

# VERILUMA

28 July 2017

ASX Announcement

## June 2017 Quarterly Activities Report

### Highlights

- **Record Revenue for Veriluma's core technology business**
- **Sales of mining assets completed, bringing in substantial funds**
- **Strong Pipeline of new business opportunities building**

Veriluma Limited (ASX:VRI, Veriluma, or 'the Company') is one of Australia's leading Artificial Intelligence companies and focuses of Prescriptive Analytics. Orbis Research estimates that this US\$4.6bn market will grow at a CAGR of over 22%pa over the next 5 years to reach an estimated US\$20bn by 2022.

### Financials

Cash receipts for the quarter were \$0.196m and represent the company's first quarter of sales since its RTO in 2016. The bulk of sales comprised of payments made under the Australian Dept. of Defence contract to build a prototype 'Indicators and Warnings' model for Climate and Disaster Preparedness. The full value of this contract is \$0.124m and included a six-month license of the software and associated services as part of Phase 1 of a potentially larger project. The Gilbert + Tobin proof of concept trial – also now complete – contributed to revenue during the quarter.

With expenses relatively stable, the Company had net cashflow of (\$0.409m) which, adjusting for the timing of cash receipts from asset sales, was close to expectations. The sale of the company's legacy mining assets will reduce annual cash outflow related to tenement holding costs by \$0.2m. On current forecasts, the company expects a stable cost base for the September quarter.

### Business Development

The company continues to aggressively target revenue generation in its three key verticals of Defence / National Security; Legal Services and Financial Services. More recently, opportunities are appearing in a potential fourth vertical: Agriculture.

## VERILUMA: MORE INSIGHT. BETTER DECISIONS

Our predictive software means organisations are better able to anticipate what is likely to happen and highlights the future opportunities and risks to be mitigated. Situations can be continually reassessed – re-predicted – as new information comes to hand.

# VERILUMA: MORE INSIGHT. BETTER DECISIONS

The sales opportunity is so large and so diverse in its industry verticals that it is really only constrained by the size of the Company's sales force. A key objective going forward is to boost the sales team to take advantage of the opportunities that Veriluma has identified.

However, in order to minimise overheads and maximise sales, one of the Company's strategic priorities is to direct its own sales efforts towards those potential customers and or partners who can embed our technology into their own product offerings. This should be especially powerful should Veriluma's software be adopted on a large scale by large multinational legal and financial institutions in particular.

While the sales cycle for Veriluma's technology can be long, particularly when dealing with Government agencies, the Company is very encouraged by the breadth of business opportunities before it. Veriluma enters the second half of CY17 with a pleasing level of momentum – with key Proof of Concept trials successfully concluded and commercial discussions with multiple new potential partners ongoing.

## National Security:

The Australian DoD contract was successfully delivered over the March and June quarters. As Cheryl Durrant, Director of Preparedness and Mobilisation at the DoD observed of the trial: "Defence engaged Veriluma to support trial of the Intelfuze product in providing insight to a cross Government preparedness problem. Veriluma provided a high quality team and the trial successfully achieved its outcomes."

As mentioned earlier, the company awaits news on a potential Phase 2 contract and is in discussions with DoD regarding this opportunity. The company expects any potential Phase 2 project to be materially larger and decision regarding Phase 2 is expected in the Sept quarter.

Further commercial opportunities in the government sector are available and the company continues to engage with multiple Australian Government agencies, such as the AFP, the ATO and Attorney General's Dept. to name a few. Intelligence and security sales opportunities are not limited just to the Government sector, however, and the Company is in discussions with private companies at the leading edge of the non-government intelligence sector.

## Legal Services:

The pilot with Gilbert + Tobin to provide an application which can improve client outcomes by predicting risks and offering greater insight earlier was successfully completed during the quarter. Discussions with Gilbert + Tobin regarding the results of this trial and future potential revenue streams are ongoing. The company is also in discussions with other large nationally based law firms for Proof of Concept trials for bespoke legal applications in a variety of commercial areas. Commercial opportunities in the Legal Services vertical in Europe are also being pursued.

After significant development work conducted in conjunction with Legal Logix Holdings Pty Ltd during the June quarter, the first application, focusing on property settlement issues in family law cases, is now expected to launch in the September quarter. It is expected to be a material contributor to revenue in CY18. Other areas of focus for this joint venture for future applications include estate disputes, personal injury, immigration and employment in Australia and other jurisdictions.

