

# **Notice of Extraordinary General Meeting and Explanatory Statement**

**Extraordinary General Meeting to be held at the offices of**

**DLA Piper Australia  
Level 21  
140 William Street  
Melbourne**

**On Friday 21 September 2018 commencing at 11.00 am (EST)**

**VELPIC LIMITED  
ACN 149 197 651**

This Notice of Extraordinary General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

## Corporate Directory

Directors	Ms Leanne Graham (Chairperson) Mr Justin Klintberg (Non-Executive Director) Mr Chris Mews (Non-Executive Director)
Company Secretary	Ms Catherine Anderson catherine.anderson@velpic.com
Registered Office	243 Hay Street Subiaco WA 6008 1300 VELPIC (+61 8 61604455) info@velpic.com
Website	<a href="http://www.velpic.com">www.velpic.com</a>
Share Registry	Link Market Services Limited QV1 Building Level 12, 250 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 Overseas: +61 1300 554 474
ASX Code	VPC

## Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Velpic Limited (“the Company”) will be held at the offices of DLA Piper Australia at Level 21, 140 William Street, Melbourne on Friday 21 September 2018 at 11.00am (EST) (“General Meeting”). Shareholders may attend the Company’s Perth office at 243 Hay Street Subiaco at 9am WST to attend and ask questions at the meeting by a teleconference facility.

The Explanatory Statement to this Notice of General Meeting provides additional information on the Resolutions to be considered at the General Meeting. The Explanatory Statement and Proxy Form are part of this Notice of General Meeting.

## Agenda

### Resolution 1. Approval of disposal of main undertaking

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

*“That for the purposes of Listing Rule 11.2 and for all other purposes, Shareholders approve the sale of the Velpic “Customer Book”, as described in the Explanatory Statement.”*

#### **Voting Exclusion:**

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- A person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed; or
- An associate of that person (or those persons).

The Company need not, however, disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to votes as the proxy decides.

**Explanation of need for Shareholder approval:** If the Resolution is not passed, then the Proposed Transaction with which it deals will not take place and Resolution 2 will not be put to the meeting.

### Resolution 2. Change of Company name

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a special resolution:

*“That, subject to the passing of Resolution 1, for the purpose of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to VPCL Limited, and for all references to the Company’s name in the Constitution of the Company to be replaced with that name.”*

**Explanation:** As the Company will, if Resolution 1 is passed, be disposing of the Velpic “Customer Book” it proposes to change its name to not cause confusion in the marketplace.

**Dated: 16 August 2018**

**BY ORDER OF THE BOARD**  
**Catherine Anderson**  
**Company Secretary**

# Explanatory Statement

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## Introduction

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting and should be read in conjunction with that Notice.

## Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy forms must reach the Company's share registry by not later than 11am (EST) on 19 September 2018. Alternatively, Shareholders may vote online. The enclosed proxy form provides full details. You may also contact the share registry LINK Market Services with any queries, or the Company Secretary (catherine.anderson@velpic.com).

While there is no obligation on a Shareholder to vote, your Directors believe that the Proposed Transaction is important for the future direction of the Company and strongly encourage you to vote at the Meeting. Your Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a superior proposal emerging.

## "Snap-shot" Time

The Company may specify a time, not more than 48 hours before the General Meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the General Meeting.

The Directors have determined that all Shares that are quoted on ASX at 7pm EST 19 September 2018 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

## Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Company's representative. The authority may be sent to the Company in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

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## Resolution 1 – Approval of sale of Velpic "customer book" and IP

### Proposed Transaction Background and Terms

As announced by the Company to ASX on 6 August 2018 the Company has, subject to Shareholder approval, entered into a Binding Asset Sale Agreement Term Sheet ("Agreement") with Damstra Technology Pty Ltd ACN 086 218 742 ("Damstra"). Pursuant to this Agreement, the Company has agreed to sell its Velpic customer book ("Customer Book"), Velpic related intellectual property and

certain hardware used in the business (primarily computers) to Damstra, free from any encumbrances, and enter into arrangements with respect to the Company's Perth premises lease (further details below) ("Proposed Transaction").

