Velpic Limited
(formerly International Coal Limited)
And
Controlled Entities

ABN 65 149 197 651

**Half-year report for the half-year ended
31 December 2015**

CORPORATE DIRECTORY

Directors

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

Company Secretary

Piers Lewis

Auditors

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

Solicitors

Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers

Westpac Banking Corporation
116 James Street
Perth WA 6000

Registered Office

243 Hay Street
Subiaco WA 6008

Telephone: 1800 463 828
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Share Registry

Link Market Services
Level 15
324 Queen Street
BRISBANE QLD 4000

Investor Enquiries: 1300 554 474
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Stock Exchange Listing

Securities of Velpic Limited are listed on the Australian Securities Exchange.

ASX Code: VPC

Web Site: www.velpic.com

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Velpic Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT
31 December 2015

The Directors of Velpic Limited ("the Company") present their report together with the consolidated financial statements for the half-year ended 31 December 2015.

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are as follows:

Leanne Graham – Non-executive Chairperson, appointed 22 October 2015
Russell Francis – Executive Director, appointed 22 October 2015
Patrick Connell - Executive Director, appointed 22 October 2015
Glen Moora - Executive Director, appointed 22 October 2015
Harry Karelis – Non-executive Director
John Lester – Non-executive Chairperson; resigned 30 October 2015
Hugh Dai – Executive Director; resigned 22 October 2015
Noel Halgreen – Non-executive Director; resigned 22 October 2015

Principal Activities

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

The Company was required to obtain Shareholder approval for the acquisition and seek re-admission to the Australian Stock Exchange as it involved a "significant" change to the activities of the Company.

Operating Results

During the period, the Company made a consolidated loss after income tax of $2,361,055 (2014: $361,805).

Review of Operations

In the previous financial year, the Board decided that there was little prospect of coal market prices and sentiment recovering in the immediate future and sought to drive shareholder value by reviewing opportunities in the technology industry.

As a result, the Company completed its acquisition of Velpic (and changed its name to Velpic Limited) on 22 October 2015. Consideration for the acquisition was:

- The issue of 125,000,000 shares;
- The issue of a further 50,000,000 shares if agreed milestones are reached in relation to Pay Per Views on Velpics training platform within 3 years of acquisition completing;
- The issue of a further 50,000,000 shares if Velpic obtains cumulative revenue of $10,000,000 within 3 years of the acquisition completing; and
- The issue of a further 25,000,000 shares if Velpic obtains revenue of $50,000,000 in any of the 5 financial years after completing.

In addition, the Company completed a capital raising of $4,012,500 via the issue of 160,500,000 shares on 22 October 2015. The proceeds from the capital raising are being used to fund the expansion and growth of the Velpic business. As a result of the acquisition of Velpic, Russell Francis, Glen Moora and Patrick Connell joined the Board of Directors and John Lester, Hugh Dai and Noel Halgreen resigned from the Board as the Company focuses on the rapid expansion of the Velpic business.

DIRECTORS' REPORT
31 December 2015

Review of Operations (continued)

The Company's existing coal assets have remained on a care and maintenance basis and the Board is assessing various strategies to deal with these assets with a final decision expected to be made before the end of the financial year.

Since the completion of the acquisition, Velpic's strong client growth has continued with the Company securing a number of major enterprise clients to its unique cloud-based video e-Learning platform. Velpic also activated a second major sales channel with the signing of its first reseller partnership agreement. During the period, Velpic commenced its national expansion strategy by hiring key sales staff across the East Coast of Australia to drive client growth.

Events Occurring After the Balance Date

On 7 January 2016, the Company issued 7,500,000 shares at a price of 6 cents per share, in lieu of payment for consultancy services.

Since the end of the period, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, BDO Audit (WA) Pty Ltd, to provide the directors with an independence declaration in relation to the review of the half year financial report. This independence declaration forms part of the Directors' Report and is included on page 8.

Signed in accordance with a resolution of the directors.

On behalf of the directors

RFrancis

Russell Francis
Director
Perth
29 February 2016

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Subiaco, WA 6008
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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF VELPIC LIMITED

As lead auditor for the review of Velpic Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Velpic Limited and the entities it controlled during the period.