## Financial Services:

Progress continues to be made on marketing SAMI, Veriluma's application designed to surveil the quality of the advice provided by financial planners. Veriluma has collaborated with Advice Regtech, an Australian fintech firm to market this software to the Australian financial advice industry. The company is also in active negotiations with several of the Big 4 accounting firms with regards to integrating Veriluma technology into their own product offerings – consistent with the Company's strategy of leveraging external sales teams where possible.

## Agriculture:

The Australian agriculture sector is looking to digital technologies, and in particular the Internet of Things (IoT) to double output by 2030. Matt Brand, the CEO of NSW Farmers has observed: "The key enabler is digital technology and capability: data being converted into meaningful solutions".

Cisco partnered with the National Farmers Federation among others to launch Innovation Central in Sydney in 2016 to work on data based solutions for farmers and Veriluma believes there are substantial opportunities for its technology to be part of the solution here.

## Corporate

During the quarter, changes to the Board were announced as the Company's transition to a more 'steady state' technology business continued. Mr Nigel Gellard resigned as Non-Executive Director and Mr Justin Clyne resigned as Company Secretary. Veriluma was pleased to announce on 27 April the appointment of Mr Henry Cappa to the Board.

Mr Cappa is a highly experienced financial services industry executive with a 35-year career and has extensive Board experience. His most recent executive role was as Managing Director and Head of Custody & Fund Services – Australia and New Zealand for J.P. Morgan.

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 further develops and implements its product and growth strategy.

## Funding

At the end of the quarter the Company's cash position (unaudited) was \$0.362m. Subsequent to the end of the period the company announced the completion of sale of its legacy mining assets. This yielded an additional payment of \$0.450m (and potential for future contingent payments of a further \$0.5m) and thus a pro forma cash balance of approximately \$0.8m. The company is left well funded to cover near term expenditure commitments.

In addition, the company is in the process of collating required information for FY17 R&D tax incentive and expects further news on this in the September quarter.

For further information, please contact:

Investor Relations

[investor@veriluma.com](mailto:investor@veriluma.com)

+61 2 8039 0533

[www.veriluma.com](http://www.veriluma.com)

Veriluma is an innovative Australian software company founded in 2010. Veriluma's patented algorithm was originally developed for the Australian Department of Defence where situations can lack certainty and reliable information and may depend on input that is subjective. Regardless, in these situations, decision makers still demand fast insight that is accurate and actionable.

Veriluma's predictive software is now being used across a range of industries and applications that require the same fast, accurate and actionable insight. Whether decision makers are in financial services, resource sector, law, insurance or government, they all demand more than just insight for insights sake. They need to understand the likelihood and certainty of events and the risks to be mitigated.

Veriluma's software complements and extends existing data analysis, business intelligence and risk tools. Our software can also incorporate information that is subjective, uncertain or unknown and turning insight into strong directions.

## Appendix 4C

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

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

**Name of entity**

Veriluma Limited

**ABN**

48 142 901 353

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	196	201
1.2 Payments for		
(a) research and development	(158)	(473)
(b) product manufacturing	-	-
(c) advertising and marketing	(70)	(231)
(d) leased assets	-	-
(e) staff costs	(144)	(705)
(f) administration, corporate costs and operating costs	(230)	(1,370)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(2)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	247
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(409)</b>	<b>(2,344)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	50	50
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	<b>(38)</b>	<b>(72)</b>
<b>2.4 Dividends received (see note 3)</b>	<b>-</b>	<b>-</b>
<b>2.5 Exploration assets</b>	<b>(52)</b>	<b>(208)</b>
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(41)</b>	<b>(231)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	1	3,501
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	31
3.6 Repayment of borrowings	-	(667)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Bank Guarantee	-	(12)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1</b>	<b>2,853</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	810	18
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(409)	(2,344)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(41)	(231)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1	2,853

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Cash and cash equivalents through acquisition	-	65
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>362</b>	<b>362</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	362	810
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>362</b>	<b>810</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
115,354
-

Payment to directors for salary, wages and director's fees. Payment to Gellard Enterprises for consultancy.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
(38)

Loan to Legal Logix Holdings Pty Ltd for Research and Development

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	(40)	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Veriluma Software Pty Ltd ANZ Overdraft

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	169
9.2 Product manufacturing	-
9.3 Advertising and marketing	89
9.4 Leased assets	-
9.5 Staff costs	170
9.6 Administration, corporate costs and operating costs	227
9.7 Other (Exploration cost)	5
<b>9.8 Total estimated cash outflows</b>	<b>660</b>

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

### Compliance statement

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



Sign here: .....

Date: 28<sup>th</sup> July 2017

(Director/Company secretary)

Print name: ..Elizabeth A Whitelock.....

**Notes**

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