report (continued)

Operating results for the half year

The consolidated loss of the Group amounted to \$529,267, after providing for income tax (December 2017: \$1,037,954).

Principal activities and significant changes in nature of activities

The principal activities of the Group are the product development, marketing and commercialisation of software products and services.

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the half year ended 31 December 2018.

Events after the reporting date

Subsequent to the half year ended 31 December 2018, the Group submitted a proposal to the Department of Defence in relation to the transformation of data into value-added intelligence.

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

Additionally, in March 2019, the Company received commitments from several sophisticated and professional investors for an aggregate of \$500,000 financing by way of a short-term convertible note facility (Facility) which was entered into on the 28th March 2019. As at the end of April 2019 the Facility was drawn to \$310,000. The convertible notes issued will be convertible on or before 28 March 2020 at a conversion price of not less than \$0.002. Conversion is subject to obtaining shareholder approval. The funds will be used as working capital to allow the company to drive sales and deliver its prescriptive analytics software.

The key terms and conditions of the convertible notes are as follows:

Securities	Convertible Notes (Notes) with a face value equal to A\$1.10 per Note (Face Value).
Principal	Aggregate of \$500,000
Purchase Price	Each Note has a purchase price of A\$1.00
Advances	Each Advance must be made within 7 days of the Company's request.
Conditional	The Notes are not convertible until Shareholder Approval (defined below) has been obtained. Notes issued prior to Shareholder Approval are loan notes only and are to be exchanged for convertible notes on Shareholder Approval being obtained.
Maturity Date	28 March 2020
Interest Rate	10% per annum
Interest Payments	Bi-monthly in arrears in cash from the date of the relevant Advance until converted or redeemed
Conversion Price	The higher of: (a) A\$0.002 (Fixed Conversion Price); or (b) 80% of the volume weight average price of the Company's fully paid ordinary shares (Shares) as traded on ASX on the 5 trading days immediately prior to the date of giving the Conversion Notice.

VERILUMA LIMITED
and its controlled entities

Directors' report (continued)

Events after the reporting date (continued)

Conversion Securities	<p>That number of fully paid ordinary shares in the capital of the Company (Shares) equal to the Face Value being converted divided by the Conversion Price, together with one option to acquire a Share (Option) for every two Shares issued.</p> <p>Each Option will have an exercise price equal to the Conversion Price and an expiry date of 3 years from the date of issue.</p>
Redemption	<p>The Company may redeem the Notes in full at:</p> <ul style="list-style-type: none"> (a) 105% of the Face Value if repaid within 30 days of the Advance Date; (b) 110% of Face Value if repaid later than 30 days and within 6 months of the Advance Date; or (c) 120% of Face Value if repaid later than 6 months after the Advance Date.
Events of Default	<p>If an event of default occurs (event of insolvency of the Company or any of its subsidiaries, default under the agreement, or the Company's securities not being reinstated to trading on ASX by 15 June 2019), the Lender may demand repayment of the Notes within 30 days.</p>
Shareholder Approval	<p>The Borrower must convene a shareholder meeting to be held within 90 days of the date of execution of the term sheet to seek shareholder approval for the issue of all Notes relating to Advances (Shareholder Approval).</p> <p>In the event the Shareholder Approval expires before the issue of all Notes, the Company must convene a further meeting within 60 days of the date of expiry of the Shareholder Approval.</p>
Adjustments	<p>If the Company issues Shares below the Fixed Conversion Price, excluding Shares issued under the Facility agreement, the Fixed Conversion Price will be amended down to 20% less than that issue price.</p> <p>In addition, where the Company conducts a reorganisation of capital (as defined in the ASX Listing Rules), the number of securities or the Conversion Price or both must be reorganized so that the holder of the Notes will not receive a benefit that holders of Shares do not receive.</p>
Security	<p>Repayment of the Notes will be secured over all present and after acquired property of the Company and, if required by the Lender, the Company's wholly owned subsidiary, Veriluma Software Pty Ltd (ACN 117 490 785).</p>