**Please note that if Resolution 1 is not passed, then the Proposed Transaction will not take place and Resolution 2 will not be put to the Meeting.**

The Velpic Customer Book comprises all contracts the Company has entered into where it uses the Velpic Platform to provide an LMS (learning management solution) in the cloud, provided via an annual or monthly paid subscription service to Velpic customers. The Velpic e-learning learning management solution enables customers the ability to create, manage and execute and monitor all online learning for their staff. To facilitate the sale of the Customer Book to Damstra, all client contracts will be assigned to Damstra on Completion.

The only other assets or liabilities of the Company used in relation to the Velpic business that are being dealt with are:

1. **Intellectual Property ("IP"):** The Company has agreed to transfer to Damstra all IP related to the "Velpic Platform", which all code, trademarks, URLs, road map features of the Velpic Platform not yet developed and all aspects of the Velpic Platform that enable it to be deployed and used by the contracts forming the Customer Book (including but not limited to all servers, third party suppliers and their contracts and all data). Deeds of assignment will be entered into in relation to registered IP to facilitate that transfer; and
2. **Premises Sub-Lease:** The Company and Damstra will enter into a sub-lease of the Company's Perth premises at 243 Hay Street, Subiaco for a period of 12 months for consideration of \$1. This will be subject to the consent of the landlord who has been notified and who has the right under the current head lease to prepare the sub-lease document. The entering into of a sub-lease is not a condition precedent to Completion.

### **About Damstra**

For almost 20 years Damstra's business has been providing real-time, web-based workforce management solutions to ensure a safe and compliant workforce. Damstra has identified the opportunity to introduce a cloud-based Software as a Service (SaaS) product to the market that was agile, highly functional and interfacing at an early stage of that technology advancement.

Damstra's real-time, dynamic, fully-customizable software and hardware solutions service a vast array of industries, including mining, construction, government, rail and transport, labour hire management and energy. Damstra has advanced technology, an expert development and deployment team and is able to offer its clients progressive insight and the development of complete configured solutions from beginning to end.

Damstra's Total Workforce Management System is driven by state-of-the-art hardware and software, to provide unparalleled service, speed and reliability to all end users and its highly skilled and experienced professionals have over 200 years of combined experience in diverse industries.

Based in Melbourne, Victoria; and in Newcastle and Singleton in NSW (and with offices also in Christchurch, New Zealand and Denver, Colorado in the USA), further information about Damstra is available at [www.damstratechnology.com](http://www.damstratechnology.com).

Neither Damstra nor any of its officers or employees is a related party or associate of the Company or any of its officers or employees. Damstra has advised the Company that it does not seek to list on ASX or any other exchange.

### **Proposed Transaction Key Terms**

Other key terms and the impact of the Proposed Transaction are as follows:

1. Completion is subject to the condition precedent of Velpic Shareholder approval, namely the Company obtaining all necessary regulatory and shareholder approvals, including approval for the Proposed Transaction pursuant to ASX Listing Rule Chapter 11. The Company has determined that approval under ASX Listing Rule 11.2 is the only form of approval that is required to be obtained, relating to the disposal of the Company's main undertaking.

If this condition precedent is not satisfied by 21 September 2018, or such later date as is agreed, then the Agreement will be at an end.

**Please note that if the Resolution is not passed, then the Proposed Transaction will not take place and Resolution 2 will not be put to the Meeting.**

2. The terms relating to consideration are as follows:

- a. The consideration for the Proposed Transaction is:
  - i. The sum of \$1,000,000 to be paid at Completion; and
  - ii. "Deferred Consideration" being 3.5 times the total annual revenue received by Damstra from the date of Completion from the Customer Book ("Revenue") over the three years following the date of Completion, up to a maximum of \$2.8 million;
- b. The Deferred Consideration is payable by Damstra quarterly at the end of each calendar quarter after the Revenue is earned; and
- c. Notwithstanding (b) above, Damstra has the right to pay out any remaining Deferred Consideration by making a one-off cash payment at any time to Velpic of an amount agreed with Velpic, equal to the expected or budgeted Revenue to be received from the Customer Book.