J Prue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 29 February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Velpic Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Velpic Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Velpic Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Velpic Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Velpic Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(e) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. This condition, along with other matters as set out in Note 1(e), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 29 February 2016

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes set out on pages 10 to 21 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards, AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Russell Francis
Director

Perth
29 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	Note	Consolidated Half-year ended 31 December 2015 $	31 December 2014 $
Continuing operations			
Revenue	3	581,017	16,774
Expenses			
Production costs		(149,844)	-
Compliance costs		(38,582)	(27,231)
Depreciation and amortisation		(4,500)	-
Doubtful debts		(3,000)	-
Employee benefits expense		(572,343)	(121,156)
Exploration costs written off		(1,200,720)	(32,473)
Interest expense		(1,488)	-
Marketing		(35,667)	-
Professional and consulting fees		(185,293)	(128,328)
Recompliance and acquisition costs		(174,596)	-
Rent		(27,809)	-
Share based payments	6,7	(342,787)	-
Travel expense		(32,351)	-
Other expenses		(173,092)	(69,391)
Loss for the period before income tax		(2,361,055)	(361,805)
Income tax expense		-	-
Loss for the period after income tax		**(2,361,055)**	**(361,805)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(2,361,055)**	**(361,805)**
Loss attributable to:			
Equity holders of the Company		(2,361,055)	(361,805)
Loss for the period		(2,361,055)	(361,805)
Other comprehensive loss attributable to:			
Equity holders of the Company		-	-
Total comprehensive loss for the period		**(2,361,055)**	**(361,805)**
Basic and diluted loss per share (cents per share)		(0.79)	(0.20)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	Consolidated 31 December 2015 $	30 June 2015 $
Assets			
Current assets			
Cash and cash equivalents		3,252,810	935,080
Trade and other receivables		486,061	16,688
Income tax receivable		-	25,519
Other current assets		13,935	208,825
Total current assets		3,752,806	1,186,112
Non-current assets			
Exploration and evaluation assets	4	-	994,057
Mineral Assets	5	-	206,667
Plant & equipment		61,494	-
Intangible assets	13	4,962,948	-
Total non-current assets		5,024,442	1,200,724
Total assets		**8,777,248**	**2,386,836**
Liabilities			
Current liabilities			
Trade and other payables		639,642	551,985
Provisions		173,246	22,253
Total current liabilities		812,888	574,238
Total liabilities		812,888	574,238
Net Assets		**7,964,360**	**1,812,598**
Equity			
Issued capital	6	23,280,150	16,117,904
Reserves		3,427,021	2,076,450
Accumulated losses		(18,742,811)	(16,381,756)
Total Equity		**7,964,360**	**1,812,598**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Issued Capital $	Share Based Payments Reserve $	Deferred Compensation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015	16,117,904	2,076,450	-	(16,381,756)	1,812,598
Comprehensive loss for the period					
Loss for the period	-	-	-	(2,361,055)	(2,361,055)
Total comprehensive profit/(loss) for the period	-	-	-	(2,361,055)	(2,361,055)
Shares issued	7,379,716	-	-	-	7,379,716
Options issued	-	100,571	-	-	100,571
Share issue costs	(217,470)		-	-	(217,470)
Deferred share issue			1,250,000	-	1,250,000
Balance at 31 December 2015	**23,280,150**	**2,177,021**	**1,250,000**	**(18,742,811)**	**7,964,360**
Balance at 1 July 2014	15,674,904	2,052,850	-	(4,321,469)	13,406,285
Comprehensive loss for the period					
Loss for the period	-	-	-	(361,805)	(361,805)
Total comprehensive loss for the period	-	-	-	(361,805)	(361,805)
Shares issued	-	-	-	-	-
Balance at 31 December 2014	**15,674,904**	**2,052,850**	**-**	**(4,683,274)**	**13,044,480**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Note	Consolidated Half-year ended 31 December 2015 $	Consolidated Half-year ended 31 December 2014 $
Cash flows from operating activities			
Receipts from customers		413,708	-
Payments to suppliers and employees		(1,762,773)	(346,000)
Transaction costs associated with the acquisition of subsidiaries		(215,490)	
Income tax-Research and Development rebate		32,000	286,000
Interest received		13,714	22,000
Net cash flows used in operating activities		**(1,518,841)**	**(38,000)**
Cash flows from investing activities			
Cash acquired on acquisition of businesses		108,767	-
Payments for evaluation and exploration expenditure		-	(166,000)
Net cash flows from (used in) investing activities		**108,767**	**(166,000)**
Cash flows from financing activities			
Net proceeds from issue of shares and options	6	4,012,500	-
Repayment of borrowings from Director	11	(67,226)	-
Cost of share issue		(217,470)	-
Net cash flows provided by financing activities		**3,727,804**	**-**
Net increase/(decrease) in cash and cash equivalents		**2,317,730**	**(204,000)**
Cash and cash equivalents at beginning of the half-year		935,080	1,213,352
Cash and cash equivalents at end of the half-year		**3,252,810**	**1,009,000**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