VERILUMA LIMITED
and its controlled entities

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

Directors' report (continued)

Events after the reporting date (continued)

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

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

Other than the above, no matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends paid or recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Company Secretary

The following people held the position of Company Secretary during the half year:

Patrick Raper – appointed on 16 April 2018

Proceedings on behalf of the company

The Board of Veriluma Limited and its subsidiary Veriluma Software Pty Ltd appointed Jamieson Louttit and Associates as Administrators effective 15th November 2017 pursuant to section 447A of the Corporations Act. On the 15th December 2017 Jamieson Louttit and Associates was retired as Administrator and Jirsch Sutherland was appointed. On 12th October 2018, Jamieson Louttit and Associates lodged a Form 16 Notice of Intention to Apply for Remuneration with the Federal Court of New South Wales against Veriluma Limited and its subsidiary Veriluma Software Pty Ltd. The Directors have determined that the maximum remuneration payable per the claim is \$87,500 inc GST. A liability of \$87,500 has been recognised by the Group for the fees claimed by Jamieson Louttit and Associates (June 2018: \$87,500).

Auditor's independence declaration

The lead auditor's independence declaration for the half year ended 31 December 2018 can be found on page 7 of the financial report.

This director's report is signed in accordance with a resolution of the Board of Directors.

Director:



15 May 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Veriluma Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Veriluma Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Adam Twemlow
Partner

Gold Coast

15 May 2019

VERILUMA LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 \$	31 December 2017 \$
Revenue		24,680	14,635
Other income		183	140,909
Audit fees		(30,000)	(48,938)
Consulting and professional fees		(90,083)	(472,216)
Employee costs		(307,883)	(461,411)
Non-Executive Directors' Fees		(75,000)	(39,850)
Marketing and public relations expense		-	(81,313)
Share registry and listing fees		(3,544)	(16,907)
Other expenses		(38,389)	(291,068)
Finance costs		(881)	(3,034)
Voluntary administration expense	5	-	(241,886)
Share based payments expense - directors' fees		(10,082)	-
Share of net profits of equity-accounted associates and joint ventures		1,732	158
Profit (loss) before income tax		(529,267)	(1,500,921)
Income tax expense		-	-
Profit (loss) from continuing operations		(529,267)	(1,500,921)
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	6	-	462,968
Loss for the period		(529,267)	(1,037,954)
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss), for the period		(529,267)	(1,037,954)
Loss attributable to:			
Members of the parent entity		(529,267)	(1,037,954)
Earnings per share			
Basic / diluted loss per share (cents)	11	(0.07)	(0.29)
Earnings per share - continuing operations			
Basic / diluted loss per share (cents)	11	(0.07)	(0.42)

The above statement of profit or loss and other comprehensive income
should be read in conjunction with accompanying notes.

VERILUMA LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current assets			
Cash and cash equivalents		167,182	473,855
Trade and other receivables		63,960	313,381
Other assets		15,661	-
Total current assets		<u>246,803</u>	<u>787,236</u>
Non-current assets			
Investment in associates		3,553	1,821
Property, plant and equipment		196	240
Total non-current assets		<u>3,749</u>	<u>2,061</u>
Total assets		<u>250,552</u>	<u>789,297</u>
Current liabilities			
Trade and other payables		353,427	376,723
Borrowings	7	247,871	317,663
Employee benefits	8	151,072	148,360
Unearned income		12,000	-
Provisions	12	87,500	87,500
Total current liabilities		<u>851,870</u>	<u>930,246</u>
Non-current liabilities			
Employee benefits	8	7,727	6,441
Total non-current liabilities		<u>7,727</u>	<u>6,441</u>
Total liabilities		<u>859,597</u>	<u>936,687</u>
Net assets / (liabilities)		<u>(609,045)</u>	<u>(147,389)</u>
Equity			
Issued capital	9	15,478,264	15,410,653
Reserves		25,400	25,400
Retained losses		(16,112,709)	(15,583,442)
Total equity / (deficiency) attributable to members of the Company		<u>(609,045)</u>	<u>(147,389)</u>
Total equity / (deficiency)		<u>(609,045)</u>	<u>(147,389)</u>

