

A photograph of two men in business attire. The man on the left, wearing glasses and a dark suit with a striped tie, is holding a white tablet and pointing at it with a pen. The man on the right is partially visible, looking at the tablet. They are seated at a glass-topped desk. On the desk, there is a glass of water, a pen, and some papers. In the background, a blurred office environment with a window and a small potted plant is visible.

VERILUMA

VERILUMA LIMITED

ABN 48 142 901 353

AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT

30 JUNE 2017

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
ABN: 48 142 901 353

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VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
ABN: 48 142 901 353

CORPORATE DIRECTORY
30 JUNE 2017

Directors

Richard Anstey	Non-Executive Chairman
Elizabeth Whitelock	Managing Director and Chief Executive
John Welsh	Non-Executive Director

Company Secretary

Lisa Dadswell

Registered Office

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Auditor

KPMG
Level 11, Corporate Centre One
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Bundall Queensland 4217 Telephone+61
7 5577 7555 Facsimile +61 7 5577 7444
Website: www.kpmg.com.au

Share Registry

Computershare Investor Services
Pty Ltd Level 11, 172 St Georges
Terrace
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Western Australia 6000
Telephone 1300 850 505
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Facsimile +61 8 9323 2033
Email: web.queries@computershare.com.au

Home Exchange

Australian Stock Exchange (Sydney) Limited
20 Bridge Street
Sydney NSW 2000

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
ABN: 48 142 901 353

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2017

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 corporate governance statement is dated as at 11 September 2017 and reflects the corporate governance practices throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on 11 September 2017. A description of the Company's current corporate governance practices is set out in the Company's corporate governance statement which can be viewed at www.veriluma.com

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

The directors present their report, together with the consolidated financial statements of the Group, being Veriluma Limited (the Company) and its controlled entities, for the financial year ended 30 June 2017.

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Richard Anstey	Non - Executive Chairman - appointed on 8 September 2016
Qualifications	Fellow of Australian Institute of Company Directors (FAICD) Fellow of Australian Institute of Management (FAIM)
Experience	Mr Anstey has more than 30 years' experience in the IT and telecommunications industries and in associated investment banking roles. Across this time, he has built and managed his own companies. The first, Tangent Group Pty Ltd, established a strong reputation for the development of software, software products and strategic management consultancy for the banking and finance sector. After the sale of Tangent and a year as a partner with Grant Samuel Technology Capital, he co-founded InQbator in 2000, an early stage investment group focused upon the technology, telecommunications and life sciences sectors. InQbator is now called iQFunds and has managed Commonwealth Government backed seed funds for the past 15 years. It has invested in over 30 companies and manages the remaining portfolio of 8 active companies in Australia and the United States.
Interest in shares and options	51,308,100 ordinary shares 3,420,540 Class A Performance Shares 5,130,810 Class B Performance Shares 5,130,810 Class C Performance Shares
Other current directorships in listed entities	Non-executive director of Technology One Limited (ASX 200:TNE)
Elizabeth Whitelock	Managing Director and Chief Executive Officer - appointed on 8 September 2016
Experience	Ms Whitelock is a co-founder of Veriluma Pty Ltd and is the company's CEO. Elizabeth started her career in the UK working for the Metropolitan Police Force and now has over 25 years' experience in Senior Management and CEO roles with IBM, Information Builders Inc. Alphablox, SAS, Ingres, Computer Associates and Rogen. These roles have all shared a focus on Information Management Products and Services and have highlighted her strengths in strategic communications, sales, marketing and customer relations while also expanding partner programs and cementing customer relationships.
Interest in shares and options	45,156,000 ordinary shares 3,010,400 Class A Performance Shares 4,515,600 Class B Performance Shares 4,515,600 Class C Performance Shares
Other current directorships in listed entities	None

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

1. General information (continued)

Information on directors (continued)

John Welsh	Non-Executive Director - appointed on 27 July 2017
Qualifications	Australian Institute of Company Directors (AICD)
Experience	Mr Welsh has extensive operational and investment banking experience. As a Board Director and business executive, he has experience across Fintech, Industrial, and Equity Capital Markets. He is a graduate of the Australian Institute of Company Directors.
Interest in shares and options	None
Other current directorships in listed entities	None
Nigel Gellard	Executive Chairman - resigned on 8 September 2016; Non-Executive Director – appointed 8 September 2016, resigned 27 April 2017
Qualifications	Fellow of Australian Institute of Company Directors (FAICD)
Experience	Nigel has over 20 years' experience in the resources, agricultural and financial services/funds management sectors. Previously, Nigel was co-founder and Executive Director of a privately-owned boutique funds management firm. Prior to this Nigel spent five years dealing in the equities markets, most notably with Patersons Securities Limited. Prior to entering into the financial services and funds management industry, Nigel was Commercial Adviser to the Director of Exploration for Rio Tinto Plc, and based in London where he was responsible for advising on commercial matters relating to Rio Tinto's activities in Europe, Eastern Europe, South America and Africa. He was also responsible for the negotiation of commercial agreements and risk management. Nigel is a fellow of the Australian Institute of Company Directors
Interest in shares and options	6,529,730 ordinary shares 3,500,000 options
Other current directorships in listed entities	None
Henry Capra	Non-Executive Director - appointed on 25 April 2017 and resigned on 27 July 2017
Qualifications	Member of Chartered Accountants ANZ, Member of the Australian Institute of Company Directors, Bachelor of Economics
Experience	Mr Capra is a highly experienced financial services industry executive with an extensive 35-year career in senior management roles with responsibilities across finance and strategy, information technology, compliance, operations, risk and governance. His most recent executive role was Managing Director and Head of Custody & Fund Services - Australia and New Zealand at JP Morgan and prior to that he was Chief Operating Officer (COO) of Blackrock Investment Management Australia Limited, Chief Financial Officer (CFO) and COO of AMP Capital Investors Limited and Director and CFO of Colonial First State Investment Limited. He has more recently been advising small businesses around product development, investments, business development and general business management. His experience will be particularly useful as Veriluma develops and implements its product and growth strategy.
Interest in shares and options	None

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DIRECTORS' REPORT

30 JUNE 2017

1. General information (continued)

Information on directors (continued)

Peter Ellery Non-Executive Director – Resigned 8 September 2016

Jay Stephenson Non-Executive Director – Resigned 8 September 2016

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

Principal activities and significant changes in nature of activities

The following significant changes in the nature of the principal activities occurred during the financial year:

- During the period there was a significant change in the principal activities of the listed entity, Parmelia Resources Limited, following the acquisition of 100% of the issued capital in Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) (ACN 117 490 785) ("Veriluma"), a software technology development company. On 8 September 2016, the Group successfully completed the acquisition of Veriluma Pty Ltd and the principal activity of the Group on the ASX was changed from the exploration of the Jaurdi Hills Project in Western Australia to the product development, marketing and commercialisation of software products and services.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

2. Operating results and review of operations

for the year Operating results

The consolidated loss of the Group amounted to \$14,424,084, after providing for income tax. Included within this loss are \$12,560,500 of, non-recurring expenses, primarily relating to the acquisition. The loss after tax excluding these non-recurring items is \$1,863,584.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations show:

Highlights

- Successful completion of Phase 1 trial with the Australian Government Department of Defence generates over \$124k of revenue, with the Company now discussing the potential progression to a materially larger Phase 2 trial
- Partnership with US company Diamond Capture Associates provides Veriluma with direct access to US government agencies and corporations
- Gilbert + Tobin pilot successfully completed, with discussions on trial outcomes and future potential commercialisation opportunities ongoing
- Legal Logix on track to launch its first Veriluma developed application in FY18

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

2. Operating results and review of operations for the year (continued)

Review of operations (continued)

- Veriluma's SAMI application is receiving strong interest from the financial services sector, with a number of financial services organisations interested in trials
- Discussions with several of the Big 4 accounting firms continue, with the commercial adoption of Veriluma's technology under consideration
- Conditional sale of West Australian Jaurdi Hills tenements

Business Overview

During the financial year, Veriluma signed new clients, established new partnerships and completed a number of proofs of concept trials with key customers. Importantly, the Company has made strong operational progress across its three key verticals of Defence and National Security, Legal Services and Financial Services and has identified increasing interest in its artificial intelligence and prescriptive analytics solution from the Agricultural sector.

