



Suite 12, level 1
11 Ventnor Ave
West Perth, 6005
Australia

Po Box 52
West Perth, 6872
Australia

T +61 8 6141 3500
F +61 8 6141 3599
E info@parmeliaresources.com

PARMELIARESOURCES.COM

ASX ANNOUNCEMENT

10 MAY 2016

ASX: PML

TRANSACTION UPDATE

PARMELIA TO ACQUIRE VERILUMA, A PREDICTIVE INTELLIGENCE SOFTWARE DEVELOPMENT COMPANY

Parmelia Resources Limited (**PML** or the **Company**) is pleased to provide the following transaction update in relation to the proposed 100% acquisition of Veriluma Pty Ltd (ACN 117 490 785) (**Veriluma**), a technology company with a patented intelligence analysis method and system, and with software that delivers predictive analysis of complex scenarios to produce predicted outcomes with stated probabilities of occurrence (**Acquisition**).

Further to announcements made on 8 and 24 December 2015, in consideration for the Acquisition, the Company intends to issue an aggregate of 162,857,400 fully paid ordinary shares in the Company (**Shares**) to all of Veriluma's shareholders (**Consideration Shares**) and 40,000,000 performance shares (**Performance Shares**) (in three separate classes that convert into Shares on achieving objective milestones specific to the performance of the Veriluma business) to certain Veriluma shareholders who are founding or later incoming established shareholders of Veriluma.

The Acquisition, including the issue of the Consideration Shares and Performance Shares, is subject to shareholder approvals under Listing Rules 7.1 and 11.1.2, which will be the subject of a notice of meeting and explanatory memorandum (**Notice of Meeting**), a draft of which has now been lodged with the ASX for review and will be sent to shareholders shortly.

NAME CHANGE

Should the Acquisition complete, it is intended that the Company will undergo a change of name, subject to shareholder approval, to Veriluma Limited. The new ASX ticker code for the Company will be VRI.

PROPOSED CAPITAL RAISING

As previously announced, the Acquisition is conditional on, amongst other things, the Company successfully completing a capital raising under a full form prospectus to raise not less than \$3.250 million at an issue price to be determined.

The Company wishes to advise that the Company has now agreed with the vendors of Veriluma to raise a minimum and maximum subscription of \$3.5 million at an issue price of \$0.07 per Share. This will result in the Company offering a minimum and maximum of 50,000,000 Shares to the public under a prospectus (**Public Offer**).

It is proposed that funds raised under the prospectus and from existing cash reserves of the Company will be used for the following purposes including, amongst other things, cost of business development and commercialisation of the Veriluma technology, marketing, employees, and to provide working capital for the Company.

Item	Capital Raising of \$3,500,000 \$'000s	Percentage of Funds
Combined Pre-offer Pro-forma cash as at 31 December 2015, add funds raised by Parmelia under a non-renounceable entitlement issue.	1,253.0	
Total raised in the Offer (before costs)	3,500.0	
Total Funds Available	4,753.0	
Expenses of the Acquisition ¹	428.1	9.0%
Repayment of Veriluma shareholder loans	485.9	10.2%
Finance and Administration	435.4	9.2%
Employee Expenses	2,903.5	61.1%
Marketing Expenses	251.5	5.3%
Other Expenses	248.6	5.2%
Total Allocated Funds	4,753.0	100.0%

Notes:

¹ Refer to table below for the itemised costs of the Acquisition:

Estimated Cost	Capital Raising of \$3,500,000 \$'000s
ASX Fees	32.5
ASIC Fees	2.1
Lead Manager fees	210.0
Legal, Accounting and Due Diligence Expenses	140.0
Investigating Accountant Fees	15.0
Shareholders Meeting/Share Registry Costs	10.0
Printing and miscellaneous	18.5
Total Expenses of the Acquisition	428.1

Please note the above use of funds table represents the current intentions of both the Company and Veriluma, however may be subject to further change in the Notice of Meeting following its review by the ASX. The Company reserves its discretion to modify the proposed used of funds and allocation of expenditure as stated in the above table.

APPOINTMENT OF LEAD MANAGERS

The Company is pleased to advised that it has appointed K S Capital Pty Ltd (ACN 124 761 557 and AFSL No. 316880) as its lead manager (**Lead Manager**) to assist the Company with the forthcoming \$3.5 million capital raising.

Under the terms of the mandate with the Lead Manager, and subject to shareholder approval, the Company has agreed to issue 3,665,883 Shares to the Lead Manager.

