

ASX ANNOUNCEMENT

29th January 2016

ASX: PML

QUARTERLY ACTIVITIES REPORT FOR DECEMBER 2015

HIGHLIGHTS

- **Parmelia Resources entered into conditional agreement to acquire Veriluma Pty Ltd.**
- **Parmelia and Veriluma subsequently executed formal share sale agreement.**
- **Veriluma owns unique patented software called “Intelfuze” that delivers predictive intelligence capabilities to complex scenarios and decision processes.**
- **Current clients operate in: Defence, Counter Terrorism, Financial Services and Mining.**
- **Models built using “Intelfuze” assess situations based upon known quantitative and qualitative data, as well as information which is less certain or even unknown.**
- **“Intelfuze” software is an ideal tool for use by governments and major corporations globally who have complex decisions to make.**
- **The software is suitable for use in a wide range of applications, including but not limited to: Defence, Intelligence, National Security, Financial services - FinTech, Insurance, M&A, Legal and the Resources Sector.**
- **Parmelia Resources completed an oversubscribed private placement to raise \$500,000 and an over subscribed non-renounceable pro rata rights issue to existing shareholders to raise \$566,086.**

On the 8th December 2015, Parmelia Resources Limited ('PML' or the 'Company') announced that it has signed a legally binding Heads of Agreement with the major shareholders (Major Shareholders) of Veriluma Pty Ltd (ACN 117 490 785) (Veriluma) to acquire 100% of the issued capital in Veriluma, a software technology development company (Acquisition). Subsequently the Company announced (ASX: 24/12/15) that the parties have executed a formal Share Sale Agreement (“SSA” or

“The Agreement”). The “SSA” contains standard terms and conditions, including several “conditions precedent” that are consistent with the terms already agreed to in the binding Heads of Agreement as announced to the ASX on the 8 December 2015.

In addition and as contemplated in the Heads of Agreement, PML is also pleased to advise that the first condition precedent milestone concerning the repayment of the convertible note owed by Veriluma has now been satisfied. PML has agreed to allow Veriluma to issue an additional 21,429 shares to raise \$450,000 to provide Veriluma with funds to repay \$300,000 of the convertible notes, with the balance of \$200,000 owing to be repaid by PML via the issue of \$200,000 worth of PML shares for no consideration as part of the re-compliance capital raising. As a consequence, PML will now be issuing a total of 162,857,400 PML shares to the vendors of Veriluma (including new shareholders of Veriluma) as consideration for 100% of the shares in Veriluma. There is no change to the number of performance shares to be issued by PML as previously announced on 8 December 2015.

ABOUT VERILUMA

Veriluma’s patented collaborative decision-making software engine, Intelfuze, was initially developed by a Commonwealth Research Centre before being acquired by Veriluma in 2008. In 2010, Veriluma was established and began developing the application and secured patents for the software. Veriluma now supplies solutions to the Australian Intelligence Agencies for use in analysing various Australian National Security and Defence scenarios.

Veriluma’s unique software has been developed to critically aid individuals, businesses, governments and their agencies to significantly reduce the margin of error in their strategic decision-making, by better ensuring that the available facts, the tested logic and the reasoning frameworks used are objective and transparent. Unique algorithms and applications provide objective outcomes which lead to more efficient decision-making. Application opportunities exist globally across a wide range of industries, including banking and financial services, insurance, legal, government agencies and others.

Veriluma’s “Intelfuze” software is designed to complement and refine big data and business intelligence tools and to provide solutions to a range of critical business and government problems and decision-making scenarios. Veriluma is an emerging business – however initial targets for growth in Veriluma sales and commercialisation revenues have been identified and will include merger and acquisition specialists, banking and finance applications, the resources sector, as well as legal industry groups and government agencies where Intelfuze can be immediately beneficial in making better decisions.

Business Highlights include:

- Unique sophisticated patented technology
- Advanced predictive technology in the \$125 billion USD big data market with limited competitors
- Developed initially by a Commonwealth Research Centre for Australian Department of Defence
- Potential for multiple industry and government applications globally

- Versatile commercialisation pathways – with possibility of tailored solutions with recurring revenue streams from subscriptions and service applications
- Immediate target groups identified
- Commercialisation strategy currently being implemented
- Experienced Board of Directors, Advisory Board and management team (see below)

KEY TERMS OF THE ACQUISITION

In consideration for the 100% acquisition of Veriluma, PML will issue to the shareholders of Veriluma a total of:

- (a) 162,857,400 fully-paid ordinary shares in the capital of PML (**PML Shares**); and
- (b) 40,000,000 Performance Shares (**Performance Shares**), which will be separated into three tranches and convert into PML Shares upon the following terms:

Class	Performance Milestone	Number of PML Shares to be issued
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\$2.0 million.	10 million PML Shares
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\$3.0 million.	15 million PML Shares
C Performance Shares	A 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\$10.0 million.	15 million PML Shares

The terms and conditions of the Performance Shares remain subject to ASX approval.

