

Xped Limited



XPED ENTERS INTO TERMINATION AGREEMENT WITH HEURESY

The directors of XPED Limited (ASX: XPE) (“Xped” or the “Company”) announce that on 7 July 2020 the Company entered into a termination agreement (“Termination Agreement”) with Heuresy LLC and Heuresy Labs LLC (together referred to as “Heuresy”) to terminate the Technology Development Agreement (“Development Agreement”) dated 23 May 2018 amongst the parties.

Pursuant to the Termination Agreement, the parties agreed to i) terminate the Development Agreement and any obligations and claims arising therefrom and ii) the Company shall pay Heuresy A\$360,000 or equivalent to about US\$250,000 for terminating the Development Agreement. The payment of the A\$360,000 shall be made as follows: i) A\$50,000 at completion, ii) A\$200,000 by the issuance of a Convertible Note which is further detailed below and in Appendix A, iii) transfer all the shares in Xped Holdings Limited which holds certain patents and the ADRC technologies (“Technologies”) to Heuresy. In addition, the parties shall enter into a technology licensing agreement granting the Company the right to resell the products developed using the Technologies and access to the ADRC technology for future development as further detailed below. This Termination Agreement is expected to complete on 13 July 2020.

Background

As announced on 7 February 2020, the Company was informed by Heuresy LLC that it believes the Company has certain obligations or may have breached certain terms under the Development Agreement. As discussed in the Company’s announcement that was lodged with the ASX on 28 May 2018, the Company agreed to develop a new cryptographic Physical Security Token, which is a hardware security device that provides authentication and encryption. Pursuant to the terms of the Development Agreement, the Company immediately granted to Heuresy a perpetual, royalty-free, non-exclusive, worldwide license and right to use and exploit the inventions and technologies, comprising of the Company’s relevant intellectual property rights. In consideration, Heuresy paid US\$250,000 to the Company shortly after execution of the Agreement.

The Development Agreement also provides that Heuresy would pay an additional US\$250,000 upon completion of the work described in the Scope of Work attached to the Development Agreement. However as announced on ASX on 30 October 2019, due to the need to conserve funds, the Company downsized its operations and its Internet of Things Business Unit, which was responsible for developing the Physical Security Token. As a result, the Company has been unable to complete the Scope of Work.

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The Development Agreement is governed by the laws of Virginia, USA and provides for arbitration of any material dispute or alleged breach to be administered by the American Arbitration Association.

The Company had partially performed the work and still had certain obligations to complete the Scope of Works and it became apparent that it would be too costly to complete the development. Furthermore, if the Company was to become subject to arbitration and other legal action in the United States, there could be no assurance as to what the outcome would be or the costs (and management time) to defend such actions. The Termination Agreement crystallize the liability for the Company to resolve the matter which is the most desirable outcome for the Company given its current financial position.

A\$200,000 Convertible Note

At completion of the Termination Agreement, the Company shall issue to Heuresy a A\$200,000 Convertible Note that has the following terms: non-interests bearing, unsecured, convertible at A\$0.001 per share and payable in one year unless earlier converted. The conversion is subject to Shareholders approving the issuance of the Shares underlying the Notes pursuant to the ASX Listing Rules (if required). The noteholder has agreed that any converted shares will be restricted for sale until the first year anniversary date of the issuance of the Convertible Note. Further details of the Note are set out in Appendix A.

Technology Licensing Agreement

The Technology Licence Agreement between Xped Asia Holdings Limited ("Licensee") and Heuresy Labs LLC ("Licensor") has the following key terms:

- **Term**. The term of this agreement is for 3 years with automatic renew on an annual basis unless either party gives 90 days notice of termination prior to the expiry of the then term.
- **Reseller Agreement**. Licensee shall have the right to purchase from Licensor the applications and products using the Technologies that are developed by Licensor, which Licensee may sell and distribute as a reseller, subject to the terms of a further reseller agreement which is to be negotiated in good faith by the Parties and include commercially reasonable terms that are typical for such a reseller agreement, provided further that such a reseller agreement will provide that in no event will Licensee sell or distribute any products in conflict with the terms of the applicable reseller or distribution agreement. For all Applications and Products purchased by Licensee from Licensor pursuant to a reseller agreement, Licensee will pay the lowest amount charged by Licensor for commercial purchases of its similar devices paid by any other reseller or distributor.
- **Grant of Non-Exclusive License by Licensor**. Licensor grants to Licensee a perpetual, royalty-free, non-exclusive, Territory license and right to use and exploit the Technologies to manufacture, produce, develop, copy, improve, create, modify, use, market, sell, import, export, distribute, and publicly display. Territory means Australia and New Zealand. Licensor shall have the right to purchase from Licensee applications and products that are developed

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by Licensee, which Licensor may sell and distribute as a reseller, subject to the terms of a further reseller agreement which is to be negotiated in good faith by the Parties and include commercially reasonable terms that are typical for such a reseller agreement, provided further that as such reseller agreement will provide that in no event will Licensor sell or distribute any products in conflict with the terms of the applicable reseller or distribution agreement.

Julie Edwards
Company Secretary
Xped Limited

Xped Limited



Appendix A – Terms and Conditions of the Convertible Note

Subscription to the Note	AU\$200,000 to be subscribed.
Repayment Date	12 months from the date of the issuance of the Note.
Interests	Non-interest bearing
Security	Unsecured.
Voting	The Note shall not provide for any voting rights at Shareholder meetings.
Conversion of Shares	Subject to Shareholders approving the issuance of the Shares underlying the Notes pursuant to the ASX Listing Rules (if required), the Note shall automatically and without further action required by any person, convert the Note into Shares of the Company.
Conversion Price	A\$0.001 per Share.
Voluntary Escrow	Heuresy undertakes to enter into an escrow agreement reasonable acceptable to the Company undertaking not to sell the converted shares for one year from the date of this Convertible Note.

FOR MORE INFORMATION:



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