

VERILUMA

28 April, 2017

ASX Announcement

March 2017 Quarterly Activities Report

Highlights:

- Leading Australian law firm Gilbert + Tobin commenced trial of Veriluma's legal prescriptive analytics solution for a range of legal case assessments
- Partnership to focus on USA Federal Government opportunities particularly in National Security, Anti Money Laundering, Counter-Terrorism Fraud, Trade Based Laundering
- Pilot progressing with Vice Chief of Defence Force and other agencies focusing on the impact of Climate Change. Completion anticipated by end of June.
- \$500,000 Sale and Purchase agreement for Jaurdi Hills mining tenements.
- Significant progress made on business development

Corporate

- Sale of West Australian Jaurdi Hills tenements completed subsequent to end of March Quarter: for \$500,000 up front and \$500,000 upon delineation of JORC resource from buyer
- Funds expected from current trial programs; \$149,525
- Cash position as at 31st March 2017 (unaudited): \$810,000 with \$500,000 to be added from completion of sale of Jaurdi Hills mining tenements which is expected by the end of the quarter

Veriluma Limited (**ASX: VRI, Veriluma** or the **Company**) is Australia's leading prescriptive analytics software provider a participant in a market that Orbis Research on March 3rd 2017 valued at USD 4.64 billion in 2016 and predicted it to reach a value of USD 19.55 billion by the end of 2022, growing at a projected CAGR of 22.81% through 2017-2022.

During the March quarter the company made significant progress on multiple fronts towards an ultimate objective of becoming cash flow positive during the 2017-18 financial year. New partnerships have been announced, existing partnerships strengthened and new introductions initiated.

Gilbert + Tobin trial commenced

During the quarter, Veriluma commenced a trial with leading Australian corporate and commercial law firm Gilbert + Tobin, to improve client outcomes by predicting risks and offering greater insight earlier. The software can be applied across a range of legal applications.

The trial is progressing well with the software being tested for a complex advice scenario that typically involves a team of solicitors. The goal is to produce advice earlier in the cycle to their clients. The company expects to know within the current quarter how this potentially leads to an ongoing revenue stream.

Partnership focused on US Federal Government opportunities

Veriluma announced its expansion into the United States through a partnership with John Cassara and Diamond Capture Associates, LLC. John Cassara is an expert in anti-money laundering and terrorist financing. John, together with Diamond Capture, will focus on building sales opportunities within primarily the US Federal Government agencies

Diamond Capture Associates is a US-based Software-as-a-Service (SaaS) solutions integrator focused on fraud detection and authentication, advanced analytics, enterprise solutions, cyber security and mobile security and business intelligence. Founder, Bailey Spencer, has many years of experience in building high performing sales teams for companies such as Oracle and SAS.

Business Development

The Company's business development strategy continues to be focused on three core sector areas where Veriluma sees the greatest opportunity: Defence/National Security, Legal Services and Financial Services.

Defence/National Security

Government: Veriluma signed a contract in December with the Department of Defence to build a prototype "Indicators and Warnings" model for Australia's climate and disaster preparedness effort. The contract value for the pilot project amounted to \$124,525 with this prototype nearing completion with the final report to be delivered in the June quarter.

At the successful completion of the pilot program, there is an opportunity to secure a larger project in regards to the "implications of climate change", thus adding further revenue.

The company is also in various stages of development with key law enforcement and counter terrorism government agencies and departments with progress to be reported when tangible and when prudent to disclose.

Legal Services

Veriluma's partnership with Legal Logix Holdings Pty Ltd (Legal Logix) combines technology and legal expertise to provide consumer-facing applications to drive early dispute resolution. The first application focuses on family law to provide an assessment of a property settlement. Legal Logix has engaged an Australian development team to complete the application build. The development of the application is currently on track for a July launch, which opens the product for consumers to

use creating a new revenue stream for the company. Other areas of focus include will (estate) disputes, personal injury, immigration, employment and beyond Australia.

Pipeline: The company is in various stages of development in providing a prescriptive solution to 2 notable legal firms in Australia and 1 overseas. Two solutions relate to the assessment of personal injury cases.

