

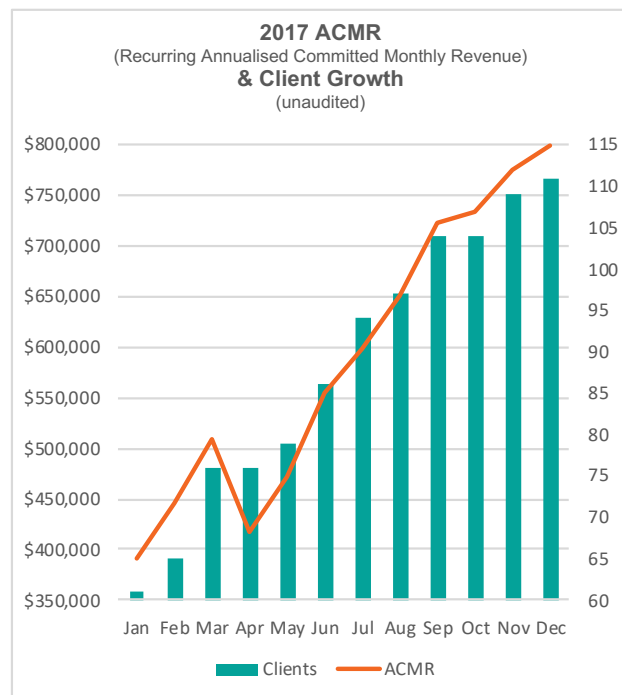
31 January 2018

## Velpic Quarterly Activities Report

Quarter Ended 31 December 2017

### Highlights

- December quarter revenue (unaudited) up 24% to \$523k (Dec qtr 2016: \$423k)
- Year-on-Year increase of 131% in Velpic’s annualised recurring SaaS revenue
- December quarter net cash used for operating activities down 52% compared to September quarter
- Placement to fund investment in NowForce and launch Velpic Security oversubscribed
- Rights Issue completed, and shortfall oversubscribed following quarter end
- Closing cash at 31 Dec 2017 of \$2.9 million to fund growth opportunities



**Velpic Limited** (ASX: VPC) (“Velpic” or “the Company”) is pleased to provide an update of the Company’s activities for the quarter ended 31 December 2017.

## FINANCIAL

Revenue (unaudited) for the December Quarter totalled \$523k up from \$423k in the December Quarter of the previous year.

Velpic’s recurring annualised SaaS revenue has increased 131% from \$347k to \$800k from December 2016 to December 2017.

Cash receipts were up 8%, from \$567k in the September Quarter to \$612k in the December Quarter due to higher sales and the receipt of a R&D rebate. Cash used in operating activities was down 52% from \$877k in the September Quarter to \$423k in the December Quarter as a result of sustainable cost reductions across the business.

The Company’s closing cash position at the end of the reporting period was \$2.9 million.

## OPERATIONS

As at today’s date, Velpic has successfully completed both the Placement and Rights Issue, raising over \$3.2 million to support its transformational investment in NowForce (US\$1 million). The Placement and the Shortfall in the Rights Issue were both oversubscribed following strong support from new and existing shareholders.

Velpic and NowForce will now integrate platforms to provide a value-added solution to new and existing clients. NowForce will sell the integrated solution internationally with 100+ existing clients including Multinationals, US Federal Agencies and a number of North America’s most prestigious Universities. Velpic has become NowForce’s sole distributor in Australia & New Zealand to service the growing \$8 billion security industry in these two markets.

Velpic recurring revenues are set to grow in 2018 with the addition of two new revenue streams. Existing recurring revenue streams from the Velpic Learning Management System (LMS) will be augmented by NowForce platform sales in Australia & New Zealand directly and globally through NowForce and its Partners reselling Velpic LMS integrated into the NowForce platform.

In the December Quarter, Velpic also achieved a major milestone with paying clients completing over 100,000 lessons on the platform. This has been an aspirational target for the business since its inception as a start-up SaaS platform and the result squarely places Velpic as a significant participant in the Australian Online Learning sector.

**Russell Francis, Chief Executive Officer of Velpic commented:** *“The December Quarter capped off a significant year of hard work and restructuring of the business to facilitate greater recurring revenue growth in 2018. We are pleased to have increased revenues, while also decreasing our costs across the business. We expect continued revenue uplift in 2018.*

*“The rapid uptake of both the Placement and the Rights Issue was extremely pleasing and I’d like to thank our existing shareholders and welcome our new investors to a business with significant growth potential. The addition of NowForce to launch Velpic Security complements our existing revenue streams, and we expect this partnership to contribute to our ongoing growth.”*

**\*\*ENDS\*\***

**For further information, please contact:**

**Investor queries:**

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

*Pursuant to Listing Rule 4.7B(b), this Quarterly Report will be the last lodged by the Company, it having complied with the requirement under the Listing Rules to provide the same to ASX for the first eight quarters following its re-admission under Listing Rule 11.1.3*

#### Name of entity

Velpic Limited	<b>Quarter ended ("current quarter")</b>
<b>ABN</b>	31 December 2017
65 149 197 651	

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	612	1,179
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(129)	(246)
(c) advertising and marketing	(94)	(177)
(d) leased assets	-	-
(e) staff costs	(880)	(1,983)
(f) administration and corporate costs	(157)	(302)
(g) good and services tax paid	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes benefit (R&D incentive)	226	226
1.7 Government grants and tax incentives	-	-
1.8 Other - tenement costs	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(419)</b>	<b>(1,296)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire/disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	(776)	(776)
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(776)</b>	<b>(776)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,791	1,791
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(74)	(74)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,717</b>	<b>1,717</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,373	3,250
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(419)	(1,296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(776)	(776)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,717	1,717
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,895</b>	<b>2,895</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,895	2,373
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,895</b>	<b>2,373</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	80
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Fees and salaries paid to Directors

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. <b>Estimated cash outflows for next quarter*</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	125
9.3 Advertising and marketing	90
9.4 Leased assets	-
9.5 Staff costs	950
9.6 Administration and corporate costs	125
9.7 Other (provide details if material)	-
- capital raising costs	231
- investment	** 650
<b>9.8 Total estimated cash outflows*</b>	<b>2,171</b>

\* The estimated cash outflows for the quarter will be partially offset by the cash inflows for the quarter.

\*\* This amount comprised of two USD payments of \$204,650 USD (paid in January at \$256,666 AUD) and \$302,400 USD (estimated at \$393,334 AUD).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  
(Director)



Date: 30 January 2018

Print name: Russell Francis

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.