3. The terms set out immediately above are the entirety of the provisions relating to Consideration in the Agreement. The total value of the Deferred Consideration cannot be guaranteed, however, given the nature of the Proposed Transaction. As a result, the following assumptions need to be borne in mind:

- a. The Consideration is based on the recurring (unaudited) Customer Book revenue as of 30 June 2018, times 3.5; and
- b. The amount needed to be spent on future support, training or upgrades cannot be predicted, nor can the amount of any customer churn.

4. Completion of the sale will take place no later than 5 business days after the receipt of Velpic Shareholder approval (with the Agreement being terminated if this condition precedent is not satisfied by 21 September 2018, or such later date as the parties agree) ("Completion").

5. With respect to IP and the lease for the Company's Subiaco premises, see details above under "Proposed Transaction Background and Terms" on page 4.

## **Reasoning for and Advantages of the Proposed Transaction**

Through considerable analysis, the Board of Directors of Velpic reviewed both the capital structure of the Velpic platform business and its growth opportunities and concluded that without further significant investment in vertical content; and extensive investment in the content market place and partnerships, Velpic's product growth would not be in a position to grow, but only to remain consistent. This would result in further capital raise requirements and would not get the Company to break even for at least a further 2 years.

Based on this assessment, it was the Board's view that in the best interests of Shareholder value, management and the Board would work to locate a purchaser for the Velpic contract book and/or platform. At the same time, the Board intensified its existing cost reduction plan to conserve the Company's cash position.

As a result of the above, the Board of Directors has determined that a sale of the Velpic Customer Book (and related assets) on the terms set out in this Explanatory Statement is in the best interests of Shareholders.

Following completion of the Proposed Transaction, the Board intends to seek new investments in high growth industries to seek to drive strong Shareholder value, targeting rapid growth technology businesses. The Board is currently engaged in very preliminary discussions with multiple technology-based companies, with varying opportunities. At this stage there is no information that can be released to the market. Shareholders should be aware that such an acquisition could result in the Company being required to seek re-admission to ASX. If an agreement on an acquisition is reached, then details of that transaction and the requirements for shareholder approval and re-admission that ASX imposes will all be released to the market.

The Proposed Transaction will significantly reduce the cash burn of the Company while these other options are explored.

The main advantages of the Proposed Transaction are that the Company will have reduced costs, significant cash at bank and a revenue stream from the Proposed Transaction and will therefore be well placed as a reverse takeover proposition with respect to a business that can drive much better shareholder value than is possible through the Velpic Platform and Customer Book.

While Velpic customers are being serviced by a leading product and that business worked well under private ownership, it has proved difficult to grow the business within the high cost structure of a public company without further investment. The Velpic business as it currently stands does not have enough potential to be able to achieve an acceptable level of growth bearing in mind the cost overheads of sitting within a public company, and the poor market for raising further capital. Within a lower cost environment, it would be more manageable for the Velpic business to develop more content and add vertical products, which will add significant value.

## **Disadvantages of the Proposed Transaction**

In the current market environment and with the cost pressures referred to above, the Board is of the view that there are a few, if any, disadvantages to the Proposed Transaction. While there is a theoretical risk of "churn" in the Customer Book (ie loss of customers) resulting in less Revenue being generated, the Proposed Transaction has been structured with a "floor" in place such that the Company will never receive Revenue calculated on less than the current contract value of the Customer Book.

## ASX Listing Rule Requirements

ASX Listing Rule 11.1 provides that an entity must consult with ASX if it proposed to make a significant change to the nature and scale of its activities. ASX may require the entity to obtain shareholder approval for the change in nature and scale. In relation to scale, ASX considers that (amongst other things) in an increase or decrease of more than 25% in any of the following is a significant change in the scale of an entity's activities:

- consolidated total assets;
- consolidated total equity interests;
- consolidated annual revenue, or in the case of a mining exploration entity or other entity that is no earning material revenue from operations, consolidated annual expenditure; or
- consolidated annual profits before tax and extraordinary items.