1. Statement of significant accounting policies

a) Statement of compliance

This general purpose financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting.*

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b) Basis of preparation

The consolidated financial statements are prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

d) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Velpic Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 8.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

e) Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the Company. The directors remain confident that sufficient funding can be secured from existing shareholders to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis. If funding cannot be secured, there is material uncertainty that may cast significant doubt on the group’s ability to continue as a going concern.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described above. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1. Statement of significant accounting policies (continued)

f) Revenue Recognition

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied. Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. All revenue is stated net of the amount of goods and services tax (GST).

g) Trade and Other Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the entity will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor or default payments. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the entity elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the trustee, sufficient to require the derecognition of the original instrument.

h) Intangible Assets

Intangible assets that were acquired as part of the business combination are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. The group amortises intangible assets with a limited useful life using the straight-line method over 5 years.

i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised. Instead, Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of Goodwill relating to the entity sold.

The Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of combination.

An impairment loss is recognised if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any Goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of Goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment testing is performed annually for Goodwill and intangible assets with indefinite lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

2. Segment Information

The directors have considered the requirements of AASB 8 - Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker, which is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

For the period ending 31 December 2015, the Company had only one geographical location being Australia and operated in three business segments being a Software as a Service business, a digital branding and consulting business and the corporate operations. The operating segments were acquired on 22 October 2015 and the results shown below include only the period since the date of acquisition.

	Software as a Service	Consulting Services	Corporate	Total
Half-year 2015	**$**	**$**	**$**	**$**
Total segment revenue	73,650	507,384	40,036	621,070
Inter-segment revenue	-	(40,053)	-	(40,053)
Revenue from external customers	**73,650**	**467,331**	**40,036**	**581,017**
Earnings before tax	**(286,840)**	**2,562**	**(2,076,777)**	**(2,361,055)**
Half-year 2014				
Total segment revenue	-	-	16,774	16,774
Inter-segment revenue	-	-	-	-
Revenue from external customers	**-**	**-**	**16,774**	**16,774**
Earnings before tax	**-**	**-**	**(361,805)**	**(361,805)**
Total segment assets				
31 December 2015	5,046,723	3,636,198	94,327	8,777,248
30 June 2015	-	-	2,386,836	2,386,836
Total segment liabilities				
31 December 2015	177,365	373,577	261,945	812,887
30 June 2015	-	-	574,238	574,238

3. Revenue

	Consolidated 31 Dec 2015 $	Consolidated 30 June 2015 $
Revenue from continuing operations	536,857	-
Interest income	12,615	16,774
Other revenue	31,545	-
Total revenue	**581,017**	**16,774**

4. Exploration

	Consolidated 31 Dec 2015 $	Consolidated 30 June 2015 $
Opening book value	994,057	3,158,979
Direct exploration expenditure		59,666
Impairment of area of interest	(994,057)	(2,224,588)
Total exploration expenditure	**-**	**994,057**

5. Mineral Assets

	Consolidated 31 Dec 2015 $	Consolidated 30 June 2015 $
Opening book value	206,667	9,245,984
Direct exploration expenditure		
Impairment of area of interest	(206,667)	(9,039,317)
Total exploration expenditure	**-**	**206,667**