Mr Nigel Gellard, Executive Chairman of the Company commented, "We are delighted to welcome K S Capital as lead Manager to the forthcoming offer, their support for the proposed acquisition and their important role in making this transaction a success represents yet another important milestone. Both Parmelia and Veriluma will benefit from their industry experience and significant market presence. We look forward to developing a long and mutually beneficial relationship with K S Capital going forward".

The Company has also agreed to issue 13,800,000 Shares to Insync Equity Services Pty Ltd and or its nominees, who is the corporate advisor (**Corporate Adviser**) to Veriluma. Insync Equity Services Pty Ltd introduced the transaction to the Company and has provided corporate advisory services to Veriluma at no cost over the last 9 months in relation to the Acquisition.

The Shares issued to the Lead Manager and the Corporate Adviser (**Advisor Shares**) will be subject to escrow restrictions in accordance with Appendix 9B of the ASX Listing Rules for a period of up to 24 months.

REDEMPTION OF CONVERTIBLE NOTE AND REPAYMENT OF SHAREHOLDER LOANS

The Acquisition is subject to a number of conditions precedent as announced to the market on 8 December 2015, including redemption of all outstanding convertible notes and repayment of all shareholder loans between Veriluma and its shareholders.

The Company proposes to issue 2,857,143 Shares to SJSM Pty Ltd (**SJSM Shares**) on redemption of the convertible notes. The SJSM Shares will be issued at the same issue price as the capital raising and has been agreed to by the Company.

The Company and Veriluma have also agreed pursuant to an agreement dated 9 May 2016 that existing shareholder loans of \$485,874 as at 31 December 2015 comprising principal and accumulated interest (at 8% pa), will be repaid from the cash proceeds of the capital raising subject to ASX approval.

The loans relate to past funding that certain Veriluma shareholders provided to Veriluma to acquire, develop and protect the patented technology and the software that supports the Veriluma business (including securing patent protection in both Australia and the US) and to fund marketing and commercialisation activities.

To the extent that the ASX does not approve the proposed repayment of the shareholder loans from the cash proceeds of the capital raising, the shareholder loans will remain as a liability on the balance sheet of Veriluma at the time of completion of the Acquisition. The loans will have a repayment date of 30 June 2019 and may only be repaid early with the consent of the Company. Interest will be payable on the shareholder loans from 1 January 2016 at 8% per annum until the loans are repaid by Veriluma.

The Company has also provided interim funding to Veriluma for the period leading up to completion of the Acquisition. Pursuant to a secured loan facility the Company has agreed to advance up to a maximum of \$330,000 in funding to Veriluma for the purpose of working capital and to enable Veriluma to continue its commercialisation of its patented technology and software. The parties have agreed that interest will accrue on such advances at the rate of 7% pa and all outstanding monies thereunder must be either repaid or forgiven at completion of the Acquisition.

UPDATED INDICATIVE CAPITAL STRUCTURE FOLLOWING ACQUISITION AND PROPOSED CAPITAL RAISING

The table below outlines the updated indicative capital structure of the Company based on the Acquisition and the Public Offer to raise \$3.5 million at an issue price \$0.07 per Share:

Public Offer	
Issue price	\$0.07
Minimum and Maximum Shares to be issued under Public Offer ¹	50,000,000
Total proceeds (before transaction costs) from Public Offer ¹	\$3,500,000

Acquisition	
Total number of Consideration Shares to be issued	162,857,400
Total number of Performance Shares to be issued	40,000,000
Redemption of Convertible Note – SJSM Shares to be issued	2,857,143
Advisor Shares to be issued to Lead Manager and Corporate Advisor	17,465,883
Capital Structure Post Acquisition and Public Offer	
Existing Shares on issue prior to Acquisition and Public Offer	120,155,347
Existing Options on issue prior to Acquisition and Public Offer	69,296,176
Total Shares on issue following Acquisition and Public Offer ²	359,050,059
Total Performance Shares on issue following Acquisition and Public Offer	40,000,000
Total Options on issue following Acquisition and Public Offer ⁴	70,296,176
Indicative Market Capitalisation of Company at Issue Price ³	\$25,133,504

Notes:

1. Assumes the capital raising under the Public Offer is raised at \$0.07 per Share and is fully subscribed.
2. Excludes any Shares which may be issued if any existing Options are exercised and excludes any Shares which may be issued on conversion of any Performance Shares. Assumes, subject to shareholder approval, that up to an additional 5,714,286 Shares will be issued to an existing related party under the Notice of Meeting unrelated to the Acquisition and that these Shares, together with the Advisor Shares and the SJSM Shares, are issued simultaneously with the Shares under the Public Offer and the Consideration Shares.
3. Based on the total number of Shares on issue at completion of the Acquisition and Public Offer.
4. Assumes that, subject to shareholder approval, up to 1,000,000 options will be issued to existing related parties under the Notice of Meeting unrelated to the Acquisition.
5. The above capital structure is indicative only and may be subject to further change.