Defence and National Security

Veriluma successfully completed a Phase 1 trial of its Intelfuze software with the Australian Government Department of Defence (DoD). An 'Indicators and Warnings' model was built using Veriluma's Intelfuze software to provide insight into cross-Government's climate and disaster preparedness. The contract generated over \$124k of revenue for a six-month software licence and associated services, with the pilot successfully concluding in the first half of the year. The Company is currently in discussions with the DoD regarding Phase 2 of the project and expects a decision in 1Q18. It is expected Phase 2 will be materially larger in scope and contract value than the Phase 1 trial.

The success of the trial has established a strong collaborative relationship with the DoD, which it continues to leverage with other Australian Government departments. The Company continues to pursue opportunities within the government sector and is in discussion with a number of Australian Government agencies inside and outside the core area of national security about potential opportunities. Furthermore, discussions with the private non-government intelligence sector continue, with opportunities for the commercial application of Veriluma's software identified.

During the year, Veriluma signed a partnership deal with Diamond Capture Associates, LLC, a US based SaaS company that works closely with the US Federal Government across a range of national security, counter-terrorism, anti-money laundering and fraud detection solutions. Its offering of 'big data' analytics and supporting software solutions is highly complementary to Veriluma's capabilities, and the partnership provides the Company with direct access to the large US market, with potential opportunities already identified.

Legal Services

The pilot with leading Australian law firm Gilbert + Tobin successfully completed in FYQ17. Using Veriluma's software, a model was built to predict the risks and offer insights on the likely outcome of cases earlier in the legal process. Following its successful completion, management continues discussions on the trial outcomes and is investigating potential future commercial opportunities with the firm.

The Company's partnership with Legal Logix has made steady progress, with a commercial launch of its first family law application focusing on property settlement outcomes due to launch in the first quarter of FY18. The application is expected to move into other areas including estate disputes, personal injury, immigration and employment matters in Australia and other legal jurisdictions have been identified for future application development and commercialisation.

Veriluma continues to progress its development of legal solutions for other legal firms in Australia and overseas and will look to progress these to commercial outcomes by the end of calendar year 2017.

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DIRECTORS' REPORT

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2. Operating results and review of operations for the year (continued)

Review of operations (continued)

Financial Services

During the second quarter, the Company expanded its offering into the Financial Services sector, having identified strong commercial applications for its software to provide a range of solutions, which include risk assessments, insurance strategies and claims and identifying fraudulent activity. SAMI, the application built by Veriluma in conjunction with AdviceRegTech to monitor the quality of advice provided by financial planners continues to receive strong interest from Australian financial organisations. Discussions with a number of parties continue around the practical and commercial application of SAMI for risk mitigation, compliance driven processes and automated decision making.

Furthermore, the Company is in active negotiation with several Big 4 accounting firms around the potential broad commercial adoption of Veriluma's technology and its integration into their own product offerings.

Agriculture

Veriluma has received strong interest from the agricultural sector and has identified numerous applications of the Company's software to address many of the challenges facing the sector, such as climate prediction and global product demand. Veriluma continues to explore opportunities in partnership with local and global technology companies to work on predictive solutions to address common problems facing Australia's farmers.

Exploration Tenements

The Company was pleased to enter into an agreement for the conditional sale of the West Australian Jaurdi Hills tenements during the year. The sale was completed subsequent to year end – refer to 'Events after reporting date' on page 8.

3. Other items

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

On 8 December 2015, Veriluma Pty Ltd (ACN 117 490 785) and Parmelia Resources Limited (ASX: PML) signed a legally binding Heads of Agreement to acquire 100% of the issued capital in Veriluma Pty Ltd, a software technology development company.

On 29 July 2016, Parmelia Resources Limited issued the prospectus seeking to raise \$3,500,000 through the issue of 50,000,000 fully paid ordinary shares in the capital of the Company at \$0.07 per share. On 30 August 2016, the Company confirmed the oversubscriptions of the Prospectus offer to raise \$3.5 million at an issue price of \$0.07.

On 8 September 2016, the acquisition was completed and the Company appointed Mr Richard Anstey as Non-Executive Chairman and Ms Elizabeth Whitelock as Managing Director and Chief Executive Officer. At the same time, Mr Peter Ellery and Mr Jay Stephenson resigned as Directors. As disclosed in Note 6 to the financial statements, the transaction has been accounted for as a reverse acquisition with Veriluma Pty Ltd considered to be the acquirer for accounting purposes. The following equities were issued on 8 September 2016:

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

3. Other items (continued)

Significant changes in state of affairs (continued)

- 50,000,000 ordinary shares were issued pursuant to the prospectus dated 29 July 2016
- 162,857,400 ordinary shares and 40,000,000 performance shares were issued as consideration for the acquisition of Veriluma Pty Ltd
- 2,857,143 ordinary shares were issued for the payment of outstanding loans of \$200,000 which are owed by Veriluma Pty Ltd to SJSMT Pty Ltd
- 17,465,883 ordinary shares were issued to a Corporate Advisor and Lead Manager

As approved by the Parmelia Resources Limited shareholders on 13 July 2016 the name of the Company was changed from "Parmelia Resources Limited" to "Veriluma Limited" on 12 September 2016, and the principal activities of Parmelia Resources Limited were changed to product development, marketing and commercialisation of software, products and services.

The Company was reinstated to official quotation on the ASX on 27 September 2016 following the completion of the fund raising under the Prospectus dated 29 July 2016 and the completion of the Veriluma acquisition on 8 September 2016 having been suspended from quotation on the Official List of the ASX since 12 July 2016.

Events after the reporting date

On 24 July 2017, the Group finalised the sale of its wholly owned subsidiary, Toro Mining Pty Ltd for cash consideration of \$500,000 and a further \$500,000 consideration contingent on certain events. Prior to 30 June 2017 a non-refundable deposit of \$50,000 was received. Since year end the following payments have been received a non-refundable payment of \$10,000 on 20 July 2017, a further \$200,000 was received on 31 July 2017, \$50,000 on 15 August 2017 and \$50,000 on 1st September 2017. The remaining balance of \$140,000 is to be received by 30 September 2017 and on receipt of the balance 100% of the Group's investment will be transferred to the buyer. An additional \$500,000 may be received by the Group on the delineation on the tenements held by Toro Mining Pty Ltd of a JORC Code Compliant Resource of 300,000 ounces or more of gold or an equivalent value JORC Code Compliant Resource.