Conditions precedent

The Acquisition is subject to a number of conditions being satisfied, including:

- (a) PML obtaining all necessary shareholder and regulatory approvals, consents or waivers required for the transactions contemplated by the Acquisition, including without limitation, shareholder approvals under ASX Listing Rules 7.1 and 11.1, under section 611, item 7 of the Corporations Act and ASX approval of the proposed terms and conditions of the Performance Shares;
- (b) the redemption of all outstanding convertible notes and the discharge of any charges or other encumbrances (to be completed by 15 December 2015);
- (c) completion of due diligence into Veriluma to the satisfaction of PML (to be completed by 28 February 2016);
- (d) PML despatching a notice of meeting and explanatory memorandum to its shareholders seeking all shareholder approvals required for the acquisition, including an independent expert making a determination that the transaction is fair and/or reasonable to non-associated shareholders of PML (to be completed by 14 March 2016);
- (e) PML issuing a full form prospectus (to be completed by 5 April 2016) and successfully completing a re-compliance capital raising of not less than \$3,250,000 at a price to be determined (to be completed by 22 April 2016) (**Principal Raising**);
- (f) an employment contract being agreed and entered into with Ms Whitelock as the proposed Chief Executive Officer of PML;
- (g) Veriluma providing a business plan and budget satisfactory to PML and issuing audited financial statements for the year ended 30 June 2015 and such other audited financial statements required to satisfy the ASX;
- (h) repayment or forgiveness of all other external or third party debt of Veriluma, repayment of all shareholder loans between Veriluma and its shareholders, and termination or renegotiation of any related party transactions that are not on arms' length commercial terms;
- (i) Veriluma obtaining all third party consents required to allow the sale of Veriluma without breaching any material contracts resulting from a change of control of Veriluma and, if required, all shareholders of Veriluma waiving any pre-emptive, participation or other rights over the issued capital of Veriluma; and
- (j) PML simultaneously acquiring at Completion 100% of the issued capital of Veriluma from all of its shareholders.

The Acquisition remains conditional on satisfaction of the above conditions precedents and as such the ability of the Company to complete the Acquisition is not certain.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules:

The Acquisition will result in a change in the Company's nature and scale of its activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules, as well as require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and obtain conditional approval from ASX to have its securities re-admitted to trading. The Company will despatch a notice of meeting (**NOM**) to its shareholders seeking the relevant approvals to undertake this process with such NOM to contain detailed information relating to Veriluma and the Acquisition. The meeting of shareholders is expected to be held in mid-April 2016.

EXPLORATION

Jaurdi Hills Project

KEY POINTS

- **Database review and compilation continued through out the quarter and is almost complete.**
- **Assessment of potential commercial opportunities with respect to the Jaurdi Hills Project continues.**

The company continues to evaluate potential commercial opportunities on its gold assets at the Jaurdi Hills Project these include possible, joint ventures, earn in deals or sale of historic gold bearing surface stockpiles and/or the in-situ gold resource at Panther as well as the adjoining extensive and promising exploration tenement portfolio.

CORPORATE ACTIVITIES

Placement

The proposed placement of up to 14,285,714 PML Shares at 3.5 cents per share to raise up to approximately \$500,000 (Placement) has been completed via an oversubscribed offer to new and existing investors. Placement shares will not be quoted and will be subject to holding locks pending a determination by the ASX in relation to escrow under Chapter 9 of the ASX Listing Rules, refer ASX release of 9/12/2015.

Right Issue

Parmelia Resources completed an oversubscribed Non-Renounceable Rights Issue (Rights Issue) to existing shareholders. The non-renounceable pro rata rights issue announced on the 8 December 2015 was on a 1 for 4 basis to raise \$566,086 via the issue of up to 16,173,927 PML Shares at 3.5 cents per PML Share. The Rights Issue opened on 16 December 2015 and closed at 5pm on the 29 December 2015. Shares subsequently issued to eligible shareholders under the Rights Issue will be quoted and will not be escrowed. Any Shortfall Shares (as defined in the Offer Document dated 8 December 2015) issued to non-shareholders of the Company resulting from the non-renounceable rights issue will not be quoted and will be subject to holding locks pending a determination by the ASX in relation to escrow under Chapter 9 of the ASX Listing Rules, refer ASX release of 9/12/2015.