UPDATED INDICATIVE TIMETABLE

An updated indicative timetable for the Acquisition is set out below. This timetable remains indicative only and may be subject to change.

Event	Date
Despatch Notice of Meeting and Explanatory Memorandum	6 June 2016
Lodgement of Prospectus	6 to 15 June 2016
Shareholders Meeting	8 July 2016
Suspension from Trading	8 July 2016
Closing Date of Public Offer	20 July 2016
Completion of Acquisition and issue of Shares under Prospectus	29 July to 2 August 2016
Re-compliance and re-quotation of PML Shares on ASX	12 August 2016

Please note the above timetable is indicative only and may be subject to further change following regulatory approvals and ASX's review of the Notice of Meeting. The timetable contains several estimates, the time line will be shortened wherever there is scope to do so. The Company reserves the right to close the Public Offer under the prospectus earlier than 20 July 2016.

In order to facilitate the completion of the Capital Raising, the Acquisition and the re-compliance listing of the Company in accordance with the above timetable, the Company and Veriluma have agreed to extend the end date for satisfaction of all conditions precedent by 31 August 2016.

UPDATED PRO-FORMA BALANCE SHEET

A summarised updated pro-forma balance sheet showing the effect of the proposed Acquisition and Capital Raising on the Company is provided in Annexure A.

For further information concerning the Company's activities, please contact Nigel Gellard, Executive Chairman at:

Phone +61 (0)8 6141 3500

Fax +61 (0)8 6141 3599

www.parmeliareources.com




Nigel Gellard

Executive Chairman

ANNEXURE A: HISTORICAL AND PRO-FORMA FINANCIAL POSITION

	Notes	Actual		Pro-forma Group Unaudited Pro Forma After Acquisition and Capital Raising \$
		31 Dec 2015 (Audited) Veriluma \$	31 Dec 2015 (Reviewed) Company \$	
Current assets				
Cash and cash equivalents	(2)	78,151	471,460	4,324,900
Trade and other receivables		13,465	15,839	29,304
Other current assets		13,895	13,312	27,207
Total current assets		105,511	500,611	4,381,411
Non-current assets				
Property, plant and equipment		3,911	-	3,911
Intangible assets		455	-	455
Exploration and evaluation assets		-	828,674	828,674
Total non-current assets		4,366	828,674	833,040
Total assets		109,877	1,329,285	5,214,451
Current liabilities				
Trade and other payables		79,940	132,772	212,712
Borrowings	(3)	750,449	-	485,874
Provisions		65,167	-	65,167
Total current liabilities		895,556	132,772	763,753
Total liabilities		895,556	132,772	763,753
Net assets		(785,679)	1,196,513	4,450,698
Equity				
Issued capital	(5)	423,109	6,835,205	12,533,983
Reserves	(1)(c),(6)	-	435,569	-
Accumulated losses	(1)(c),(i)	(1,208,788)	(6,074,261)	(1,144,213)
Less: Corporate transaction accounting expense	(3)(a)	-	-	(6,939,072)
Total equity		(785,679)	1,196,513	4,450,698

(1) Pro-forma Adjustments

- (a) **Veriluma** – The Company is to acquire Veriluma in exchange for the issue of 162,857,400 Shares and 40,000,000 Performance Shares in the Company. The Acquisition has been accounted for as a reverse acquisition in accordance with AASB 3 Business Combinations. For the purposes of the Pro Forma, a value of \$0.07 has been used as the value per security issued.
- (b) **Performance Shares** – The Company will issue Veriluma's Shareholders, as part of the Acquisition consideration, 40,000,000 Performance Share as detailed below in the following tranches:
-  **A Performance Share Milestone** will be taken to have been satisfied if, on or before the second anniversary of the issue of the A Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$2,000,000;
 -  **B Performance Share Milestone** will be taken to have been satisfied if, on or before the third anniversary of the issue of the B Performance Shares, the Veriluma Business achieves annual sale revenues of not less than \$3,000,000;
 -  **C Performance Share Milestone** will be taken to have been satisfied if, on or before the fourth anniversary of the issue of the C Performance Shares, the Veriluma Business achieves annual sales revenue of not less than \$10,000,000.