ASX Listing Rule 11.2 further states that, where the change is the disposal of its main undertaking, the entity must first obtain the approval of its shareholders for that disposal. ASX considers that an entity's main undertaking is essentially its main business. As a rule of thumb, this would include a business that account for 50% or more of an entity's:

- consolidated total assets;
- consolidated annual revenue, or in the case of a mining exploration entity or other entity that is no earning material revenue from operations, consolidated annual expenditure; or
- consolidated annual profits before tax and extraordinary items.

The combined effect of ASX Listing Rules 11.1 and 11.2 is that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities and this change involves the entity disposing of its "main undertaking", the entity must get the approval of holders of its ordinary securities. In any event, Shareholders approving the Proposed Transaction is a condition precedent for its Completion.

If the Resolution is passed, the Company will have complied with the ASX requirement to obtain Shareholder approval for the disposal. **Conversely, if the Resolution is not passed, the Company will not be allowed to proceed with the disposal and the Proposed Transaction will not occur. Further, Resolution 2 will not be put to the Meeting as there will be immediate need for the Company to change its name.**

A simple majority (more than 50%) of the total votes cast on the Resolution must be in favour of it for the Proposed Transaction to be approved by Shareholders, with 75% approval required for the change of name.

## Impact of the Disposal on the Company

The Pro Forma Balance Sheet set out in Annexure A provides a snapshot of the financial impact of the disposal of the Customer Book on the Company, as it compares the Company's position as 30 June 2017 (audited), both with and without the Customer Book. The Pro Forma Balance Sheet set out in Annexure B provides a snapshot of the financial impact of the disposal of the Customer Book on the Company, as it compares the Company's position as 31 December 2017 (reviewed, but not audited), both with and without the Customer Book.

The Proposed Transaction will have no impact on the capital structure of the Company and therefore no change to the shareholding of any Shareholder.

As required by section 7.2 of ASX Guidance Note 12, the Company provides the following additional information:

- Information about the likely effect of the Proposed Transaction on the Company's assets, equity interests, annual revenue, EBITDA and annual profit before tax:** See the Pro Forma Balance Sheets set out in Annexures A and B. Annexure A has been prepared on the basis of the audited statements of financial position as at 30 June 2017, with adjustments as if the Proposed Transaction had taken place as at that date. Annexure B contains more recent figures, having been prepared on the basis of the reviewed (not audited) statements of financial position as at 31 December 2017, also with adjustments as if the Proposed Transaction had taken place as at that date.

These have both been prepared on an abbreviated basis and do not contain all of the disclosures usually provided in audited statements of financial position.

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Particulars</b>	<b>Before Disposal</b>	<b>Projected Change due to Disposal</b>	<b>After Disposal</b>
Method of Calculation	From Audited Figures 30 June 2017	Actual change due to Disposal	B +/- C
Total Consolidated Assets - on basis that sale is finalised on 30 June 2017	\$8,762,550	\$3,800,000	\$12,562,550
Equity Interest	100% of two subsidiaries	0% - not selling stock or investment in subsidiaries	100% of two subsidiaries
Annual Revenue	Operating Revenue – Consolidated \$1,781,257 Other Revenue \$449,533	Operating Revenue – Consolidated \$0 Other Revenue \$3,800,000	Operating Revenue – Consolidated \$1,781,257 Other Revenue \$4,249,533
Annual Profit/Loss (before tax and extraordinary items) and EBITDA - on basis that sale is finalised on 30 June 2017 and is not affecting operations for the reporting year.	Loss (\$3,727,375)  EBITDA (\$3,703,764)	Sale Proceeds Accrual \$3,460,000 Reverse LSL Accrual as of 30 June 2017 \$52,869 Redundancy Accrual (\$212,169)	Loss (\$86,675)  EBITDA (\$63,064)

