

VELPIC LIMITED – HALF-YEAR REPORT

APPENDIX 4D

Name of entity

VELPIC LIMITED

ABN

65 149 197 651

Half year ended (‘Current Period’)

31 December 2016

Half-year ended (‘Previous corresponding period’)

31 December 2015

Results for announcement to the market

	Up/Down	Percentage	Balance \$
Revenue from ordinary activities	Up	57%	909,868
Loss from ordinary activities after tax attributable to members	Down	32%	(1,603,661)
Net loss attributable to members	Down	32%	(1,603,661)

Details of individual and total dividends or distributions and dividend or distribution payments

None

Details of any dividend or distribution reinvestment plans in operation

None

Net tangible assets per security

31 December 2016	31 December 2015
\$0.74 cents per share	\$0.62 cents per share

VELPIC LIMITED – HALF-YEAR REPORT

APPENDIX 4D

Details of entities over which control has been lost during the period:

Name of entity	Date of loss of control	Profit/ (loss) after tax of the controlled entities since the date in the current period	Profit/ (loss) after tax of the controlled entities during the whole of the previous corresponding period
Gen Resources Pty Ltd	24 November 2016	-	-
ICX Consuelo 2327 Pty Ltd	24 November 2016	-	-
ICX Conseulo 2318 Pty Ltd	24 November 2016	-	-
ICX Conseulo Pty Ltd	24 November 2016	-	-
ICX Don Juan Pty Ltd	24 November 2016	-	-

Details of associates and joint venture entities

None

Foreign entities

None

Compliance statement

The attached financial report has been prepared in accordance with the Australia Accounting Standards issued by the Australian Accounting Standards Board and are based on accounts that have been reviewed. An unmodified review conclusion was issued. Refer to independent review report on page 6 and 7 of the attached Interim Financial Report for the half-year ended 31 December 2016.

Signed By:



**Catherine Anderson
Company Secretary**

Velpic Limited
ABN 65 149 197 651

Interim Financial Report
For the half-year ended 31 December 2016

CORPORATE DIRECTORY

Directors

Leanne Graham – Non-executive Chairperson
Russell Francis – Executive Director
Harry Karelis – Non-executive Director
Daniel Rohr – Non-executive Director

Company Secretary

Catherine Anderson

Auditors

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

Solicitors

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

Bankers

Westpac Banking Corporation
116 James Street
Perth WA 6000

Registered Office

243 Hay Street
Subiaco WA 6008

Telephone: 1800 463 828

Facsimile: 08 6166 0261

Share Registry

Link Market Services
Central Park
Level 4
152 St Georges Terrace
Perth WA 6000

Investor Enquiries: 1300 554 474

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 2016 and any public announcements made by Velpic Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of Velpic Limited ("the Company") present their report together with the consolidated financial statements for the half-year ended 31 December 2016.

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
Russell Francis – Executive Director
Harry Karelis – Non-executive Director
Daniel Rohr – Non-executive Director
Patrick Connell - Executive Director (Resigned 25 October 2016)
Glen Moora - Executive Director (Resigned 25 October 2016)

Operating Results

During the period, the Company made a consolidated loss after income tax of \$1,603,661 (2015: \$2,361,055).

Review of Operations

- Financial

Total revenue reported for the half year ended 31 December 2016 was \$1.3 million (31 December 2015: \$581k). During the period, the Company successfully disposed of its coal project tenements in Queensland, for consideration of \$210k. The Company also lodged its first research and development incentive tax return resulting in other income of \$195k, which was received subsequent to period end. Revenue from ongoing operational activities totalled \$883k with recurring subscription and content revenue accounting for 21% and continuing to become a more significant contributor to the revenue mix.

The loss for the period totalled \$1.6 million (31 December 2015: \$2.3m). This was primarily attributable to increased sales staff and marketing costs associated with growing the business, compared to higher one off costs in HY15 associated with the Company's previous principle activities.

During the six-month half year period, Velpic strengthened its balance sheet with a successful \$5.7 million rights issue (before costs) that received strong support from shareholders. As a result, Velpic was able to significantly bolster its sales and marketing initiatives, which have already proved to be a key contributor to the revenue growth of the business.

- Operational Progress

Platform Performance

Platform enhancements continue to be driven by customer demand and during the period Velpic launched Version 3.2, which includes new features that enhance the appeal and ease of use of the platform for customers. The Company also launched its developer site to help integrate the Velpic platform into internal HR management tools. A number of customers have already utilised this feature and have incorporated the Velpic platform into their internal systems.