Financial Services

During the quarter, further progress has been made on the development and marketing of SAMI, Veriluma's prototype designed to monitor the advice of Australia's 23,000 financial planners and advisors to ensure their advice is in the best interests of their clients. This in turn will deliver greater consumer trust and confidence in the financial advice sector. SAMI was a finalist in the FinTech Awards in February.

Pipeline: The company is engaged with a leading global bank and 3 Australian financial institutions to assess the potential of its software for various scenarios including the mitigation of risk and assisting with compliance.

The company looks forward to communicating the results of partnerships negotiations with local and international software and consulting companies.

CORPORATE

Sale of Western Australian Mineral Tenements

Veriluma held several legacy exploration tenements in Western Australia. The sale of these mineral tenements was finalised subsequent to the end of the quarter for an initial payment of \$500,000 with a further \$500,000 due should the Jaurdi Hills project delineate a JORC Inferred Resource equating to or exceeding 300,000oz Gold. The transaction included a payment of \$50,000 on signing of the initial term sheet with the balance \$450,000 to be transferred on signing of the long form contract which the company fully expects to be achieved by the end of May.

Quarterly Expenditure

Net operating cashflow was \$585,000 during the quarter. The Net (decrease) for the quarter in expenditure as opposed to previously estimated (\$970k) was due to the decision not to incur budgeted expenditure on the recruitment of additional business development and IT personnel. Additionally, a reduction in the budgeted Exploration and Evaluation expenditure occurred during the quarter, as all required committed expenditure had been met.

Estimated cash outflow for the next quarter is \$651,000. Having received an amount of \$52,048 relating to the Department of Defence (DoD) project in early April, expected funds from the sale of the legacy mineral tenements (\$500,000) and invoiced progress payments from the DoD and current trials (\$97,477), cash inflows totaling \$649,500 are expected in the next quarter.

Cash

The Company's cash position at 31 March 2017 (unaudited) was \$810,000. The Company anticipates it will receive a further \$500,000 in total from the sale of the Jaurdi Hills mining tenements, as well as payments from DoD and current trials equating to \$149,525. On this basis, the total cash available to the company for the Quarter is expected to be \$1.459 million.

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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")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	5
1.2 Payments for		
(a) research and development	(198)	(315)
(b) product manufacturing	-	-
(c) advertising and marketing	(72)	(161)
(d) leased assets	-	-
(e) staff costs	(191)	(561)
(f) administration, corporate costs and operating costs	(122)	(1,140)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(2)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	247
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(585)	(1,935)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(11)	(34)
2.4 Dividends received (see note 3)	-	-
2.5 Exploration assets	(46)	(156)
2.6 Net cash from / (used in) investing activities	(57)	(190)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,500
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	-	(659)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Bank Guarantee	-	(12)
3.10 Net cash from / (used in) financing activities	-	2,852

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,452	18
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(585)	(1,935)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(57)	(190)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,852

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Cash and cash equivalents through acquisition	-	65
4.6	Cash and cash equivalents at end of quarter	810*	810

* Net (decrease) in cash differed (was less than) estimated cash outflows for the quarter, as a result of prudent financial management and expected budgeted corporate expenditure from additional recruitment in business development and IT not occurring in the quarter as expected, along with a reduction in costs for Exploration and Evaluation.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	810	1,452
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	810	1,452

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|-----|----------------------------|
| 6.1 | 97 |
| 6.2 | - |
| 6.3 | |

Payment to directors for salary, wages and directors fees.

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

- | | Current quarter
\$A'000 |
|-----|----------------------------|
| 7.1 | - |
| 7.2 | (11) |
| 7.3 | |

Loan to Legal Logix Holdings Pty Ltd for Research and Development

8. Financing facilities available <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)	(7)
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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	156
9.2 Product manufacturing	-
9.3 Advertising and marketing	77
9.4 Leased assets	-
9.5 Staff costs	215
9.6 Administration, corporate costs and operating costs	159
9.7 Other (Exploration cost)	44
9.8 Total estimated cash outflows	651

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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 April 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.