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

VERILUMA LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Total \$
Balance at 1 July 2018		15,410,653	(15,583,442)	25,400	(147,389)
Loss for the period		-	(529,267)	-	(529,267)
Transactions with owners in their capacity as owners					
Issue of shares	9	67,611	-	-	67,611
Balance at 31 December 2018		15,478,264	(16,112,709)	25,400	(609,045)

	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Total \$
Balance at 1 July 2017		14,361,745	(14,171,523)	150,950	341,172
Loss for the period		-	(1,037,954)	-	(1,037,954)
Transactions with owners in their capacity as owners					
Lapsed options	10	-	125,550	(125,550)	-
Balance at 31 December 2017		14,361,745	(15,083,927)	25,400	(696,782)

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

VERILUMA LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities:		
Receipts from customers	35,030	8,951
Payments to suppliers and employees	(580,722)	(1,226,138)
Interest received	183	425
Interest paid	(881)	(1,275)
Receipt from grants	241,897	401,682
Net cash provided by / (used in) operating activities	(304,493)	(816,355)
 Cash flows from investing activities:		
Disposal of discontinued operation	-	410,000
Purchase of property, plant and equipment	-	(3,026)
Net cash provided by / (used in) investing activities	-	406,974
 Cash flows from financing activities		
Proceeds from issue of shares	67,611	-
Proceeds from / (repayment of) related party borrowings	(69,791)	50,851
Net cash provided by / (used in) financing activities	(2,180)	50,851
 Net increase / (decrease) in cash and cash equivalents held	(306,673)	(358,530)
 Cash and cash equivalents at the beginning of the period	473,855	362,273
 Cash and cash equivalents at end of financial period	167,182	3,743

The above consolidated statement of cash flows should be read
in conjunction with the accompanying notes.

VERILUMA LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

These condensed consolidated financial statements as at and for the six months ended 31 December 2018 covers Veriluma Limited and its controlled entities ('the Group'). Veriluma Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity primarily involved in product development, marketing and commercialisation of software, products and services.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 15 May 2019

1. Basis of Preparation

The interim consolidated financial statements for the half year ended 31 December 2018 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of Veriluma Limited and its controlled entities as at and for the year ended 30 June 2018, which are available upon request from the Company's registered office at level 3, 33-35 Atchison Street, St Leonards, New South Wales 2065.

Going Concern

The Directors have prepared the interim consolidated financial report of the Group on a going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

On the 15th November 2017, the Company along with its subsidiary were placed into Voluntary Administration, the Group appointed Mr Jamieson Louttit of Jamieson Louttit and Associates as Administrator of the Group. On the 15th December 2017, the Supreme Court of New South Wales made orders appointing Mr Sule Arnautovic and Ms Amanda Young of Jirsch Sutherland as Administrators to the Group pursuant to section 447A of the Corporations Act. Consequently, Mr Jamieson Louttit retired as Administrator on the 15th December 2017.

On the 19th February the creditors of the Group voted in favour of the Company and its subsidiaries entering into a Deed of Company Arrangement (DOCA) to enable the recapitalisation of the Group and the establishment of a Creditors Trust.