The platform also achieved a number of accolades including seventh position on Capterra's Top 20 Most User Friendly LMS Software and a position in the Top 20 Most Affordable LMS Software reports. It also moved up a position on GetApps quarterly ranking that showcases the top 25 Learning Management System (LMS) apps based in the cloud.

DIRECTORS' REPORT (continued)

- Sales and marketing progress

Post the six-month end, Velpic expanded its sales team with two senior and highly successful sales executives; Ms Rhonda Robati joined as Chief Revenue Officer, bringing over 20 years technology sales expertise, and Mr Ashwin Thomas joined as Director of Sales from Salesforce, bringing extensive sales network and experience.

Alongside the growth in sales team, Velpic enhanced its Marketplace Strategy, with the launch of its Online Lesson Marketplace, enabling customers to choose and purchase from over 90 off-the-shelf on-demand eLearning lessons and customisable templates. The Company also made its LMS platform available on the AppDirect global cloud service marketplace, the NASDAQ-listed ADP's global resources management marketplace and the UK Government's portal, G-Cloud further enhancing its international presence and driving sales.

Velpic was pleased to report it achieved its 50 client milestone during December, which included its first government customer (NSW Small Business Commissioner) and first customer in the educational sector following the launch of its new offering for schools created in partnership with leading national law firm, Mills Oakley, demonstrating its ability to enter new verticals.

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 5.

Signed in accordance with a resolution of the directors.

On behalf of the directors



Russell Francis
Director
Perth
17 February 2017

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 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 17 February 2017

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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2016 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 2016 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*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The first line reads 'BDO' and the second line reads 'J Prue' in a cursive script.

Jarrad Prue

Director

Perth, 17 February 2017

DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) The financial statements and notes set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Russell Francis
Director

Perth
17 February 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
Continuing operations			
Revenue	3	909,868	581,017
Other Income	4	405,680	-
Production costs		(244,529)	(149,844)
Compliance costs		(61,275)	(38,582)
Depreciation		(10,547)	(4,500)
Directors' fees		(63,000)	(31,266)
Doubtful debts		(5,960)	(3,000)
Employee benefits expense		(1,812,858)	(572,343)
Exploration costs written off		-	(1,200,720)
Interest expense		-	(1,488)
Marketing expense		(242,900)	(35,667)
Professional and consulting fees		(85,022)	(185,293)
Recompliance and acquisition costs		-	(174,596)
Rent and office costs		(114,592)	(27,809)
Share-based payments	6	(160,670)	(342,787)
Tenement costs		(38,454)	(11,195)
Travel expense		(31,695)	(32,351)
Other expenses		(47,707)	(130,631)
Loss for the period before income tax		(1,603,661)	(2,361,055)
Income tax expense		-	-
Loss for the period after income tax		(1,603,661)	(2,361,055)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,603,661)	(2,361,055)
Loss attributable to:			
Equity holders of the Company		(1,603,661)	(2,361,055)
Loss for the period		(1,603,661)	(2,361,055)
Other comprehensive loss attributable to:			
Equity holders of the Company		-	-
Total comprehensive loss for the period		(1,603,661)	(2,361,055)
Basic and diluted loss per share (cents per share)		(0.24)	(0.79)

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 2016**

	Note	31 December 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		5,123,164	2,005,712
Trade and other receivables		346,242	390,171
R&D incentive receivable		195,680	-
Other current assets		61,242	126,546
Total current assets		5,726,328	2,522,429
Non-current assets			
Plant & equipment		80,977	78,982
Intangible assets		23,662	23,662
Goodwill		4,940,017	4,940,017
Total non-current assets		5,044,656	5,042,661
Total assets		10,770,984	7,565,090
Liabilities			
Current liabilities			
Trade and other payables		598,047	1,370,709
Provisions		16,098	18,040
Total current liabilities		614,145	1,388,749
Non-current liabilities			
Provisions		71,763	53,821
Total non-current liabilities		71,763	53,821
Total liabilities		685,908	1,442,570
Net Assets		10,085,076	6,122,520
Equity			
Issued capital	5	29,055,284	23,668,936
Reserves		3,670,544	3,490,675
Accumulated losses		(22,640,752)	(21,037,091)
Total Equity		10,085,076	6,122,520

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 2016**

	Issued Capital	Share-based Payments Reserve	Deferred Compensation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	23,668,936	2,240,675	1,250,000	(21,037,091)	6,122,520
Loss for the period	-	-	-	(1,603,661)	(1,603,661)
Total comprehensive loss for the period	-	-	-	(1,603,661)	(1,603,661)
Shares issued	5,722,520	-	-	-	5,722,520
Options issued	-	179,869	-	-	179,869
Share issue costs	(336,172)	-	-	-	(336,172)
Balance at 31 December 2016	29,055,284	2,420,544	1,250,000	(22,640,752)	10,085,076
Balance at 1 July 2015	16,117,904	2,076,450	-	(16,381,756)	1,812,598
Loss for the period	-	-	-	(2,361,055)	(2,361,055)
Total comprehensive 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

