

Xped Limited



Q&A with the Managing Director

Xped Limited (**ASX: XPE**) (“Xped” or “the Company”) is pleased to provide the following responses from MD Mr Martin Despain to questions raised recently by investors:

Q. Marty why would you leave Intel to join a small Australian company such as Xped?

Just to be clear, I loved working at Intel and was not actively exploring leaving Intel. However, having met with the Xped team while at Intel, I was particularly impressed with their technology, and their key personnel. Xped’s Auto Discovery Remove Control (“ADRC”) technology platform has the potential to be a major player in the emerging IoT infrastructure market. I see joining Xped, particularly at this stage, as an exciting opportunity to utilise my experience and industry connections to significantly grow the Company.

Q. Since joining Xped in late September what has been your focus to date?

My first task was to sit down with the board and management and undertake a review of all activities and opportunities to date within the organisation. This review has allowed us to focus our strategy on core technologies, and the delivery of a broader platform which will result in licensing agreements, maximising revenues and growth opportunities. As a result of this review Xped has temporarily sidelined projects such as WirebyClick, Tytronics, and Leapin in favour of larger projects with greater future potential. My next tasks were the release of the investor presentation and the development of an updated roadmap. The roadmap sets the direction and focuses on the near-term revenue generating opportunities with key partners and channels rather than extending ourselves on unqualified outcomes, so that we maintain an emphasis on moving our technology from development into product execution.

Q. Xped has announced it has successfully ported ADRC technology onto several chipsets. What happens from here?

Porting is the first step. The porting is a significant technical achievement and is the most difficult part of the design cycle, it is the initial step in the path to revenue. From here we enter next phases including testing & verification, software development, licensing agreements with silicon vendors, design wins with ODM and OEM partners, and finally production. I am confident with the team that we have, and with the opportunities OEMs and ODMs that are currently in discussion, that Xped will be able to transition from our MOU deliverables in 2016 through these phases to revenue in 2017.

Xped Limited



Q. Ok so you have had some discussions with OEM's and ODM's since you joined Xped and are you able to provide any further information?

I was fortunate that Xped already had key interest from several partners and channels in place when I joined, and my role is to expand on these channels and build opportunities. I have recently spent considerable time with vendors, ODMs, and OEMs in Taiwan, Shenzhen, and the USA. While we cannot reveal names due to non-disclosure agreements, I can tell you that the Xped value propositions of Tap, Xped App, RML, and Gateway Software have been very well received. I expect we will be able to provide further updates soon.

Q. It is frustrating that names of companies are suppressed, and leads to speculation, why can't the market be told?

Yes, it is frustrating, as both myself and fellow board members would be delighted to be allowed to mention some of the companies involved. Unfortunately, it is a requirement of the agreements that the Company suppresses the identity until all terms are satisfied by the parties. It is frustrating for everyone but given that Xped its relatively small on a global scale we are extremely excited to be working with two US Listed companies. These are not small companies we are dealing with, they want delivery and validity of the technology before any names and association can be released as the expectation is to lead into formal and binding agreements.

Q. What is Xped's core strategy for revenue generation and technology delivery?

We will start by focusing on securing licensing and maintenance revenue, continue to grow the margins with professional services, and as we reach scale we will have the potential to capitalise on API metering and management services. These were outlined in the investor presentation.

Q. What do you see as the target markets for Xped's IoT technology?

We will lead with the smart health and aging in place segment. This segment already has a very well-defined value proposition and a massive upside. This is why the acquisition of JCT was so important. We are also very focused on opportunities in the building and enterprise segment, which we are currently exploring with Vital Xense a system integrator in this segment. We will also continue to aggressively approach the smart home segment. While the value-proposition is a bit harder to define at this time, it is too big of a market to ignore.

Q. What opportunities are being pursued with JCT?

JCT Healthcare has some excellent technology, both in software and hardware, which is used in hospitals, nursing homes, disability and aged care. Xped is working with JCT to provide an end-to-end health care solution that integrates the JCT solutions with Xped technologies. This will provide a market leading solution, and provide a template for a platform that can be widely implemented in existing markets, as well as the emerging in-home care markets.