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

Environmental issues

The mining leases granted to the Group pursuant to Mining Acts are granted subject to various conditions, which include standard environmental requirements. The Group adheres to these conditions and the Directors are not aware of any contraventions of these requirements.

Dividends paid or recommended

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

Company secretary

The following people held the position of Company secretary during the year or at the end of the financial year:

Lisa Dadswell (appointed on 28 April 2017)

Justin Clyne (appointed on 7 October 2016, resigned on 28 April 2017)

Jay Stephenson (resigned on 7 October 2016)

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DIRECTORS' REPORT

30 JUNE 2017

3. Other items (continued)

Meetings of directors

During the financial year, 8 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Richard Anstey	7	7
Elizabeth Whitelock	7	7
Nigel Gellard	6	2
Henry Capra	2	2
John Welsh	-	-
Peter Ellery	1	1
Jay Stephenson	1	1

Indemnification and insurance of officers and auditors

During or since the end of the financial year the Group has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Group has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Group. The agreement provides for the Group to pay all damages and costs which may be awarded against the Directors.
- The Group has paid premiums to insure each of Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings to arising out of their conduct while acting in the capacity of Director of the Group, other than conduct involving willful breach of duty in relation to the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.
- The Group has paid premiums to insure each of the former Directors against liabilities, costs and expenses arising out of their conduct while acting in the capacity of Director of Parmelia Resources Limited prior to 8 September 2016. The run off policy will expire 20 November 2023.
- No indemnity has been paid to auditors.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

3. Other items (continued)

Options

At the date of this report, the unissued ordinary shares of Veriluma Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
14 November 2014	31 October 2017	\$0.06	4,500,000
08 August 2016	08 September 2018	\$0.11	1,000,000
			5,500,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

The options issued on 8 August 2016 were issued to the former directors of Veriluma Limited (formerly Parmelia Resources Limited). For details of options held by directors and other key management personnel as remuneration, refer to the remuneration report.

During the year ended 30 June 2017, the following ordinary shares of Veriluma Limited and its controlled entities were issued on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of these shares.

Issue Date	Exercise Price	Number of Shares Issued
06 June 2017	\$ 0.05	27,400

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on behalf of company

Nil

Non-audit services

There was no non-audit services provided by KPMG, the Group's auditor, during the year ended 30 June 2017.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2017 has been received and can be found on page 16 of the consolidated financial report.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

4. Remuneration report (audited)

As the transaction between the Company and Veriluma Software Pty Ltd has been accounted for as a reverse acquisition with Veriluma Software Pty Ltd as the acquirer (refer Note 6), disclosures in the Remuneration Report have been presented as the continuing operations of Veriluma Software Pty Ltd (including comparative information).

Principles used to determine the nature and amount of remuneration

The remuneration policy of Veriluma Limited and its controlled entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Veriluma Limited and its controlled entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Group.

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Remuneration packages include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds.

Options may only be issued to Directors subject to approval by shareholders in a general meeting. The Board has no established retirement or redundancy schemes.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being base fees as well as compulsory employer contributions to superannuation funds; and
- Short term incentives and bonuses.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition, external consultants may be used to provide analysis and advice to ensure the Directors' and senior executives' compensation is competitive in the market place. During the period, no such remuneration consultant was used and no senior executives other than Directors were employed.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

4. Remuneration report (audited) (continued)

Performance Based Remuneration

Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

Long-term incentives

The Board has a policy of granting incentive options to executives with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

Remuneration details for the year ended 30 June 2017

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

The reverse acquisition was completed 8 September 2016. The Table of benefits and payments reflects the key management personnel of the continuing operations of Veriluma Software Pty Ltd and includes amounts paid both before and after the continuing operations became a listed entity.

Table of benefits and payments

2017

	Cash salary and fees \$	Total short term \$	Post employment super- annuation \$	Other long term* \$	Total remuneration \$	Performance related remuneration %
Directors						
Richard Anstey (Non-executive Chairman)	55,848	55,848	5,306	-	61,154	-
Elizabeth Whitelock (Managing Director and CEO)	250,000	250,000	23,750	17,666	291,416	-
Nigel Gellard (Non-executive director) ¹	23,697	23,697	2,251	-	25,948	-
Henry Capra (Non-executive director) ²	7,610	7,610	723	-	8,333	-
	337,155	337,155	32,030	17,666	386,851	-

¹ Mr Gellard was appointed Non-executive director on 8 September 2016 and resigned 27 April 2017.

² Mr Capra was appointed Non-executive director on 25 April 2017 and resigned subsequent to year end on 27 July 2017.

2016

	Cash salary and fees \$	Total short term \$	Post employment super- annuation \$	Other long term* \$	Total remuneration \$	Performance related remuneration %
Directors						
Richard Anstey (Non-executive Chairman)	-	-	-	-	-	-
Elizabeth Whitelock (Managing Director and CEO)	181,231	181,231	17,217	22,804	221,252	-
	181,231	181,231	17,217	22,804	221,252	-

* Other long term benefits comprises accrued employee leave entitlements.

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DIRECTORS' REPORT

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4. Remuneration report (audited) (continued)

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for the Managing Director are set out in a formal service agreement as summarised below.

Ms Elizabeth Whitelock

On 8 September 2016, the Group has entered into an executive employment contract with Ms Elizabeth Whitelock as a Managing Director and Chief Executive Officer of the Group.

Under the Executive Employment Contract, Ms Whitelock will be employed by the Group on the following terms:

- (a) a salary of \$273,750, inclusive of superannuation and other statutory entitlements, to be reviewed after 12 months;
- (b) a notice period of six months after the first anniversary of employment whereby either the Company or Ms Whitelock may terminate the employment without cause with six months prior notice;
- (c) four weeks' paid annual leave each year and ten days' paid personal leave per year;
- (d) all intellectual property developed by Ms Whitelock during her employment will belong to the Group; and
- (e) a 12 month non-compete throughout Australia restricting Ms Whitelock from providing services to a direct competitor of the Group, or soliciting or enticing away customers or employees of the Group, during which period of restraint Ms Whitelock will be paid her usual remuneration.

Prior to 8 September 2016 there was no formal contract with Ms Whitelock.

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DIRECTORS' REPORT

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4. Remuneration report (audited) (continued)

Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Key management personnel options and rights holdings

Mr Gellard held 6,000,000 fully vested options at 8 September 2016. During the year 2,500,000 options held by Mr Gellard expired. Mr Gellard ceased to be key management personnel on 27 April 2017 when he resigned as a non-executive director, he held 3,500,000 options on this date.

Key management personnel shareholdings

The number of ordinary shares in Veriluma Limited held by each key management person of the Group during the financial year is as follows:

30 June 2017

	Balance at beginning of the year	Other changes during the year	Issued on exercise of options	Balance at year end
Richard Anstey	-	51,308,100	-	51,308,100
Elizabeth Whitelock	-	45,156,000	-	45,156,000
Nigel Gellard	6,259,730	(6,259,730)	-	-

Mr Gellard held 6,259,730 ordinary shares in Veriluma Limited (formerly Parmelia Resources Limited) at 8 September 2016. Mr Gellard resigned as a director on 27 April 2017 and ceased to be a KMP. Mr Gellard held 6,259,730 shares on this date.

Mr Anstey and Ms Whitelock were issued ordinary shares as consideration for the shares held in Veriluma Software Pty Ltd on 8 September 2016 as they were shareholders of Veriluma Software Pty Ltd.