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 2016**

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	1,013,293	413,708
Payments to suppliers and employees	(2,725,825)	(1,762,773)
Transaction costs associated with the acquisition of subsidiaries	-	(215,490)
Research and development tax rebate	-	32,000
Interest received	21,190	13,714
Net cash flows (used in) operating activities	(1,691,342)	(1,518,841)
Cash flows from investing activities		
Payments for acquisition of plant and equipment	(13,862)	-
Proceeds from disposal of plant and equipment	8,741	-
Payments for acquisition of businesses	-	108,767
Proceeds from sale of subsidiaries	210,000	-
Payments for sale of business	(31,604)	-
Net cash flows from provided by investing activities	173,275	108,767
Cash flows from financing activities		
Proceeds from issue of shares and options	4,931,370	4,012,500
Repayment of borrowings from Director	-	(67,226)
Cost of share issue	(295,851)	(217,470)
Net cash flows provided by financing activities	4,635,519	3,727,804
Net increase in cash and cash equivalents	3,117,452	2,317,730
Cash and cash equivalents at beginning of the half-year	2,005,712	935,080
Cash and cash equivalents at end of the half-year	5,123,164	3,252,810

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. Statement of significant accounting policies

a) Statement of compliance

This general purpose financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australia Accounts Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

The condensed 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 2016 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. For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

c) Accounting Policies

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 2016 annual financial report for the financial year ended 30 June 2016 other than:

(i) Refundable R&D Tax Incentives / Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. Refundable tax incentives are accounted for as Government Grants. Refundable tax incentives are recognised as Other Income to the extent that the claim related to costs which had been expensed in the statement of profit or loss and other comprehensive income. For refundable tax incentives that relate to costs which have been capitalised to an asset, the tax incentive received is offset against the carrying amount of the asset.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

d) 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.

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

e) Significant accounting judgment and key estimates

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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 ended 31 December 2016, the Company had only one geographical location being Australia and operated in two business segments being a Software-as-a-Service business and a brand technology agency.

	Software as- a- Service Business	Brand Technology Agency	Corporate	Total
	\$	\$	\$	\$
31 December 2016				
Segment Revenue				
Revenue	189,973	726,676	-	916,649
Intersegment revenue	-	(33,993)	-	(33,993)
Interest revenue	-	1,608	19,582	21,190
Other revenue	670	4,934	418	6,022
Total Segment revenue	190,643	699,225	20,000	909,868
Segment net operating loss after tax	(1,296,742)	(74,835)	(232,084)	(1,603,661)
31 December 2015				
Segment Revenue				
Revenue	73,650	503,260	-	576,910
Intersegment revenue	-	(40,053)	-	(40,053)
Interest revenue	-	4,124	8,491	12,615
Other revenue	-	-	31,545	31,545
Total Segment Revenue	73,650	467,331	40,036	581,017
Segment net operating loss after tax	(286,840)	2,562	(2,076,777)	(2,361,055)

3. Revenue

	31 December 2016	31 December 2015
	\$	\$
Revenue from continuing operations	882,656	536,857
Interest Income	21,190	12,615
Other Revenue	6,022	31,545
	909,868	581,017

4. Other Income

	31 December 2016	31 December 2015
	\$	\$
Gain on Sale of subsidiaries (i)	210,000	-
R&D incentive (ii)	195,680	-
	405,680	-

- (i) During the period, the Company completed a sale of shares in its subsidiaries that held interest in its Bundaberg, Consuelo and Don Juan coal projects in Queensland for \$210,000, before costs.
- (ii) The Company lodged its first research and development tax incentive return during the period. The amount reflects the rebate expected to be refunded to the Company for costs that have been expensed in the statement of profit or loss and other comprehensive income. This amount was received subsequent to period end.