On the 12th March 2018 the Company and its subsidiary entered into the Deed of Company Arrangement with Mr Sule Arnautovic and Ms Amanda Young of Jirsch Sutherland as Deed Administrators and Canary Capital Pty Ltd (Canary) as the Proponent, the DOCA was effectuated on the 28th June 2018. The key features of the DOCA were as follows:

- Extinguish all pre-administration liabilities of the Company and its subsidiary excluding employee entitlements for continuing employees
- All secured creditors to release Personal Property Securities Register (PPSR) registered securities
- Establishment of a Creditors Trust
- Capital raising through the issue of 366,666,667 shares in the company at \$0.003 per share to the threshold amount of \$1,100,000
- Offers of employment to continuing employees, the Group assuming the employee entitlements of the continuing employees
- Transfer of \$560,000 into the Creditors Trust
- Any deferred contingent consideration received from the sale of Toro Mining Pty Ltd to Ausgold Resources Pty Ltd capped at \$300,000 becomes property of the Creditors Trust
- Upon reinstatement to the ASX reimburse Canary Capital Pty Ltd for all costs in respect of the DOCA, including \$100,000 contributed to the fund the Groups trading liabilities during the administration period
- Upon reinstatement to the ASX reimburse Ms Elizabeth Whitelock \$90,079 for legal fees in relation to the Supreme Court of New South Wales proceedings

The Group continues in the research, development and commercialisation stage of its artificial intelligence technology.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

1. Basis of preparation (continued)

Going Concern (continued)

During the period, the Group has incurred a net loss after tax of \$529,267 (December 2017: \$1,037,954). The Group incurred net cash outflows from operations of \$304,493.

As at 31 December 2018, the Group had cash and cash equivalents of \$167,182 (June 2018: \$473,855) and net liabilities of \$609,045 (June 2018: \$147,390) and retained losses of \$16,112,709 (June 2018: \$15,583,441).

Subsequent to period end the Group submitted a proposal to the Department of Defence in relation to the transformation of data into value-added intelligence.

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

Additionally, the Company received commitments from several sophisticated and professional investors for an aggregate of \$500,000 financing by way of a short-term convertible note facility (Facility) which were entered into on the 28th March 2019. As at the end of April 2019 the Facility was drawn to \$310,000. The convertible notes issued will be convertible on or before 28 March 2020 at a conversion prices of not less than \$0.002. Conversion is subject to obtaining shareholder approval. The funds will be used as working capital to allow the company to drive sales and deliver its prescriptive analytics software. For a summary of key terms and conditions of the convertible notes please refer to Subsequent events, note 13.

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. These cash flow projections assume the Group will continue to invest in the research, development and commercialisation of its artificial intelligence technology and are critically dependent on the following mitigating factors:

- the Group generating significant positive cash flows from the commercialisation of its artificial intelligence technology focusing on the National Security and Intelligence vertical; and/or
- the Group relisting on the ASX and raising additional funding from shareholders or other parties; and
- further drawdowns of convertible notes in the short term and the loan notes/convertible notes being repaid or converted to equity in accordance with the terms of the notes; and
- the Group maintaining expenditure in line with available funding.

The Directors of the Group consider that the above critical assumptions can be achieved, and the Group will be able to continue as a going concern. The mitigating factors outlined above may not be achieved as contemplated and therefore give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. In the event that the Group cannot continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the interim financial report.

2. Summary of Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, unless otherwise stated.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

This is the first set of the Group's interim financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments have been applied.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15, Revenue from Contracts with Customers, from 1 July 2018.

AASB 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

2. Summary of Significant Accounting Policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a performance obligation is transferred to the customer.

Accounting treatment under AASB 15

The group has two primary revenue streams:

- Software solution services; and
- Professional services

- (i) Identification of distinct elements and separate performance obligations

Software solution services

In the case where there the customer contract includes a license and additional services provided including implementation and training ("software solution services") the assessment will be performed as to whether a separate performance obligation exists for each element.

Under the Group's previous revenue recognition policy, revenue from the sale of software licences when sold in conjunction with integration services (which includes but is not limited to installation, implementation and initial training) were generally treated as separate performance obligations with the associated revenue recognised on satisfaction of each separate performance obligation.