Performance shares in Veriluma Limited were issued to the shareholders of Veriluma Software Pty Ltd as part of the consideration in the reverse acquisition. The number of performance shares in Veriluma Limited held by each key management person of the Group during the financial year is as follows:

30 June 2017

	Balance at beginning of the year	Issued during the year	Disposed during the year	Balance at year end
Richard Anstey				
A Performance Shares	-	3,420,540	-	3,420,540
B Performance Shares	-	5,130,810	-	5,130,810
C Performance Shares	-	5,130,810	-	5,130,810
Elizabeth Whitelock				
A Performance Shares	-	3,010,400	-	3,010,400
B Performance Shares	-	4,515,600	-	4,515,600
C Performance Shares	-	4,515,600	-	4,515,600

The performance milestones for each performance share are detailed in Note 16 to the financial report. At 30 June 2017, the performance milestones have not been met.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

30 JUNE 2017

4. Remuneration report (audited) (continued)

Transactions (excluding loans with KMP)

The Group acquired the following services from entities that are controlled by the members of the Group's KMP.

Some Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities.

Entity	Nature of transactions	Key Management Personnel	Total Transactions	Payable Balance
			2017 \$	2017 \$
Gellard Enterprises	Consulting services	Nigel Gellard	38,940	-

Loans from KMP

During the year the Group repaid the related party borrowings owing to Ms Whitelock and Mr Anstey. The loan to Ms Whitelock, which totaled \$89,591 and the loan to Mr Anstey which totaled \$130,214 were repaid in full following the reverse acquisition. The loans had an interest rate of 8%, were unsecured and repayable on demand. There was no interest to be paid on the loan balances from 1 July 2016.

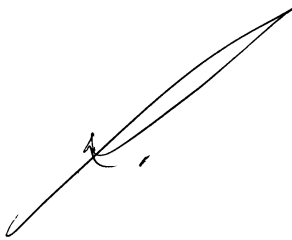
Loans made to KMP

There were no loans made to KMP during the period.

End of Audited Remuneration Report

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

Director:



Dated this 13th day of September 2017



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

To the Directors of Veriluma Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Veriluma Limited for the financial year ended 30 June 2017 there have been:

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

KPMG

KPMG

Adam Twemlow
Partner

Bundall

13 September 2017

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

		2017	2016
	Note	\$	\$
Revenue	4	146,266	7,500
Other income	4	441,682	247,783
Audit fees		(55,375)	(2,500)
Consulting and professional fees		(826,306)	(434,033)
Employee costs		(753,141)	(554,791)
Non – Executive Directors fees		(87,156)	-
Marketing and public relations expense		(226,116)	(6,262)
Exploration expenditure expensed		(120,024)	-
Reverse acquisition costs	6	(12,560,500)	-
Share Registry and Listing Fees		(65,225)	-
Other expenses		(308,586)	(171,339)
Finance costs		(11,266)	(32,557)
Share of net profits of equity-accounted associates and joint ventures		1,663	-
Loss before income tax		(14,424,084)	(946,199)
Income tax expense	5	-	-
Loss for the year		(14,424,084)	(946,199)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(14,424,084)	(946,199)
Loss attributable to:			
Members of the parent entity		(14,424,084)	(946,199)
Total comprehensive loss attributable to:			
Members of the parent entity		(14,424,084)	(946,199)
Basic/ diluted loss per share (cents)	17	(4.48)	(0.60)

The accompanying notes form part of these financial statements.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	362,273	17,522
Trade and other receivables	9	514,072	301,587
Other assets	10	42,661	1,951
TOTAL CURRENT ASSETS		919,006	321,060
NON-CURRENT ASSETS			
Other assets		12,684	450
Investments in associates		1,663	-
Property, plant and equipment		7,002	8,876
TOTAL NON-CURRENT ASSETS		21,349	9,326
TOTAL ASSETS		940,355	330,386
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	337,244	1,356,206
Income not yet recognised	11	50,000	-
Employee benefits	14	161,625	124,825
Other liabilities	15	-	200,000
TOTAL CURRENT LIABILITIES		548,869	1,681,031
NON-CURRENT LIABILITIES			
Employee benefits	14	50,314	34,782
TOTAL NON-CURRENT LIABILITIES		50,314	34,782
TOTAL LIABILITIES		599,183	1,715,813
NET ASSETS		341,172	(1,385,427)
EQUITY			
Issued capital	15	14,361,745	423,109
Reserves		150,950	-
Retained earnings		(14,171,523)	(1,808,536)
Total equity attributable to Shareholders of the Company		341,172	(1,385,427)
TOTAL EQUITY		341,172	(1,385,427)

The accompanying notes form part of these financial statements.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

2017

	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Total \$
Balance at 1 July 2016		423,109	(1,808,536)	-	(1,385,427)
Profit/(loss) attributable to members of the parent entity		-	(14,424,084)	-	(14,424,084)
Transactions with owners in their capacity as owners					
Share based payment - settlement of liability	15	200,000	-	-	200,000
Share based payment - acquisition of PML	6	13,737,266	-	2,212,047	15,949,313
Issue of shares on exercise of options		1,370	-	-	1,370
Lapsed options	16	-	2,061,097	(2,061,097)	-
Balance at 30 June 2017		14,361,745	(14,171,523)	150,950	341,172

2016

	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Total \$
Balance at 1 July 2015		100	(862,337)	-	(862,237)
Profit/(loss) attributable to members of the parent entity		-	(946,199)	-	(946,199)
Transactions with owners in their capacity as owners					
Shares issued during the year	15	450,009	-	-	450,009
Transaction costs		(27,000)	-	-	(27,000)
Balance at 30 June 2016		423,109	(1,808,536)	-	(1,385,427)

The accompanying notes form part of these financial statements.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		146,266	179,652
Payments to suppliers and employees		(2,675,026)	(837,409)
Interest received		1,442	372
Interest paid		(12,708)	-
Receipt from grants		247,783	-
Net cash provided by/ (used in) operating activities	22	<u>(2,292,243)</u>	<u>(657,385)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipt of non-refundable deposit	11	50,000	-
Purchase of property, plant and equipment		(787)	-
Net cash provided by investing activities		<u>49,213</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		1,370	423,009
Repayment of related party and shareholder loans		(662,281)	-
Advances to associates		(89,593)	-
Bank guarantee		(12,684)	-
Proceeds from loans and borrowings		-	250,246
Net cash provided by/ (used in) financing activities		<u>(763,188)</u>	<u>673,255</u>
Net increase/(decrease) in cash and cash equivalents held		(3,006,218)	15,870
Cash and cash equivalents at beginning of year		17,522	1,652
Cash acquired		3,350,969	-
Cash and cash equivalents at end of financial year	8	<u>362,273</u>	<u>17,522</u>

The accompanying notes form part of these financial statements.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The consolidated financial report covers Veriluma Limited and its controlled entities ('the Group'). Veriluma Limited is a listed public company limited by shares, incorporated and domiciled in Australia. For the purposes of the Annual Report the Group is reflected as the continuation of Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) which was considered the accounting acquirer in the acquisition of Veriluma Limited (formerly Parmelia Resources Limited). The Group is a for-profit entity primarily involved in product development, marketing and commercialisation of software, products and services.

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

The financial report was authorised for issue by the Directors on 8th September 2017.