6. Share Capital

Movement in Share capital for the half year ended 31 December 2015:

		31 December 2015		
Ordinary Shares		**Number of shares**	**Issue Price**	**$**
1 July 2015	Opening balance	183,230,003		16,117,904
31 July 2015	Shares issued in lieu of cash for consulting services	459,500	$0.037	17,001
2 October 2015	Shares issued in lieu of cash for Director fees	10,220,242	$0.020	204,405
2 October 2015	Shares issued in lieu of cash for consulting services	1,040,500	$0.020	20,810
22 October 2015	Issue of shares for acquisition of Dash and Inductor	125,000,000	$0.025	3,125,000
22 October 2015	Capital raising	160,500,000	$0.025	4,012,500
22 October 2015	Cost of share issue	-	-	(217,470)
31 December 2015	**Closing balance**	**480,450,245**		**23,280,150**

7. Share Based Payments

Movement in share based payments reserve during the half year ended 31 December 2015:

	31 December 2015	
	Number of options	**$**
Opening balance as at 1 July 2015	31,200,000	2,076,450
Issued during the period	13,780,000	100,571
Expired during the period	(13,000,000)	-
Closing balance as at 31 December 2015	**31,980,000**	**2,177,021**

On 2 October 2015, 4,000,000 (2014: nil) options were issued to Directors of Velpic pursuant to the approval of shareholders at a General Meeting held on 3 September 2015. On 3 December 2015, a further 9,780,000 options were issued under Velpic's Employee Share Option Plan that was approved at the same General Meeting of shareholders and granted to employees on 11 November 2015. 50% of the options granted vest on 11 November 2016 with a further 25% vesting on 11 November 2017 and the final 25% vesting on 11 November 2018. The grant date fair value of the share options was measured using the Black-Scholes formula.

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

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

7. Share Based Payments (continued)

On 31 December 2015, 13,000,000 options expired. The balance of options outstanding as at 31 December 2015 is represented by:

Number of options outstanding	Exercise Price ($)	Expiry Date
1,000,000	0.20	1/2/16
2,750,000	0.20	10/10/18
7,250,000	0.20	18/6/19
4,000,000	0.06	31/1/18
4,000,000	0.06	31/1/18
9,780,000	0.05	3/12/18

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

8. Events Occurring After the Balance Date

On 7 January 2016, the Company issued 7,500,000 shares at a price of 6 cents per share, in lieu of payment for consultancy services.

Since the end of the period, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

9. Contingent Assets and Liabilities

Contingent Assets
There has been no change in contingent assets since the last annual reporting date.

Contingent Liabilities
The group has no known contingent liabilities at 31 December 2015.

10. Loss Per Share

(a) Basic Loss Per Share

The calculation of basic earnings per share for the 6 months ended 31 December 2015 was based on the loss attributable to ordinary members of $2,361,055 (31 December 2014: loss $361,805) and the weighted number of shares on issue during the 31 December 2015 half-year of 298,359,895 (31 December 2014: 126,027,948).

(b) Diluted Loss Per Share

As the company has made a loss for the half year ended 31 December 2015, the options on issue have no dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.

11. Related Parties

For the period ended 31 December 2015, consulting fees were paid, based on normal terms and conditions, to the following Director related entities:

- $18,000 was paid to John Lester Management Pty Ltd (of which John Lester is a Director);
- $34,000 was paid to Gemelli Nominees Pty Ltd (of which Harry Karelis is a Director);
- $39,000 was paid to iExecute SaaS Ltd (of which Leanne Graham is a Director);

In addition, $67,226 in Directors loans were repaid to an entity associated with Russell Francis and a total of $10,657 and $17,559 were billed as sales revenue to Auscann Group Holdings Limited and Zelda Therapeutics Pty Ltd, companies of which Harry Karelis is a Director.