Professional services

These services can be provided at any point during the life of the licence contract and are therefore classified as a separate performance obligation. No impact of the transition to AASB 15 Revenue has been identified to the accounting policy for standalone professional services.

- (ii) Revenue recognition under AASB 15

The Group now recognises revenue from the following major sources under AASB 15 as below:

Revenue Stream	Performance Obligation	Timing of Recognition
"Software solution services" – software licences, implementation and integration services	An assessment will be performed to determine whether separate performance obligations exist for each contract.	Over the life of the contract as the customer simultaneously receives and consumes the benefits of accessing the software
Professional services	As defined in the contract but typically at completion of the services	Recognised over time, but because time delivered is minimal, point in time recognition has been applied

- (iii) Impact of transition to AASB 15

There are no significant adjustments required in relation to the adoption of AASB 15 for the current financial year.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There were no significant amendments required upon the adoption of AASB 9 for the Group in the current or comparative period.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

3. Critical Accounting Estimates and Judgments

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In addition to the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements as at and for the six months ended 31 December 2018, management has made significant judgements and estimates in relation to the following transactions that occurred during the period:

- Going concern (see note 1)

4. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the Directors.

The Group has identified it only operates in one business segment, being the product development, marketing and commercialisation of software, products and services in Australia. As all significant assets and liabilities and the financial result relates to the one business segment, no detailed segment analysis has been performed. No seasonality in the business segment has been identified that would have a significant impact on the interim results of the Group.

5. Expenses arising from Voluntary Administration

	Dec 2018 \$	Dec-17 \$
Administrator fees and expenses	-	177,940
Legal fees	-	63,946
Total expenses arising from voluntary administration and DOCA	-	241,886

6. Discontinued operations

The amounts presented in the Statement of Profit or Loss and Other Comprehensive Income under discontinued operations relate to the sale of Toro Mining Pty Ltd on 24 July 2017 for a gain of \$462,968. This occurred due to a strategic decision to divest the exploration and evaluation permits held by the Group to focus on the product development, marketing and commercialisation of software, products and services in Australia.

7. Borrowings

Current	Dec 2018 \$	Jun 2018 \$
Related party borrowings:		
Canary Capital Pty Ltd	156,869	226,731
Elizabeth Whitelock	91,002	90,930
Total borrowings	247,871	317,662

The above borrowings include \$246,948 payable in accordance with the DOCA. This amount is payable as soon as practicable after reinstatement of the Group to quotation on the ASX. The above amounts are unsecured and interest free.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

8. Employee benefits

	Dec 2018 \$	Jun 2018 \$
Current		
Annual Leave	102,918	103,288
Long Service Leave	48,154	45,072
Total current	<u>151,072</u>	<u>148,360</u>
Non-current		
Long Service Leave	7,727	6,441
Total employee benefits	<u>158,799</u>	<u>154,801</u>

9. Capital and reserves

	No.	\$
31 December 2018		
Balance at the beginning of the financial period - 1 July 2018 (fully paid)	708,767,466	15,410,653
Veriluma Limited shares issued (fully paid)	22,537,333	67,611
Total Veriluma Limited ordinary shares at the end of the period	<u>731,304,799</u>	<u>15,478,264</u>
	No.	\$
30 June 2018		
Balance at the beginning of the financial period - 1 July 2017 (fully paid)	359,131,459	14,361,745
Veriluma Limited shares unissued (fully paid)	349,636,000	1,048,908
Conversion of Performance A shares	7	-
Total Veriluma Limited ordinary shares at the end of the period	<u>708,767,466</u>	<u>15,410,653</u>

As at 31 December 2018 Veriluma Limited has 30,000,000 performance shares on issue which will convert to ordinary shares subject to various milestones being achieved and conditions satisfied (see note 10).