As Veriluma Software Pty Ltd is the acquirer for accounting purposes the comparatives disclosed in the financial report are Veriluma Software Pty Ltd. From 8 September 2016 (the date of acquisition) the financial position and performance represents the consolidated Group results.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

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

The Group is in the research, development and early commercialisation stage of its prescriptive analytic technology. During the period, the Group has incurred a net loss after tax of \$14,424,084. The loss includes the acquisition costs of \$12,560,500 which resulted from the reverse acquisition on 8 September 2016. The Group incurred net cash outflows from operations of \$2,292,243. As at 30 June 2017, the Group had cash and cash equivalents of \$362,273 (2016: \$17,522) and net assets of \$341,172 (2016: net liabilities \$1,385,427).

Subsequent to year end the Group finalised the sale of its wholly owned subsidiary, Toro Mining Pty Ltd. As noted in Note 11, the total consideration comprises of an initial payment of \$500,000 of which a non-refundable deposit of \$50,000 was received prior to 30 June 2017. A further, non-refundable payment of \$10,000 was received on 24 July 2017, \$200,000 was received on 31 July 2017, \$50,000 on 15 August 2017 and \$50,000 on 1st September 2017. The balance of \$140,000 is due to be received by 30 September 2017. An additional \$500,000 may be received by the Group on the delineation on the tenements held by Toro Mining Pty Ltd by the purchaser of a JORC Code Compliant Resource of 300,000 ounces or more of gold or an equivalent value JORC Code Compliant Resource (deferred consideration).

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. These cash flows assume the Group will continue to as a going concern. Given the uncertainty of the receipt of the deferred consideration from the sale of the Toro Mining Pty Ltd subsidiary, management have excluded the receipt from the projections. These cash flows assume the Group will continue to invest in the research, development and commercialisation of its predictive analytic technology and are dependent on the following:

- the Group generating significant positive cash flows from the commercialisation of its prescriptive analytic technology; and/or
- raising additional funding from shareholders or other parties; and
- maintaining expenditure in line with available funding.

The Directors of the Group consider that the above assumptions can be achieved and the Group will be able to continue as a going concern. In the event that the Group cannot continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 20 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 to direct the relevant activities of the entity.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit and loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies

(b) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(c) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(c) Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(d) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Revenue

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 Group 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).

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Interest revenue

Interest is recognised using the effective interest method.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(e) Revenue (continued)

Software sales

Revenue is recognized when the significant risk and rewards of ownership have been transferred to the customer. The timing of the transfer of risks and rewards depends on the individual terms of the sale agreement.

Supporting Services

Unearned income is recognized upon the receipt of payment for support contracts and is brought to account over time as it is earned. The timing depends on the individual terms of the sale agreement.

Licences

Revenue from licencing is recognized on a straightline basis over the period of the licence reflecting the period over which the services are supplied.

(f) Finance costs

Finance cost includes all interest-related expenses, Interest expense is recognised using the effective interest rate method.

(g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(h) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income. At 30 June 2017 the Group's only financial assets are classified as Loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(j) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non- financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(l) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(p) Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non- market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(q) Exploration and development expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(q) Exploration and development expenditure (continued)

- i) The expenditures are expected to be recouped through successful development and exploitation of the area of interest, or
- ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

- i) Sufficient data exists to determine technical feasibility and commercial viability, and
- ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in note 2(j)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets from within property, plant and equipment.

(r) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification and subsequent gains and losses on remeasurement are recognised in profit or loss.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ABN: 48 142 901 353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2 Summary of Significant Accounting Policies (continued)

(s) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9 will replace the existing guidance in AASB 139 Financial Instruments: Measurement and Recognition (AASB 139). It includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for the Group's annual reporting period beginning 1 July 2018, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of AASB 9 and based on the initial assessment it is not expected to have a material impact on the Group. This is because the financial instruments of the Group are measured at amortised cost and will continue to be measured at amortised cost under AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 15 is effective for the Group's annual reporting periods beginning 1 July 2018, with early adoption permitted.

Under AASB 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group's current accounting policies for the recognition and measurement of revenue is disclosed in note 2(e). The Group has completed an initial assessment of the application of AASB 15 to these arrangements and is currently performing a more detailed assessment on areas identified as potentially being impacted.

AASB 16 Leases

AASB 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and leases of low value items. AASB 16 replaces existing guidance including AASB 117 Leases.

AASB 16 is effective for the Group's annual reporting periods beginning 1 July 2019, with early adoption permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of ASAB 16.

The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16. Based on the initial assessment the application of AASB 16 is not expected to have a material impact on the Group as its existing operating leases are short term and the total commitments under the operating lease arrangements are not material to the financial position or performance of the Group.

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3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date. Refer Note 13.

Key judgments

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

- Acquisition of Parmelia Resources Limited (see note 6)
- Share based payments (see Note 6)
- Going concern (see note 1)

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4 Revenue and Other Income

	2017 \$	2016 \$
Sales Revenue		
- provision of services	146,266	7,500
Total Revenue	146,266	7,500
Other Income		
- Government grant income	441,682	247,783
Total Other Income	441,682	247,783

5 Income Tax Expense

Reconciliation of income tax to accounting profit:

	2017 \$	2016 \$
Loss for the period	(14,424,084)	(946,199)
Tax	27.5%	30%
	(3,966,623)	(283,860)
Add:		
Tax effect of:		
- non-deductible exploration expenditure	41,625	-
- reverse acquisition costs	3,402,129	-
- employee entitlements	36,991	-
- research and development	143,475	-
- deferred tax assets not brought to account	342,403	283,860
Income tax expense	-	-

Deferred tax assets not recognised

The deductible differences and tax losses do not expire under the current tax legislation. Deferred tax assets of \$429,188 have not been recognised in respect of these items because it is not probable the future taxable profit will be available against which the Group can utilize the benefits of the deferred tax asset.

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6 Acquisition of Parmelia Resources Limited

On 8th September 2016, Veriluma Limited (formerly Parmelia Resources Limited) acquired 100% of the ordinary share capital and voting rights of Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) as detailed in the Share Sale Agreement between Veriluma Limited and Veriluma Software Pty Ltd dated 23 December 2015. Veriluma Software Pty Ltd was an unlisted private company involved in the development and commercialisation of intellectual property predominantly in the field of prescriptive analytics technology.

Veriluma Limited gained legal control of Veriluma Software Pty Ltd through the issue of Veriluma Limited ordinary shares to the shareholders of Veriluma Software Pty Ltd. The acquisition of Veriluma Limited by Veriluma Software Pty Ltd does not meet the definition of a business combination under AASB 3 *Business Combinations* as Veriluma Limited did not meet the business test at the time of acquisition.

Although the transaction was not a business combination, the acquisition has been accounted for as an asset acquisition with reference to the guidance for reverse acquisitions in AASB 3 *Business Combinations* and with reference to AASB 2 *Share Based Payments*.

From an accounting perspective, the acquirer is Veriluma Software Pty Ltd and the acquiree is Veriluma Limited because the shareholders of Veriluma Software Pty Ltd gained control of Veriluma Limited post acquisition. Additionally, the directors of Veriluma Software Pty Ltd were appointed directors of Veriluma Limited on 8 September 2016, and the majority of the existing directors of Veriluma Limited resigned on this date.