- (c) For accounting purposes, the acquirer has been identified as Veriluma and the business combination referred to as a reverse acquisition. Accordingly, the pro-forma Group incorporates the assets and liabilities of the Company and of Veriluma as if the Group were headed by Veriluma. At the acquisition date, the assets and liabilities of Veriluma (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of the Company (being the acquiree for accounting purposes) are recorded at fair value. Furthermore, for pro-forma purposes, the 40,000,000 Performance Shares in the Company have been treated as issued capital for the purpose of determining the notional purchase price of the Company.

Components of equity (other than issued capital), including retained earnings and other reserves, reflect the balances of the accounting acquirer, Veriluma.

- (d) **Entitlement issue** – A 1 for 4 non-renounceable entitlement issue of Shares at an issue price of \$0.035, to raise approximately \$741,087, was completed on 2 March 2016. The costs for the Entitlement Issue were \$37,698 and this cost has been deducted from the Entitlement Issue of \$741,087.
- (e) **Prospectus Issue** – A Prospectus for the issue of a maximum of 50,000,000 Shares at an issue price \$0.07 to raise \$3,500,000, before estimated costs of \$428,100.
- (f) The Company has agreed to issue 17,465,883 Advisor Shares to the Corporate Advisor and Lead Manager for the commission and fees otherwise payable for assistance with the Acquisition and the Capital Raising.
- (g) A total of 5,714,286 Shares are proposed to be issued to Mr Gellard (Director Shares), or his nominee, for nil cash consideration as payment for \$200,000 of outstanding fees owed to him by the Company.
- (h) The Company proposes to issue a total of 2,857,143 Shares to SJSM Pty Ltd (**SJSM Shares**), or its nominee, for nil further consideration as repayment of a \$200,000 outstanding loan to Veriluma under a convertible note. The issue of the SJSM Shares was agreed to by the Company as a condition to satisfying the \$200,000 debt due and payable by Veriluma to SJSM Pty Ltd.
- (i) Subsequent to 31 December 2015, the Company and Veriluma have agreed pursuant to a variation agreement dated 9 May 2016 that these borrowings as at 31 December 2015 will be capped at \$485,874 and will be repaid from proceeds of the Public Offer subject to ASX approval. To the extent that ASX does not approve the repayment of the borrowings from the proceeds of the Public Offer, then following completion of the Acquisition, the loans will remain as a liability of Veriluma. The borrowings will have a repayment date of 30 June 2019 and will from 1 January 2016 accrue interest of 8% pa until repaid. This results in pro forma reductions to the borrowings payable and accumulated losses of \$64,575. The loans may only be repaid early with the consent of the Company.
- (j) **Costs associated with the acquisition of Veriluma** – For pro-forma purposes the costs of acquisition for due diligence, preparation of the explanatory memorandum, etc. are assumed to have been incurred and expensed in the pro forma Group balance sheets.
- (k) No pro-forma adjustment has been made for any capital raised as a result of the exercise of any Options.

(2) Cash and cash equivalents

The movement in cash and cash equivalents as reflected in the unaudited pro-forma balance sheet at 31 December 2015 is shown as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Cash and cash equivalents at 31 December 2015 – Actual		549,611
<i>Pro-forma adjustments</i>		
- Net proceeds from 1:4 entitlement issue of 21,173,927 shares at \$0.035	(1)(d)	703,389
- Proceeds from issue of 50,000,000 shares at \$0.07 per share	(1)(e)	3,500,000
- Payment of estimated capital raising costs	(1)(e)	(428,100)
		4,324,900

(3) Borrowings

The movement in borrowings as reflected in the unaudited pro-forma balance sheet at 31 December 2015 is shown as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Borrowings at 31 December 2015 – Actual		750,449
<i>Pro-forma adjustments</i>		
- Subsequent reduction in borrowings payable, pursuant to a variation agreement	(1)(i)	(64,575)
- Settlement via issue of Shares	(1)(g)	(200,000)
	(3)(a),(b)	485,874

(a) Subject to the comments in (a) above, the Company expects to settle these loans through its funds raised under the Capital Raising, refer to Use of Funds.

(b) Subsequent to 31 December 2015, Veriluma advised that it will need to extend its borrowing facilities in order to meet its working capital requirements. At the date of this announcement, the quantum of this extension is not known.