Annual Profit/Loss (before tax and extraordinary items) and EBITDA - on basis that sale is finalised on 1 July 2016 and is affecting operations for the reporting year.	Loss (\$3,727,375)  EBITDA (\$3,703,764)	Sale Proceeds Received \$1,933,333 Sale Proceeds Accrual (paid within next two years) \$1,866,667 Employee Benefits Expense (does not occur) \$3,985,519 Outsourcing for consulting segment (\$240,000) Revenue – LMS Segment (does not occur) (\$482,912) Share-based payments (does not occur) \$152,167 Redundancy Expense Paid (\$212,169) Payroll tax on redundancy (\$11,669) Reverse LSL Accrual as of 1 July 2016 \$53,821	Profit \$3,317,382  EBITDA \$3,340,993
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Further information is provided in Annexures A and B.

- Changes that the Company will be making to its business model in light of the Proposed Transaction:** The Company having disposed of its Dash Digital business as announced to the market on 6 August 2018 will now only hold its Now Force investment and assets (exclusive distributorship) and is open to offers and opportunities with respect to them. The Company will cease further distribution of Now Force and the Board is currently reviewing the Company’s investment in Now Force and will update the market once a clear path has been established. The Company is a minority investor in Now Force therefore only has limited access to Now Force financial information as it is not a publicly listed entity.

As stated above, the Board also intends to seek new investments in high growth industries to seek to drive strong Shareholder value.

- The Company’s intention with respect to the proceeds received:** As the proceeds from the Proposed Transaction will be received on a quarterly basis over 3 years, there is no plan for these funds to be used for anything specific at present. They will assist in the Company funding any new investments as referred to above and will also be available to go to working capital as needed, in particular to funding the on-going operating costs of

the Company while seeking to preserve cash at bank to have available to direct towards an acquisition; and to maintain the Company's attractiveness as a reverse listing proposition. As a result, if Resolution 1 is passed then under the ASX Listing Rules the Company will have a period of 6 months to identify and make an announcement of its intention to acquire a suitable new business.

The Proposed Transaction will also result in the reduction of overheads and significantly reduce the Company's cash burn. This reduction and the receipt of sale proceeds will provide the Company with working capital to investigate new opportunities and also fund the remaining business.

The Directors believe that the current uncertain capital markets may present an investment opportunity for the Company to utilise its cash reserves in a manner which delivers superior returns for Shareholders. To proceed with any such investment opportunity, the investment case would need to be compelling and, depending on the nature of any potential investment, Shareholder approval may be required to approve a proposed new investment.

4. **Any changes to the Board of Directors or senior management as a consequence of the Proposed Transaction:** No changes are proposed at present.
5. **The timetable for the Proposed Transaction** (including events that have led up to it) is as follows:

<b>Event</b>	<b>Date (2018)</b>
Voluntary Suspension	24 July
Announcement of Damstra Proposed Transaction and end of voluntary suspension	6 August
Dispatch of Notice of Meeting and Explanatory Statement	17 August
Last date for lodgement of Proxy	19 September (11am EST)
Date for determining entitlement to vote	19 September (7pm EST)
Date of General Meeting	21 September
Last date for satisfaction of conditions precedent	21 September
Completion of Proposed Transaction	28 September

4. **No responsibility:** The ASX takes no responsibility for the contents of this document;

### **Recommendation**

The Directors have carefully considered the Proposed Transaction and after assessing all of the facts, believe that the Proposed Transaction is in the best interests of Shareholders and therefore unanimously recommend that you vote in favour of both Resolutions 1 and 2. All Directors have indicated that they intend to vote in favour of the Resolutions. As at the date of this Notice, they hold the following ordinary shares:

<b>Director Name</b>	<b>Number of Ordinary Shares</b>
Leanne Graham	666,667
Justin Klintberg	Nil
Christopher Mews	625,000

As referred to above, neither Damstra nor any of its officers is a related party or associate of the Company or any of its officers.