The acquisition of the identifiable net assets of Veriluma Limited therefore is accounted for as a share-based payment transaction in accordance with AASB 2 *Share Based Payments*. The consideration in an acquisition accounted for under AASB 2 *Share Based Payments* is measured at the fair value of the deemed issue of shares by Veriluma Software Pty Ltd, equivalent to the current shareholders' interest in Veriluma Limited on acquisition.

The assets and liabilities of Veriluma Software Pty Ltd, as the acquirer, are measured at their pre-combination carrying amounts and the assets and liabilities of Veriluma Limited, as the acquiree, are measured at fair value at the date of acquisition.

Any excess of the fair value of the shares over the acquired assets and liabilities is recognised as a listing expense in profit or loss. Other transaction costs related to the acquisition totaling \$189,122 have also been recognised as an expense in profit or loss.

	2017 \$
Fair value of shares issued (see note 15)	13,737,266
Fair value of options acquired (see note 16)	2,212,047
Fair value of share-based payment, assessed in accordance with AASB 2	15,949,313
Fair value of Veriluma Limited (formerly Parmelia Resources Limited) assets and liabilities held at acquisition:	
Parmelia Resources Limited) assets and liabilities held at acquisition:	
Cash and cash equivalents	(3,350,969)
Trade and other receivables	(55,945)
Other current assets	(24,280)
Trade and other payables	190,645
Forgiveness of loan payable by Veriluma Software Pty Ltd	(337,389)
Listing expense on reverse acquisition recognised on the date of acquisition	12,371,378
Other acquisition expenses incurred	189,122
Total reverse acquisition costs	12,560,500

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7 Operating Segments

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

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

8 Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	362,273	17,522
	362,273	17,522

Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

	2017	2016
	\$	\$
Cash and cash equivalents	362,273	17,522
Balance a per consolidated statement of cash flows	362,273	17,522

9 Trade and Other Receivables

	2017	2016
	\$	\$
CURRENT		
GST receivable	50,927	53,804
Other receivables	21,463	-
Government grant receivable	441,682	247,783
Total current trade and other receivables	514,072	301,587

As outlined in Note 13 an amount of \$134,557 due from Legal Logix Holdings Pty Ltd (the Group's joint venture) was fully impaired during the year.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

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10 Other Assets

	2017	2016
	\$	\$
Prepayments	42,661	1,951

11 Non Current Asset Held for Sale

In April 2017 the Group committed to a plan to sell the exploration and evaluation permits held by the Group. The carrying value of the assets relating to the exploration and evaluation permits at 30 June 2017 is Nil. As this is lower than the fair value there is no impairment loss recognised. A non-refundable deposit of \$50,000 was received and will be recognised as other income when the sale is finalized in the year ending 30 June 2018.

During the year \$120,024 was incurred in relation to the mining tenements held. As the expenditure did not meet the criteria for capitalisation the expenditure was expensed as it was incurred.

Subsequent to year end the Group finalised the sale of its wholly owned subsidiary which holds the mining assets, Toro Mining Pty Ltd, see Note 23.

12 Trade and Other Payables

	2017	2016
	\$	\$
Trade payables	162,209	267,141
Sundry payables and accrued expenses	84,119	2,500
Related party payables	-	557,194
Shareholder loans payable	-	442,490
Credit cards payable	8,409	60
Superannuation and PAYG payable	82,507	86,821
	337,244	1,356,206

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

The shareholder loans were repaid in full following the reverse acquisition. They had an interest rate of 8% (30 June 2016: 8%), were unsecured and repayable on demand.

Related party payables

In the prior year the loans from related parties included loans owing to key management personnel, Ms Whitelock and Mr Anstey. The loan to Ms Whitelock, which totaled \$89,591, and the loan to Mr Anstey, which totaled \$130,214, were repaid in full following the reverse acquisition. The loans had an interest rate of 8%, were unsecured and repayable on demand. There was no interest to be paid on the related party loan balances from 1 July 2016.

The related party payables also include a loan owed by Veriluma Software Pty Ltd to Parmelia Resources Limited prior to the reverse acquisition. The loan was secured by a charge over Veriluma Software Pty Ltd's assets and accrued interest at a rate of 7%. On completion of the acquisition the total balance owing of \$337,389 was forgiven, see note 6.

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13 Related party receivables

At 30 June 2017, the Group was owed \$134,557 from Legal Logix Holdings Pty Ltd, the Group's joint venture. The receivable accrues interest at a rate of 7%, is unsecured and has a term of 3 years however given its recoverability is dependent on the entity producing future revenues, its recovery is deemed doubtful at 30 June 2017 and the receivable has been fully provided for and an expense of \$134,557 has been included in other expenses in the profit and loss. The Directors are continuing to pursue the recovery of this amount.

14 Employee Benefits

	2017	2016
	\$	\$
Current liabilities		
Annual Leave	161,625	124,825
Non-current liabilities		
Long Service Leave	50,314	34,783

15 Issued Capital

30 June 2017	No.	\$
Fully paid ordinary shares		
Balance at the beginning of the financial period - 1 July 2016	271,429	423,109
Veriluma Software Pty Ltd ordinary shares surrendered	(271,429)	-
Veriluma Limited shares issued to the shareholders of Veriluma Software Pty Ltd	162,857,400	13,737,266
Veriluma Limited shares held by the shareholders of Parmelia Resources Limited	193,389,516	-
Shares issued in settlement of liability	2,857,143	200,000
Exercise of options	27,400	1,370
Total Veriluma Limited ordinary shares on issue at the end of the period	359,131,459	14,361,745

In addition, Veriluma Limited has issued 40,000,000 performance shares as part of the acquisition which will convert to ordinary shares subject to various milestones being achieved and conditions satisfied (see note 16)

30 June 2016

Fully paid ordinary shares	No.	\$
On issue at the end of the period	271,429	423,109

During the year ended 30 June 2016 an additional 21,429 shares were issued for cash consideration of \$450,009. Capital raising costs of \$27,000 were incurred resulting in a net increase in equity of \$423,009.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

15 Issued Capital (continued)

Issue of Ordinary Shares

On 8 September 2016, the Group completed the following transactions as a part of the reverse acquisition:

- Veriluma Limited issued 50,000,000 ordinary shares at 7 cents per share in the Company, each under the Prospectus dated 29 July 2016.
- Veriluma Limited issued 162,857,400 ordinary shares at 7 cents per share and 40,000,000 performance shares to the shareholders of Veriluma Pty Ltd in exchange for all the issued capital of Veriluma Pty Ltd.
- Veriluma Limited issued 2,857,143 ordinary shares at 7 cents per share in the Company to SJSM Pty Ltd in respect to outstanding loans totaling \$200,000 owed by Veriluma Pty Ltd to SJSM Pty Ltd.
- Veriluma Limited issued 3,665,883 ordinary shares in the Company at 7 cents per share to K. S. Capital Pty Ltd for acting as lead manager to the Company, in relation to the Public Offer and as detailed in the Prospectus dated 29 July 2016.
- Veriluma Limited issued 13,800,000 ordinary shares in the Company at 7 cents per share to the advisors, In Sync Equity Services Pty Ltd in respect to the acquisition of Veriluma Pty Ltd and as detailed in the Prospectus dated 29 July 2016.

Prior to the acquisition Parmelia Resources Limited had 125,923,633 shares on issue.