The Company advises that 5,000,000 shortfall shares were retained and remain available to be allotted prior to the end of the 3 month period permitted under the original non-renounceable rights offer. It is the Company's intention to allot these shares to a strategic, long term cornerstone investor in due course.

COMMERCIAL NEGOTIATIONS ON JAURDI HILLS GOLD PROJECT

The company continues to evaluate potential commercial opportunities on its gold assets at the Jaurdi Hills Project these include possible, joint ventures, earn in deals or sale of historic gold bearing surface stockpiles and/or the in-situ gold resource at Panther as well as the adjoining extensive and promising exploration tenement portfolio.

For further information concerning Parmelia's activities or the exploration plans for the future please contact Nigel Gellard, Executive Chairman at:

Phone +61 (0)8 6141 3500

Fax +61 (0)8 6141 3599

www.parmeliaresources.com

Nigel Gellard

Executive Chairman

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Parmelia Resources Limited

ABN

48 142 901 353

Quarter ended ("current quarter")

December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 6 Months \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(79)	(151)
(b) development	-	-
(c) production	-	-
(d) administration	(112)	(281)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D Rebate	-	156
Net Operating Cash Flows	(190)	(274)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)tenements	-	44
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	44
1.13 Total operating and investing cash flows (carried forward)	(190)	(230)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(190)	(230)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. net of costs	467	467
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Funds held in trust	-	-
Net financing cash flows		467	467
Net decrease in cash held			
1.20	Cash at beginning of quarter/year to date	198	238
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	475	475

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	52
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director fees and payments to related entities for Corporate Services and Consulting fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	120
4.2	Development	-
4.3	Production	-
4.4	Administration	150
Total		270

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	475	198
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		475	198

Interests in Mining Tenements

Disclosure in accordance with ASX Listing Rule 5.3.3

6.1	Project/ Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
	Jaurdi Hills:				
	P16/2411,	Western Australia	100%	-	-
	P16/2413,	Western Australia	100%	-	-
	P16/2414,	Western Australia	100%	-	-
	P16/2438,	Western Australia	100%	-	-
	P16/2439,	Western Australia	100%	-	-
	P16/2440,	Western Australia	100%	-	-
	P16/2441,	Western Australia	100%	-	-
	P16/2442,	Western Australia	100%	-	-
	P16/2443,	Western Australia	100%	-	-
	P16/2444,	Western Australia	100%	-	-
	P16/2460,	Western Australia	90%	-	-
	P16/2627,	Western Australia	100%	-	-
	P16/2653,	Western Australia	100%	-	-
	P16/2657,	Western Australia	100%	-	-
	P16/2678,	Western Australia	100%	-	-
	M16/35,	Western Australia	100%	-	-
	M16/113,	Western Australia	100%	-	-
	M16/114,	Western Australia	100%	-	-
	M16/193,	Western Australia	100%	-	-
	M16/194,	Western Australia	100%	-	-

Appendix 5B
Mining exploration entity quarterly report

6.1	Project/ Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
	M16/201,	Western Australia	90%	-	-
	M16/202,	Western Australia	90%	-	-
	M16/203,	Western Australia	100%	-	-
	M16/204,	Western Australia	90%	-	-
	M16/205,	Western Australia	100%	-	-
	M16/254,	Western Australia	90%	-	-
	M16/255,	Western Australia	90%	-	-
	M16/301,	Western Australia	90%	-	-
	M16/365,	Western Australia	90%	-	-
	M16/425,	Western Australia	90%	-	-
	M16/462,	Western Australia	90%	-	-
	P16/2672,	Western Australia	100%	-	-
	P16/2673,	Western Australia	100%	-	-
	P16/2674,	Western Australia	100%	-	-
	P16/2675	Western Australia	100%	-	-
	E08/2606	Western Australia	100%	-	-

6.2	Farm-in Agreements / Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
	E15/1410	Western Australia	Farm-in	Farm-In	-
	E38/2946	Western Australia	Application pending	-	-
	E38/2947	Western Australia	Application pending	-	-

6.3	Farm-out Agreements / Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	98,981,420	98,981,420		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,285,714	14,285,714	\$0.035	\$0.035
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	15,941,667 4,500,000 4,500,000 44,354,509	- - - 44,354,509	<i>Exercise price</i> 15 cents 6.5 cents 6.4 cents 5 cents	<i>Expiry date</i> 15 November 2016 31 October 2016 31 October 2017 30 May 2017
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

Appendix 5B
Mining exploration entity quarterly report

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.12 Unsecured notes (<i>totals only</i>)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 January 2016
 (Non-Executive Director and Company secretary)

Print name: Jay Stephenson