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## Resolution 2 – Change of Company Name

In accordance with section 157(1)(a) of the Corporations Act, the Company submits to Shareholders for consideration and adoption by way of a special resolution that the name of the Company be changed to “VPCL Limited”. The Company’s ASX code of VPC will remain the same. As the Company will, if Resolution 1 is passed, be disposing of the Velpic Customer Book and related assets, the change of name is considered necessary so as to not cause confusion in the marketplace. If the Company makes a new business acquisition as referred to above, the name of the Company will be changed again to then reflect that new business.

The Company also seeks approval under section 136(2) of the Corporations Act, to the Company’s Constitution being updated to reflect the change of name. If this Resolution is passed, the Company will lodge a copy of the special resolution with ASIC to effect the change.

The passing of this Resolution is conditional upon, and subject to, Resolution 1 being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 2, you should also vote in favour of Resolution 1.

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### Definitions

**\$** means Australian Dollars.

**Agreement** means the Binding Asset Sale Agreement Terms Sheet entered into between Damstra and the Company on 3 August 2018;

**ASX** means the ASX Limited ABN 96 008 624 691.

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

**Board** means the current Board of Directors of the Company.

**Company** means Velpic Limited ACN 149 197 651.

**Customer Book** means all contracts the Company has entered into where it uses the Velpic Platform to provide services to third parties.

**Damstra** means Damstra Technology Pty Ltd ACN 086 218 742.

**Directors** means the current Directors of the Company.

**Explanatory Statement** means this Explanatory Statement.

**Extraordinary General Meeting, General Meeting or Meeting** means the meeting convened by this notice.

**IP** refers to intellectual property and means all code, trademarks, URLs, road map features of the Velpic Platform not yet developed and all aspects of the Velpic Platform that enable it to be

deployed and used by the contracts forming the Customer Book including but not limited to all servers, third party suppliers and their contracts and all related data;

**Proposed Transaction** means the transaction between the Company and Damstra as contemplated by the Agreement.

**Revenue** means the total annual revenue received by Damstra from the date of Completion from the Customer Book.

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

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

**Velpic Platform** means all code, trademarks, URLs, road map features and other intellectual property of the Company that is deployed and used to service the contracts forming the Customer Book, including but not limited to all servers, third party suppliers and their contracts and all related data.

## ANNEXURE A

<b>CONSOLIDATED BALANCE SHEET</b>			
<b>AS AT 30 JUNE 2017</b>			
		Consolidated	<b>Consolidated</b>
		(Audited)	w/ LMS Sale
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,250,134	3,250,134
Trade and other receivables		437,589	437,589
LMS Current Receivable	Note 1		1,933,333
Other current assets		40,066	40,066
<b>Total Current Assets</b>		<b>3,727,789</b>	<b>5,661,122</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment		71,082	71,082
LMS Non-Current Receivable	Note 1		1,866,667
Intangible Asset		23,662	23,662
Goodwill		4,940,017	4,940,017
<b>Total Non-Current Assets</b>		<b>5,034,761</b>	<b>6,901,428</b>
<b>Total Assets</b>		<b>8,762,550</b>	<b>12,562,550</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			

Trade and other payables		712,378	712,378
Provisions	Note 2	31,267	243,436
<b>Total Current Liabilities</b>		<b>743,645</b>	<b>955,814</b>
<b>Non Current Liabilities</b>			
Provisions	Note 3	52,869	0
<b>Total Non Current Liabilities</b>		<b>52,869</b>	<b>0</b>
<b>Total Liabilities</b>		<b>796,514</b>	<b>955,814</b>
<b>Net Assets</b>		<b>7,966,036</b>	<b>11,606,736</b>
<b>Equity</b>			
Contributed Equity		29,068,461	29,068,461
Reserves		3,662,041	3,662,041
Retained Earnings / (Loss)	Note 4	(24,764,466)	(21,123,766)
<b>Total Equity</b>		<b>7,966,036</b>	<b>11,606,736</b>

**Note 1** - LMS sale is deemed to occur on last day of financial year (30 June 2017). LMS Receivable is over three years. Estimate \$1,933,333 within the first 12 months ending on 30 June 2018 (current) and the remaining estimate of \$1,866,667 will be received over the remaining two years ending 30 June 2019 and 30 June 2020 respectively.