10. Equity

Performance shares

The issue of the 30,000,000 performance shares is contingent on achieving the following milestones:

31 December 2018	Performance Milestone
15,000,000 B Performance Shares	B Performance Share milestone will be taken to have been satisfied if, on or before the 3 rd anniversary of the issue of the B Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$3 million.
15,000,000 C Performance Shares	C Performance Share milestone will be taken to have been satisfied if, on or before the 4 th anniversary of the issue of the C Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$10 million.

As at 30 June 2018, there were 30,000,000 performance shares on issue. The full terms and conditions are set out in Schedule 1 of the Notice of Meeting released to the ASX on 10 June 2016.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

10. Equity (continued)

30 June 2018

Performance Milestone

15,000,000 B Performance Shares	B Performance Share milestone will be taken to have been satisfied if, on or before the 3 rd anniversary of the issue of the B Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$3 million.
15,000,000 C Performance Shares	C Performance Share milestone will be taken to have been satisfied if, on or before the 4 th anniversary of the issue of the C Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$10 million.

Share option program

Options are granted under the Company's Incentive Option Scheme. Eligible participants shall be full time or part time employees or consultants of the Company or an Associate Body Corporate. Options issued pursuant to the Scheme will be issued free of charge. The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the Incentive Option Scheme. The exercise period may also be affected by other events as detailed in the terms and conditions in the Incentive Option Scheme.

Each option entitles the holder to subscribe for and be allotted one share. Shares issued pursuant to the exercise of options including bonus issues and new issues rank equally and carry the same rights and entitlements as other shares on issue.

The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The KMP options vested immediately after the issue date.

Options issued

No options were issued during the current or previous period.

At 31 December 2018, Veriluma Limited had 1,000,000 exercisable unlisted options on issue.

At 30 June 2018, Veriluma Limited had 1,000,000 exercisable unlisted options on issue.

Unlisted Options

The fair value of unlisted options has been determined at acquisition date. The share price at acquisition date of \$0.08 has been used in the valuation. A volatility factor of 60% based on historical share price information of comparable companies and a risk-free interest rate of 1.45% - 1.49% (depending on the remaining term of the options) has been used. These options have no vesting period. The unlisted options comprise the following:

	Number	Exercise price	Fair Value	Expiry date
Director options 3	1,000,000	\$0.109	\$25,400	08/09/2019

Expired options

During the period ending 30 June 2018, 4,500,000 unlisted options with an acquisition date fair value of \$125,550 expired, the acquisition date fair value has been transferred from the option reserve to accumulated losses.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

11. Loss per share

	Dec 2018	Dec 2017
Weighted number of shares on issue	716,824,368	359,131,461

The effects of potential ordinary shares are only included in the diluted earnings per share where their inclusion would increase the loss per share or decrease the earnings per share. For the period ended 31 December 2018, 1,000,000 options and 30,000,000 performance shares were excluded from the diluted weighted average number of ordinary shares as their effect would have been anti-dilutive.

12. Provisions

The Board of Veriluma Limited and its subsidiary Veriluma Software Pty Ltd appointed Jamieson Louttit and Associates as Administrators effective 15th November 2017 pursuant to section 447A of the Corporations Act. On the 15th December 2017 Jamieson Louttit and Associates was retired as Administrator and Jirsch Sutherland was appointed. On 12th October 2018, Jamieson Louttit and Associates lodged a Form 16 Notice of Intention to Apply for Remuneration with the Federal Court of New South Wales against Veriluma Limited and its subsidiary Veriluma Software Pty Ltd. The Directors have determined that the maximum remuneration payable per the claim is \$87,500 inc GST. A liability of \$87,500 has been recognised by the Group for the fees claimed by Jamieson Louttit and Associates (June 2018: \$87,500).

13. Events after the Reporting Date

Subsequent to the half year ended 31 December 2018, the Group submitted a proposal to the Department of Defence to in relation to the transformation of data into value-added intelligence.