The Company entered into executive service agreements during the period as follows:

Russell Francis - CEO

- Annual base salary: $200,000
- Short term incentive: cash bonus of up to $100,000 subject to the achievement of key performance indicators and board approval

Glen Moora – Executive Director

- Annual base salary: $230,000
- Relocation fee: $15,000
- Short term incentive: cash bonus of up to $100,000 subject to the achievement of key performance indicators and board approval

Patrick Connell – Executive Director

- Annual base salary: $200,000
- Short term incentive: cash bonus of up to $100,000 subject to the achievement of key performance indicators and board approval

Leanne Graham – Non-executive Director

- Annual fees: $42,000
- Options: 2,000,000 options (refer Note 7)

Harry Karelis – Non-executive Director

- Annual fees: $42,000
- Options: 2,000,000 options (refer Note 7)

12. Group Entities

	Country of incorporation	Interest 2015	Interest 2014
Parent entity			
Velpic Limited	Australia		
Subsidiaries			
Gen Resources Pty Ltd	Australia	100%	100%
Great White Nominees Pty Ltd	Australia	100%	100%
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	-
Inductor Pty Ltd ATF the Inductor Trust	Australia	100%	-

13. Business Combination

Summary of acquisition

On 22 October 2015, Velpic Limited acquired 100% of the issued shares and units in Dash Digital Pty Ltd ATF the Dash Unit Trust and Inductor Pty Ltd ATF the Inductor Trust for consideration of $4,575,000.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

Purchase consideration:	$
Cash paid (deposit paid in financial year 2015)	200,000
Ordinary shares issued – 125 million shares issued at $0.025 per share	3,125,000
Contingent share consideration	1,250,000
Total purchase consideration	4,575,000
Value of consideration used to repay vendor entity debt	(967,422)
Value of consideration used to repay vendor debts to consultants	(250,000)
Fair value attributable to assets acquired	3,357,578

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	108,767
Property, plant & equipment	65,994
Trademarks	22,931
Receivables	579,174
Payables	(638,413)
Employee benefit obligations	(389,040)
Borrowings	(1,331,852)
Net identifiable assets acquired	(1,582,439)
Add: Goodwill	4,940,017
	3,357,578

Contingent consideration
The contingent consideration due under the acquisition is dependent upon hitting milestone targets and the amount of consideration due is as follows:

- Milestone 1 – issue of 50 million ordinary shares if agreed milestones are reached in relation to Pay Per Views on Velpic's training platform
- Milestone 2 – issue of 50 million ordinary shares if Velpic obtains cumulative revenue of $10,000,000 within 3 years of the acquisition completing;
- Milestone 3 – issue of 25 million ordinary shares if Velpic obtains revenue of $50,000,000 in any of the 5 financial years after the acquisition completing.

Significant Judgement
The milestone 1 consideration shares have been valued using an underlying share price of $0.025 per share and applying a 100% probability of achieving the milestone based on the Directors current expectation. The milestone 2 and milestone 3 consideration shares have been assigned a nil value as both milestones are based on the Company achieving revenue targets in the future. At the date of acquisition, the Directors have no reasonable grounds in which to assess the likelihood of these milestones being met and therefore have assigned a nil value to these.

a. Acquired receivables
The fair value of trade and other receivables is $579,174 and includes trade receivables with a fair value of $227,896. The gross contractual amount for trade receivables due is $258,767, of which $30,871 is expected to be uncollectible

13. Business Combination (continued)

b. Revenue and profit contribution

The acquired business contributed revenues of $540,981 and net loss of $284,278 to the group for the period from 22 October 2015 to 31 December 2015. If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated loss after tax for the half-year ended 31 December 2015 would have been $1,282,687 and $2,801,074 respectively.

c. Acquisition related costs

Acquisition-related costs of $174,596 that were not directly attributable to the issue of shares are included in profit or loss for the period ending 31 December 2015. A further $119,090 was recorded in the profit and loss of the previous financial year, some of which remain unpaid at 30 June 2015. As a result, total cash payments of $215,490 are included in operating cash flows in the statement of cash flows.

d. Goodwill

The goodwill is attributable to Velpic's strong position to continue to roll out its cloud based video e-learning software platform and the expected cash flows to arise after the Company's acquisition of the new subsidiary. The goodwill will not be deductible for tax purposes.