16 Equity

Performance shares

The issue of the 40,000,000 performance shares as part of the consideration for the reverse acquisition are contingent on achieving the following milestones:

	Performance Milestone
10,000,000 A Performance Shares	A Performance Share Milestone will be taken to have been satisfied if, on or before the 2nd anniversary of the issue of the A Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$2 million.
15,000,000 B Performance Shares	B Performance Share Milestone will be taken to have been satisfied if, on or before the 3rd anniversary of the issue of the B Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$3 million.
15,000,000 C Performance Shares	C Performance Share Milestone will be taken to have been satisfied if, on or before the 4th anniversary of the issue of the C Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$10 million.

Share option program

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

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

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

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16 Equity (continued)

Options issued

At 30 June 2017 Veriluma Limited had 5,500,000 exercisable unlisted options on issue. An amount of \$11,099 represents the fair value of the option reserve on acquisition and has been included in the determination of the listing expense in note 6.

At 30 June 2016 Parmelia Resources Limited had 69,296,176 exercisable listed and unlisted options on issue. In August 2016, a further 1,000,000 unlisted options were issued under the Share option program. On the date of acquisition the options remained on issue and were exercisable on the same terms and conditions for Veriluma Limited shares. An amount of \$2,212,047 represents the fair value of the option reserve on acquisition and has been included in the determination of the listing expense in note 6.

Listed options

The fair value of 44,354,509 listed options has been calculated with reference to the listed option price immediately prior to the acquisition date.

Unlisted options

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

	Number	Exercise price	Expiry date
Loyalty options	15,941,667	\$0.150	15/11/2016
Director options 1	4,500,000	\$0.065	31/10/2016
Director options 2	4,500,000	\$0.064	31/10/2017
Director options 3	1,000,000	\$0.109	08/09/2019

Expired options

During the period 20,441,667 of the unlisted options with an acquisition date fair value of \$76,744 expired and the 44,354,509 listed options with an acquisition date fair value of \$1,984,353 expired. The acquisition date fair value has been transferred from the option reserve to accumulated losses.

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17 Loss per Share

	2017	2016
Weighted average number of shares on issue	322,007,252	156,857,272

The effects of potential ordinary shares are only included in the diluted earnings per share where their inclusion would increase the loss per share or decrease the earnings per share. For the period ended 30 June 2017, 5,500,000 options and 40,000,000 performance shares were excluded from the diluted weighted average number of ordinary shares as their effect would have been anti-dilutive. There were no options on issue for the period ended 30 June 2016.

The weighted average number of ordinary shares for the current and prior period has been adjusted for the transactions that adjust the number of shares without a corresponding change in resources (i.e. the reverse acquisition). The number of ordinary shares is adjusted as if the event had occurred at the beginning of the earliest period presented.

18 Key Management Personnel Remuneration

Key management personnel remuneration included within profit and loss for the year is shown below:

	2017	2016
	\$	\$
Short-term employee benefits	337,155	181,230
Post-employment benefits	49,696	40,021
	386,851	221,251

19 Auditors' Remuneration

	2017	2016
	\$	\$
Remuneration of the auditor KPMG (2016: Dickfos Dunn Adam), for:		
- auditing and reviewing the financial statements	55,375	2,500

20 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2017	Percentage Owned (%)* 2016
Subsidiaries:	Australia	100	-
Toro Mining Pty Ltd	Australia	100	-
Veriluma Software Pty Ltd ¹	Australia	100	-
St Nicholas Mines Pty Ltd	Australia	100	-
Niquaero LLC	Mongolia	100	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

¹ Veriluma Software Pty Ltd acquired the Group through a reverse acquisition on 8 September 2016, see Note 6.

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21 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016: None).

22 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	\$	\$
Net Loss	(14,424,084)	(946,199)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	2,660	1,626
- impairment of related party loans	134,557	
- listing expense on acquisition of PML	12,371,376	
- accrued finance costs	-	32,928
Share of net profits of equity accounted associates and joint	(1,663)	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(212,485)	(82,980)
- (increase)/decrease in non-current other assets	(12,234)	(46,450)
- (increase)/decrease in prepayments	(40,710)	-
- increase/(decrease) in trade and other payables	(161,991)	282,682
- increase/(decrease) in employee benefits	52,331	101,008
Cashflows from operations	<u>(2,292,243)</u>	<u>(657,385)</u>

23 Events Occurring After the Reporting Date

On 24 July 2017, the Group finalised the sale of its wholly owned subsidiary, Toro Mining Pty Ltd for cash consideration of \$500,000 and a further \$500,000 consideration contingent on certain events. Prior to 30 June 2017 a non-refundable deposit of \$50,000 was received. Since year end the following payments have been received a non-refundable payment of \$10,000 on 20 July 2017, a further \$200,000 was received on 31 July 2017, \$50,000 on 15 August 2017 and \$50,000 1st September 2017. The remaining balance of \$140,000 is to be received by 30 September 2017 and on receipt of the balance 100% of the Group's investment will be transferred to the buyer. An additional \$500,000 may be received by the Group on the delineation on the tenements held by Toro Mining Pty Ltd of a JORC Code Compliant Resource of 300,000 ounces or more of gold or an equivalent value JORC Code Compliant Resource.

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

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24 Parent entity

The following information has been extracted from the books and records of the parent, Veriluma Limited, and has been prepared in accordance with Accounting Standards. The financial information for the parent entity, Veriluma Limited has been prepared on the same basis as the consolidated financial statements.

	2017	2016
	\$	\$
Statement of Financial Position		
Assets		
Current assets	399,890	321,505
Non-current assets	200,000	8,876
Total Assets	599,890	330,381
Liabilities		
Current liabilities	412,044	1,715,808
Total Liabilities	412,044	1,715,808
Net Assets	187,844	(1,385,427)
Equity		
Issued capital	14,361,745	423,109
Accumulated losses	(14,324,851)	(1,808,536)
Reserves	150,950	-
Total Equity	187,844	(1,385,427)

Statement of Profit or Loss and Other Comprehensive Income

Loss for the year	(14,577,412)	(946,199)
Total comprehensive income	(14,577,412)	(946,199)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

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25 Operating Leases

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	\$	\$
Less than one year	50,625	12,000
Between one and five years	14,153	5,000
More than five years	-	-
	<u>64,778</u>	<u>17,000</u>

26 Financial Risk Management

Financial risk management objectives and policies

The Group's financial instruments comprise deposits with banks, receivables, other deposits, trade and other payables and from time to time short term loans from related parties. The Group does not trade in derivatives or in foreign currency.

The Group manages its risk exposure of its financial instruments in accordance with the guidance of the audit and the risk management committee and the Board of Directors. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risks. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. Informal risk management policies are established to identify and analyse the risks faced by the Group. The primary responsibility to monitor the financial risks lies with the CEO and the Company Secretary under the authority of the Board.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements.

The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets

	Note	Carrying amount	
		2017	2016
		\$	\$
Cash and cash equivalents	8	362,273	17,522
Trade and other receivables	9	<u>514,072</u>	<u>301,857</u>
		<u>876,345</u>	<u>319,379</u>

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia.