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

5. Share Capital

	31 December 2016	30 June 2016
	\$	\$
<i>Ordinary shares</i>		
Issued and full paid	29,055,284	23,668,936

Movement in Share capital for the half year ended 31 December 2016:

	Fair Value	6 months to 31 December 2016		Year to 30 June 2016	
		Number	\$	Number	\$
Balance at beginning of year		487,950,245	23,668,936	183,230,003	16,117,904
Share-based payment: Shares issued in lieu of cash for consulting services (i)	\$0.037	-	-	459,500	17,001
Share-based payment: Shares issued in lieu of cash for director fees	\$0.020	-	-	10,220,242	204,405
Share-based payment: Shares issued in lieu of cash for consulting services (i)	\$0.020	-	-	1,040,500	20,810
Shares issued for acquisition of Dash Digital Pty Ltd and Velpic Australia Pty Ltd	\$0.025	-	-	125,000,000	3,125,000
Shares issued for capital raising	\$0.025	-	-	160,500,000	4,012,500
Share-based payment: Issue of shares to consultants	\$0.050	-	-	7,500,000	375,000
Shares issue for 2 for 5 non renounceable rights Issue	\$0.030	190,104,181	5,703,125	-	-
Share-based payment: Issue of shares to consultants (ii)	\$0.050	240,000	12,000	-	-
Share-based payment: Issue of shares to consultants (ii)	\$0.040	178,750	7,150	-	-
Exercise of options	\$0.060	40,817	245	-	-
Cost of share issue		-	(336,172)	-	(203,684)
Balance at end of year		678,513,993	29,055,284	487,950,245	23,668,936

- (i) The entity cannot estimate reliably the fair value of the services received, therefore have measured the services received and corresponding increase in equity, by reference to the fair value of the equity instruments granted, measured at the date the counterparty rendered the service.
- (ii) The equity instruments granted are measured by reference to the fair value of the services provided.

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

6. Share Based Payments and Options on issue

Movement in share based payments reserve and options on issue during the half-year ended 31 December 2016:

	6 months to 31 December 2016			Year to 30 June 2016		
	Weighted average exercise price	Number	\$	Weighted average exercise price	Number	\$
Balance at beginning of the period	\$0.15	30,300,000	2,240,675	\$0.27	31,200,000	2,076,450
Options Issued:						
- Employee Options (i)	\$0.05	-	54,091	\$0.05	9,780,000	88,026
- Director Options (iv)	\$0.06	15,000,000	111,889	\$0.05	4,000,000	81,600
- Free attaching options (ii)	\$0.06	95,052,117	-	-	-	-
- Consultant options (iii)	\$0.06	2,000,000	19,199	-	-	-
Exercised	\$0.06	(40,817)	-	-	-	-
Expired	-	-	-	\$0.37	(14,000,000)	-
Forfeited (i)	\$0.05	(510,000)	(5,310)	\$0.05	(680,000)	(5,401)
Balance at end of the period	\$0.08	141,801,300	2,420,544	\$0.15	30,300,000	2,240,675

- (i) 9,780,000 options under Velpic's employee share option plan were issued in the prior period. 50% of the options granted vested on 11 November 2016 with a further 25% vesting on 11 November 2017 and the final 25% vesting on 11 November 2018. As at 31 December 2016, 8,590,000 options are on issue.
- (ii) Options issued as part of the rights issue. Refer to Note 5 for details.
- (iii) Options issued to consultants could not be valued at the fair value of the services provided.
- (iv) Options issued to Directors following approval at the Annual General Meeting held on 25 November 2016.

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

	Consultants (iii)	Directors (iv)
Effective Date of grant	8 July 2016	25 November 2016
Market price of shares at grant date	\$0.028	\$0.019
Exercise price	\$0.06	\$0.06
Expiry date	30 June 2018	25 November 2019
Volatility	100%	100%
Risk free rate	1.56%	1.92%
Fair value at grant date	\$0.0096	\$0.0075
Vesting conditions	None	None

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

7. Events Occurring After the Balance Date

Since the end of the financial year, 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.

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

8. 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 2016.

9. Group Entities

	Country of incorporation	Interest 2016	Interest 2015
Parent entity			
Velpic Limited	Australia		
Subsidiaries			
Gen Resources Pty Ltd (i)	Australia	-	100%
Great White Nominees Pty Ltd	Australia	100%	100%
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	-
Velpic Australia Pty Ltd ATF the Inductor Trust	Australia	100%	-

(i) The Company entered into a share sale agreement with Kontarian Resources Fund No.1 Pty Ltd during the period to sell its shares in the following subsidiaries for a consideration of \$210,000:

- Gen Resources Pty Ltd
- ICX Consuelo 2318 Pty Ltd
- ICX Consuelo 2327 Pty Ltd
- ICX Consuelo Pty Ltd
- ICX Don Juan Pty Ltd

These subsidiaries held interest in its Bundaberg, Consuelo and Don Juan coal projects in Queensland. At the date of disposal, the book value of the assets and liabilities of these entities were nil.

10. Business Combination

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 Velpic Australia Pty Ltd (formerly The Inductor Pty Ltd) ATF the Inductor Trust for consideration of \$4,575,000. The business combination accounting has been finalised and there have been no changes to the 30 June 2016 financial statements.