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

Additionally, in March 2019, the Company received commitments from several sophisticated and professional investors for an aggregate of \$500,000 financing by way of a short-term convertible note facility (Facility) which was entered into on the 28th March 2019. As at the end of April 2019 the Facility was drawn to \$310,000. The convertible notes issued will be convertible on or before 28 March 2020 at a conversion price of not less than \$0.002. Conversion is subject to obtaining shareholder approval. The funds will be used as working capital to allow the company to drive sales and deliver its prescriptive analytics software.

The key terms and conditions of the convertible notes are as follows:

Securities	Convertible Notes (Notes) with a face value equal to A\$1.10 per Note (Face Value).
Principal	Aggregate of \$500,000
Purchase Price	Each Note has a purchase price of A\$1.00
Advances	Each Advance must be made within 7 days of the Company's request.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

13. Events after the Reporting Date (continued)

Conditional	The Notes are not convertible until Shareholder Approval (defined below) has been obtained. Notes issued prior to Shareholder Approval are loan notes only and are to be exchanged for convertible notes on Shareholder Approval being obtained.
Maturity Date	28 March 2020
Interest Rate	10% per annum
Interest Payments	Bi-monthly in arrears in cash from the date of the relevant Advance until converted or redeemed.
Conversion Price	The higher of: (a) A\$0.002 (Fixed Conversion Price); or (b) 80% of the volume weight average price of the Company's fully paid ordinary shares (Shares) as traded on ASX on the 5 trading days immediately prior to the date of giving the Conversion Notice.
Conversion Securities	That number of fully paid ordinary shares in the capital of the Company (Shares) equal to the Face Value being converted divided by the Conversion Price, together with one option to acquire a Share (Option) for every two Shares issued. Each Option will have an exercise price equal to the Conversion Price and an expiry date of 3 years from the date of issue.
Redemption	The Company may redeem the Notes in full at: (a) 105% of the Face Value if repaid within 30 days of the Advance Date; (b) 110% of Face Value if repaid later than 30 days and within 6 months of the Advance Date; or (c) 120% of Face Value if repaid later than 6 months after the Advance Date.
Events of Default	If an event of default occurs (event of insolvency of the Company or any of its subsidiaries, default under the agreement, or the Company's securities not being reinstated to trading on ASX by 15 June 2019), the Lender may demand repayment of the Notes within 30 days.
Shareholder Approval	The Borrower must convene a shareholder meeting to be held within 90 days of the date of execution of the term sheet to seek shareholder approval for the issue of all Notes relating to Advances (Shareholder Approval). In the event the Shareholder Approval expires before the issue of all Notes, the Company must convene a further meeting within 60 days of the date of expiry of the Shareholder Approval.

VERILUMA LIMITED
and its controlled entities

Notes to the financial statements (continued)

13. Events after the Reporting Date (continued)

Adjustments	<p>If the Company issues Shares below the Fixed Conversion Price, excluding Shares issued under the Facility agreement, the Fixed Conversion Price will be amended down to 20% less than that issue price.</p> <p>In addition, where the Company conducts a reorganisation of capital (as defined in the ASX Listing Rules), the number of securities or the Conversion Price or both must be reorganized so that the holder of the Notes will not receive a benefit that holders of Shares do not receive.</p>
Security	<p>Repayment of the Notes will be secured over all present and after acquired property of the Company and, if required by the Lender, the Company's wholly owned subsidiary, Veriluma Software Pty Ltd (ACN 117 490 785).</p>

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

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

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

Other than the above, no matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

VERILUMA LIMITED
and its controlled entities

DIRECTORS' DECLARATION

The Directors of the Veriluma Limited (the Company) declare that:

1. The interim financial statements and notes set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

Signed in accordance with a resolution of the directors:

Dated at Gold Coast 15 May 2019



John Welsh
Director



Independent Auditor's Review Report

To the shareholders of Veriluma Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Veriluma Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Veriluma Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Veriluma Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1, "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Veriluma Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Adam Twemlow
Partner

Gold Coast

15 May 2019