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26 Financial Risk Management (continued)

Trade and other receivables

Credit risk of trade and other receivables is very low as it usually consists predominantly of amounts recoverable from taxation and other government authorities in Australia. The Trade and other receivables include a loan receivable from Legal Logix Holdings Pty Ltd totalling \$134,557 has been fully impaired at 30 June 2017. The remaining balance of trade and other receivables are not impaired and the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity management rests with the Board. The Group monitors rolling forecasts of liquidity on the basis of expected fund raisings, trade payables and other obligations for the ongoing operation of the Group

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Interest
	\$	\$	\$	\$	\$
30 June 2017					
Trade and other payables	337,244	(337,244)	(337,244)	-	-
30 June 2016					
Trade and other payables	356,522	(356,522)	(356,522)		
Related party and shareholder loans ⁽¹⁾	1,199,684	(1,213,013)	(1,213,013)	-	(13,329)

⁽¹⁾The related party loans to KMP and the shareholder loans were repaid in full following the transaction. A related party payable totalling \$337,389 was forgiven, see note 6. A shareholder loan totalling \$200,000 was converted to equity, see note 15.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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26 Financial Risk Management (continued)

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents and interest-bearing security deposits. The average interest rate on funds held during the year was nil%.

Sensitivity analysis

A change of 100 basis points in interest rates throughout the reporting period would not have increased (decreased) profit or loss by a significant amount.

At balance date, the Group had the following mix of financial assets exposed to variable interest rate risk.

	Note	2017 \$	2016 \$
Financial assets			
Cash and cash equivalents	8	<u>362,273</u>	<u>17,522</u>
Net exposure		<u>362,273</u>	<u>17,522</u>

The Group did not have any variable interest rate financial liabilities in the current or prior year.

The Group does not have interest rate swap contracts. The Group always analyses its interest rate exposure when considering renewals of existing positions including alternative financing.

Currency risk

The Consolidated entity is not exposed to any foreign currency risk as at 30 June 2017 (2016 –nil).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operations. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

Estimation of fair values

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable Interest rates.

27 Statutory Information

The registered office of and principal place of business of the Company is:

Veriluma Limited
Level 3
33 Atchison Street
St Leonards NSW 2065

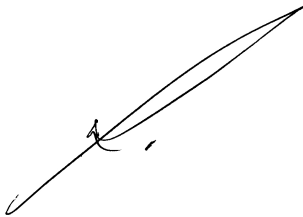
DIRECTORS' DECLARATION

Directors' declaration

- 1 In the opinion of the directors of Veriluma Limited ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 17 to 44 and the Remuneration report in section 4 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 1. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
 2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (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.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.
- 3 The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Gold Coast 13th day of September 2017.



Richard Anstey
Director



Independent Auditor's Report

To the shareholders of Veriluma Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Veriluma Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

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

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group’s assessment of going concern. This included:

- Analysing the cash flow projections by:
 - Evaluating the underlying data used to generate the projections. We specifically looked for consistency with other information tested by us, the Group’s intentions as outlined in Directors’ meetings minutes and market announcements, and their comparability to past results and practices;
 - Analysing the impact of reasonably possible changes in key projected cash flows and their timing, to the projected periodic cash positions, and assessing the level of associated uncertainty.
 - Assessing the planned levels of operating expenditures for consistency of relationships and trends to the Group’s historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Reading Directors’ meetings minutes, the Group’s announcements to the market and relevant correspondence with the Group’s advisors to understand the Group’s ability to raise additional shareholder funds and assess the level of associated uncertainty; and
- Evaluating the Group’s going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group’s plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Accounting for the reverse acquisition transaction

Refer to Note 6 *Acquisition of Parmelia Resources Limited* to the Financial Report

The key audit matter	How the matter was addressed in our audit
Accounting for the reverse acquisition transaction (transaction) is a key audit matter due to: • The significance of the transaction to the Group's operations and the impact it has on the financial statements • The significant impact on the profit or loss for the year • The level of audit effort to evaluate the significant judgements made by the Group and their application of the accounting standard requirements in determining their accounting treatment. Areas of significant judgement for us and management include: • Determining who was the acquirer in the transaction • Determining if the acquisition was a business combination or an acquisition of assets. • Assigning the fair values of the consideration paid and the net assets acquired We focused on assessing the Group's documentation of these against our interpretation of the criteria in the accounting standards, which are complex.	Working with our accounting and valuation specialists our procedures included: • Developing an understanding of the terms and conditions of the transaction by: - Reading the acquisition agreement and other associated transaction documents - Inquiry of management - Evaluating the Group's announcements to the market, the prospectus for the transaction, and relevant correspondence with the Group's advisors for consistency with the acquisition agreement • Evaluating the Group's identification of the acquirer in the transaction and the Group's determination of the acquisition as an acquisition of assets. We assessed the balance of features, including those which may indicate a business combination, against our interpretation of the criteria in the accounting standards and our knowledge of such transactions. • Evaluating the methodology used by the Group in determining the fair value of the consideration paid to the requirements of the accounting standards and industry practice. • Challenging key assumptions, specifically the share price of the acquiree, used by the Group in determining the fair value of the consideration paid, through comparison to the implied value of shares exchanged on the date of transaction, the prospectus public offer price market participants transacted at, and for consistency to previous share issuance values. • Comparing the fair value of the net assets acquired for consistency to the values ascribed in the transaction prospectus. We assessed the fair value of the significant assets and liabilities, including reconciling cash amounts to bank records, and analysing accounts payable against transaction activity trends since audited year end amounts. • Checking the Group's calculation used to

	determine the reverse acquisition expense in the profit or loss for consistency with the fair value of consideration paid and the fair value of net assets acquired. Assessing the presentation and disclosures in the Financial Report against the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in Veriluma Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Veriluma Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in paragraphs pages 11 to 15 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Adam Twemlow

Partner

Bundall

13 September 2017

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

30 JUNE 2017

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 28 August 2017.

Twenty largest shareholders

Shareholders	Number of Ordinary Shares Held
Ms Elizabeth Whitelock	45,156,000
Maneki Pty Ltd	32,835,900
Corby Investments Pty Ltd <The Anstey Family A/C>	26,308,100
Corby Investments Pty Ltd <Anstey Super Fund A/C>	25,000,000
Hammond PSF Pty Ltd	18,000,000
Mr Paul Cozzi	14,529,239
Gellard Enterprises Pty Ltd	5,714,286
Mr Russell Neil Creagh	5,677,499
Mr Bradley Nottle & Mrs Kylie Nottle	5,600,000
Ronay Investments Pty Ltd	4,758,017
Sea of Silver Pty Ltd	4,396,961
Mr Paul James Madden	4,265,520
Mr Andrew Murray Gregor	4,184,251
Anna Carina Pty Ltd	3,265,883
Mr Sean Muffet	3,530,000
La Molina Pty Ltd	2,857,143
ACT 2 Pty Ltd	2,180,800
Sharasundell	2,142,857
Mr Simon Pope & Ms Gillian Corkeron	1,662,600
Loddy Pty Ltd	2,087,500

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

30 JUNE 2017

Distribution of equity security holders

Holding	No of Shareholders
1 - 1,000	23
1,001 - 5,000	12
5,001 - 10,000	89
10,001 - 100,000	332
100,000 and over	285
Total	741

There were 265 holders of less than a marketable parcel of ordinary shares.

Unissued equity securities

2,857,143 Shares escrowed until 29 August 2017

4,500,000 Options, exercise price of 6.4 cents, expiring 31 October 2017

1,000,000 Options, exercise price of 10.93 cents, expiring 8 September 2019

10,000,000 Class A Performance Shares

15,000,000 Class B Performance Shares

15,000,000 Class C Performance Shares

Securities exchange

The Company is listed on the Australian Securities Exchange.

Use of funds

The Group has used its funds in accordance with its initial business objectives.