(4) Corporate transaction accounting expense

Corporate transaction accounting expense represents the excess consideration over the fair value of the Company's net assets as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
<i>Pro-forma adjustment: Reverse Acquisition of Parmelia Resources</i>		
Market value of Shares immediately prior to the reverse acquisition at a deemed \$0.07 per share	(5)(c)	11,910,874
Less: Fair value of Company net assets (including cash raised in note (2))	(5)(c)	(4,971,802)
Corporate transaction accounting expense	(5)(c)	6,939,072

(5) Issued Capital

The movement in issued capital as reflected in the pro forma balance sheets at 31 December 2015 is shown below:

	Notes			Unaudited Pro Forma After Acquisition and Capital Raising \$
		Issued ordinary shares No.	Performance shares No.	
Parmelia Resources 31 December 2015 – Actual	(5)(a)	98,981,420	-	6,835,205
<i>Merged Company/ Veriluma Issued Capital</i>				
Opening: Veriluma 31 December 2015 – Actual		423,109	-	423,109
- Elimination of existing shares of Veriluma	(5)(b)	(423,109)	-	-
- Existing shares of Company	(5)(a)	98,981,420	-	6,835,205
- Net issued as part 1:4 entitlement	(1)(d)	21,173,927	-	703,389
- Issued as part of reverse acquisition	(1)(a)	162,857,400	40,000,000	14,200,018
- Issued pursuant to Prospectus	(1)(e)	50,000,000	-	3,500,000
- Issued pursuant to (1)(h)	(1)(h)	2,857,143	-	200,000
- Issued pursuant to (1)(g)	(1)(g)	5,714,286	-	200,000
- Issued pursuant to (1)(f)	(1)(f)	17,465,883	-	611,306
- Transaction Costs	(1)(e)	-	-	(428,100)
- Elimination of existing Shares of Company (value)	(5)(d)	-	-	(13,710,944)
		359,050,059	40,000,000	12,533,983

- (a) **Parmelia Issued Capital** – As at 31 December 2015, the Company had on issue 98,981,420 fully paid ordinary shares and 69,296,176 options.
- (b) **Reverse Acquisition – Veriluma** – The number of Shares on issue is adjusted to reflect only the listed entity's (Parmelia Resources) issued capital.
- (c) **Reverse Acquisition – Parmelia** – The pro-forma adjustment reflects the deemed issue of Shares to acquire the Company. Performance Shares have been issued at a value of \$0.07 for the purposes of this pro forma.

The fair value, as determined by the Board, of the Company's net assets at 31 December 2015, per the auditor reviewed balance sheet was \$1,196,513 plus the net cash raised in notes (1)(d) and (1)(e) of \$3,777,987, being \$4,971,802. The fair value of the deemed consideration was assessed at \$11,910,874, being the sum of the issued capital at 31 December 2015 plus the net equity raised in notes (1)(d) and (1)(e) at \$0.07. The difference between the deemed purchase price \$11,910,874 and fair value of net assets acquired represents a corporate transaction accounting expense of \$6,939,072.

- (d) **Elimination of existing shares of PML** – As part of the reverse acquisition the issued capital includes the following adjustments (in value only):

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
Elimination of existing capital in Parmelia Resources	(5)(a)	(6,835,205)
Elimination of net 1:4 entitlement issue of 21,173,927 Shares (treated as pre-acquisition equity)	(1)(d)	(703,389)
Elimination of net Prospectus Shares (treated as pre-acquisition equity)	(1)(e)	(3,071,900)
Elimination of N Gellard Shares (treated as pre-acquisition equity)	(1)(g)	(200,000)
Elimination of Advisor Shares (treated as pre-acquisition equity)	(1)(f)	(611,306)
Elimination of acquisition value of Veriluma	(5)(b)	(14,200,018)
Add deemed reverse acquisition value of Parmelia Resources	(3)(a),(5)(c)	11,910,874
		<u>(13,710,944)</u>

(6) Options and Reserves

The movement in issued capital as reflected in the pro forma balance sheets at 31 December 2015 is shown below:

	Notes	Options No.	Options Reserve \$
Options on issue	(5)(a)	69,296,176	435,569
<i>Merged Company / Veriluma Issued Capital</i>			
Opening: Veriluma 31 December 2015 – Actual	(5)(a)	69,296,176	435,569
- Issued pursuant to the Notice of Meeting	(6)(a)	1,000,000	64,534
- Elimination of existing Shares of Parmelia Resources (value)	(5)(b)	-	(500,103)
		<u>70,296,176</u>	<u>-</u>

- (a) Details of the Options to be issued to related parties pursuant to the Notice of Meeting will be disclosed fully in that Notice and will be subject to shareholder approval.