Xped Limited



Q. Do you have an updates or progress with Vital Xense?

I recently met with Vital Xense to review status and refine timelines and expectations for product release. John and the Engineering team are working closely to deliver the DiscoverBus solution for Vital Xense to deploy as part of their technology offering in Data Centres. We expect to complete our delivery requirements for Vital Xense by the end of December. Xped has also been working to customise and develop a software application with Vital Xense for their clients

Q. What is the latest status regarding Complex Semiconductor/Lenze?

Lenze is a manufacturer of various high volume consumer electronic products for the mainland China market. As previously announced, Xped has formed a joint venture in China with Complex Semiconductor which is a subsidiary of Lenze. The Company to date has established a number of overseas entities to meet the terms of the agreement. The intention is that the joint venture will produce products containing ADRC technologies that work with the Xped App from which Xped will earn a share of the revenue.

Production of Lenze's car audio and accessory devices is forecasted to reach up to 10 million units per month. Xped and Lenze are working together on a new version of one of their car audio accessories that uses Bluetooth technology and is controlled via the Xped App. The software being developed by Xped is in its final testing phase and is ready to be released to Lenze for their approval. The hardware being developed by Lenze is also in its final testing phase. The Bluetooth device enablement technology that we developed for this project will also be integrated into our base Xped app allowing us to extend the range of the Xped app to control several popular Bluetooth enabled devices in the market in the Q1 2017 time frame. While extension of the feature set will not drive additional licensing revenue, it will be the first step in subscriber acquisition to our Xped app, as well as give us the ability to truly test our back-end solutions for subscriber and device management. As discussed earlier, as we scale this solution set, we will have opportunities to monetize via API management and metering as our customers access the data being generated.

Q. How is the company tracking with resourcing, and how do you plan to expand?

Xped has a real focus on engineering, technology and product development. We continue to invest in this area having recently brought on more engineers with expertise in firmware and software development to expedite key project delivery timeframes.

We also continue to refine our 3rd party outsourcing strategy to optimize for flexibility, and speed in terms of allowing us to scale. Put simply, we will control our core intellectual property by building a small but world-class engineering organization, we will then scale this technology by taking advantage of system integrator and 3rd party engineering teams.

Xped Limited



Q. The company sought to raise more money recently. Why?

The organisations that Xped are seeking to license our technology with, are very large multi-national corporations, that expect to see a well-capitalised Xped, which offers long term surety to reduce their own risk and exposure. I spoke with the Board requesting additional funds that were needed to grow the sales and marketing channels along with acquisition development costs to ensure the Company had necessary cash reserves going forward. It was decided to seek the additional capital and close the funding now given the interest in the Company rather than wait until the new year when market outlook could easily change and raising funds could prove to be difficult. Athan has done a great job raising the funding through a convertible note with global fund "L1 Capital Global Opportunities Master Fund" at a premium to the share price. This required the Company to enter a short period of suspension to finalise the agreements, which were being negotiated on the cusp of the US elections. In accepting the \$10m facility, the Company decided to cancel the placement and chose to offer an SPP to existing shareholders with a 1:1 attaching option. The company values its shareholders and would rather offer a capital raise via an SPP to its existing shareholders rather than seek additional funds from new investors.

Q. Finally what are your thoughts on the Open Connectivity Foundation (OCF)?

Chris Wood our CTO is our key resource on the OCF due to the heavy technical focus. I am pleased that we are Platinum members of the OCF. By participating in their Smart Home Project, Health Care Project, Data Model Working Group, and their Core Architecture Technical Group we can be proactively providing input with the view to improve the OCF technology with elements of ADRC. From a BD perspective is it a great door opener and has already provided some excellent connections that will be pursued.

Xped Limited



ABOUT XPED

Xped has developed revolutionary and patent protected technology that allows any consumer, regardless of their technical capability, to connect, monitor and control devices and appliances found in our everyday environment. It's as simple as two people shaking hands. By enabling the Internet of Things, Xped's ADRC platform will bring benefit to Manufacturers, Retailers, Service Providers and Consumers.

At Xped, we're **Making Technology Easy Again**

FOR MORE INFORMATION:



Contact Xped Limited

ABN 89 122 203 196
Level 6, 412 Collins Street
Melbourne VIC 3000

T 03 9642 0655
F 03 9642 5177
E info@xped.com
www.xped.com

CORPORATE ENQUIRIES:

Seneca Financial Solutions

Cameron Low
T +61 3 9245 6206
E cameronl@senecafs.com.au