**Note 2** - Original amount is current long service liability to be paid out to employees who already reached entitlement. Entity will no longer have employees so redundancy of \$212,169 is accrued to be paid in the month following financial year end.

**Note 3** - Entity will no longer have employees so accrued long service leave for employees who have not reached their entitlement will no longer need to be accrued. Other employee accruals such as annual leave and superannuation will still be paid in the month following financial year end and are in Trade and other payables.

<b>Note 4</b> - Changes to Retained Earnings			
Original Retained Earnings / (Loss)			(24,764,466)
LMS Sale			3,800,000
Redundancy			(212,169)
Reversal of accrued long service leave expense			52,869
<b>Retained Earnings / (Loss) after LMS Sale</b>			<b>(21,123,766)</b>

## ANNEXURE B

<b>CONSOLIDATED BALANCE SHEET</b>			
<b>AS AT 31 DECEMBER 2017</b>			
<b>(REVIEWED, NOT AUDITED)</b>			
		Consolidated	Consolidated
		(Reviewed)	w/ LMS Sale
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,895,261	2,895,261
Trade and other receivables		283,877	283,877
LMS Current Receivable	Note 1	0	1,933,333
Other current assets		270,635	270,635
<b>Total Current Assets</b>		<b>3,449,773</b>	<b>5,383,106</b>
<b>Non-Current Assets</b>			
Available for sale financial asset		907,549	907,549
Property, Plant & Equipment		62,411	62,411

LMS Non-Current Receivable	Note 1	0	1,866,667
Intangible Asset		23,662	23,662
Goodwill		0	0
<b>Total Non-Current Assets</b>		<b>993,622</b>	<b>2,860,289</b>
<b>Total Assets</b>		<b>4,443,395</b>	<b>8,243,395</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,145,948	1,145,948
Provisions	Note 2	17,580	229,749
<b>Total Current Liabilities</b>		<b>1,163,528</b>	<b>1,375,697</b>
<b>Non Current Liabilities</b>			
Provisions	Note 3	64,043	0
<b>Total Non Current Liabilities</b>		<b>64,043</b>	<b>0</b>
<b>Total Liabilities</b>		<b>1,227,571</b>	<b>1,375,697</b>
<b>Net Assets</b>		<b>3,215,824</b>	<b>6,867,698</b>
<b>Equity</b>			
Contributed Equity		30,630,133	30,630,133
Reserves		3,665,341	3,665,341
Retained Earnings / (Loss)	Note 4	(31,079,650)	(27,427,776)
<b>Total Equity</b>		<b>3,215,824</b>	<b>6,867,698</b>
<p>Note 1 - LMS sale is deemed to occur on last day of financial half-year (31 December 2017). LMS Receivable is over three years. Estimate \$1,933,333 within the first 12 months ending 31 December 2018 (current) and the remaining estimate of \$1,866,667 will be received over the remaining two years ending 31 December 2019 and 31 December 2020 respectively.</p>			
<p>Note 2 - Original amount is current long service liability to be paid out to employees who already reached entitlement. Entity will no longer have employees so redundancy of \$212,169 is accrued to be paid in the month following the balance sheet date.</p>			
<p>Note 3 - Entity will no longer have employees so accrued long service leave for employees who have not reached their entitlement will no longer need to be accrued. Other employee accruals such</p>			

as annual leave and superannuation will still be paid in the month following the balance sheet date and are in Trade and other payables.

Note 4 - Changes to Retained Earnings			
Original Retained Earnings / (Loss)			(31,079,650)
LMS Sale			3,800,000
Redundancy			(212,169)
Reversal of accrued long service leave expense			64,043
<b>Retained Earnings / (Loss) after LMS Sale</b>			<b>(27,427,776)</b>