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Prospectus

XPON Technologies Group Limited
ACN 635 810 258

for an offer of between 50,000,000 and 62,500,000 ordinary shares
in XPON Technologies Group Limited (ASX: XPN) at \$0.20 per share

Lead Manager



Legal Advisers



Important Notices

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

This Prospectus is issued by XPON Technologies Group Limited ACN 635 810 258 (**Company** or **XPON**) and is an invitation to apply for Shares under an offer of between 50,000,000 and 62,500,000 Shares at an offer price of \$0.20 per Share to raise between \$10,000,000 and \$12,500,000. This Prospectus also contains an offer of Shares to holders of Convertible Notes.

This Prospectus is dated 15 November 2021. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on the date that is 13 months after the date of this Prospectus.

No person is authorised to give any information or make representations about the Offer, which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in XPON. Read this document in its entirety. Examine the risk factors that could affect the financial performance of XPON. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

International offer restrictions

This Prospectus does not constitute an offer in any place outside Australia where, or to any person to whom, it would not be lawful to make such offer. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offer of the New Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such

restrictions could constitute a violation of applicable securities laws. See Section 9.16 for more details on the selling restrictions that apply to the Offer outside Australia.

Defined terms

Some terms used in this Prospectus are defined in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia. Unless otherwise stated or implied, references to dates or years are financial year references.

Electronic prospectus

This Prospectus is available electronically at www.xpon.ai. The Application Form attached to the electronic version of this Prospectus must be used within Australia. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia). Applications for Shares may only be made on or in accordance with the instructions on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.xpon.ai.

Exposure period

Under the Corporations Act, XPON must not process Application Forms during the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by market participants. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Statements of past performance

This Prospectus includes information regarding the past performance

of XPON and the XPON Group businesses. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information

Section 5 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information. The Pro Forma Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except as otherwise stated.

The Pro Forma Historical Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 5. All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Exchange rates of AUD/GBP0.54 and AUD/USD0.75 have been adopted for the financial information in this Prospectus.

All Financial Information contained in this Prospectus which relates to FY19, FY20 and FY21 has been audited. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest AU\$1,000 unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward-looking statements, marketing and industry data

Any forward-looking statements are subject to various risk factors that could cause XPON actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 7 and other information in this Prospectus. XPON cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance

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on these forward-looking statements. XPON does not have any intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the overview of the industry in which XPON operates in Section 2 and the overview of the business of XPON Group in Section 3, uses market data, industry estimates and projections. XPON has based some of this information on market research prepared by third parties, including the independent market report contained in Section 2. The information contained in the projections and reports of third parties includes assumptions, estimates and generalisations that XPON believe to be reliable, but XPON cannot guarantee the completeness of such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors as set out in Section 7. This information should not be used as a basis for investments and should not be considered as an opinion as to the value of any security or advisability of investing in the Shares.

Privacy

If you complete an Application Form you will be giving XPON personal information. The Company and the share registry collect, hold and use that personal information to assess your application and to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the share registry) and government bodies. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you (by contacting the share registry), how you can complain about privacy related matters and how the Company responds to complaints.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

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Letter from the Chairman

15 November 2021

Dear Investor,

On behalf of the Directors, it gives me great pleasure to offer you the opportunity to become a shareholder in XPON Technologies Group Limited (**XPON**).

XPON is a founder-led Marketing Technology and Cloud business providing mission critical services and software solutions to corporate and mid-tier enterprises in Australia, New Zealand, the United Kingdom and Europe.

Modern consumers demand digital experiences and interactions that are personalised, highly engaging, real-time, private and secure. XPON specialises in accelerating the modernisation of marketing through digital experiences that customers love, while making the experience significantly simpler, quicker, and more cost effective. This drives greater returns on investment for our customers.

XPON's solutions enable our customers to rapidly adopt and extract value from their own data (First-Party data), by breaking down the many data silos they have that each contain versions of their customer's data. This enables a single centralised source enabling better targeting of the end customer.

XPON has developed a unique relationship with Google, leveraging the Google Cloud and Google Marketing Platforms. XPON's expertise in Google technology, track record in modernising customer data, and experience in implementing the technology infrastructure allows us to also upsell and deploy our own Wondaris® IP under a single MarTech umbrella. XPON delivers a data and analytics foundation to customers, ensuring they retain ownership of their First-Party data in a modern cloud environment. This foundation is then leveraged to power personalised and intelligent digital marketing and customer experiences with the complete XPON technology stack.

XPON is growing quickly, catalysed by COVID-19 but also driven by the need to rapidly shift to the cloud in a 'digital first' approach, whilst also ensuring data privacy and security, that is required for organisations to stay relevant in the modern world.

The ongoing removal of Third-Party Cookies from web browsers is critical, and is driving the importance of First-Party data – the data companies collect and own. First-party data will become the centrepiece of targeted digital marketing and the personalised customer experience. This is where XPON excels.

XPON's success in winning market share is driven by its ability to attract new, higher value enterprise customers from an expanding vertical market focus, including in financial services, retail, travel, media and education. Our structured programs to upsell and cross-sell our solutions deliver greater value to our customers and this is driving scale and increased revenue per customer across the XPON Group. The 'land and expand' strategy is driving exceptional unit economics with LTV/CAC ratio of 25x, revenue retention at 119%, customer retention at 99.6%, CAC payback of 6 months and lifetime value per customer at over \$700,000 which is delivering strong growth in annual recurring revenue.

XPON is led by an experienced management team with a track record of driving exceptional growth. The team is headed by Matt Forman a "hands on" founder who has over two decades of experience creating and scaling technology businesses. I have worked with Matt and the senior executive team over the last two years and seen their commitment, focus and hunger for achievement and success. This team has demonstrated a culture of innovation, passion and agility, and a powerful focus on collaboration across all our business units. The team is driven by a common vision to be the best at what they do. The senior management team and the Board are strongly aligned to XPON's vision and will retain over 50% of the Company following completion of the Offer and listing on the Australian Securities Exchange, with no sell down of holdings through the listing process.

In addition to the strength of the existing team, we continue to attract exceptional new talent, including through our recent highly synergistic acquisition of Internetrix, the appointment of Jennifer Killian as Chief Marketing and



Experience Officer (formerly GM Marketing, WiseTech Global) and recent appointment of Independent Non-Executive Director Tim Ebbeck, the former CEO of SAP (A/NZ) and Oracle (A/NZ) and current director of ReadyTech (ASX: RDY).

The objective of the XPON initial public offering is to provide funding to continue to build scale and drive our exciting global growth story.

On behalf of the Board, I thank the XPON team for their outstanding achievements to-date and look forward to working with them and our Shareholders to further expand the business.

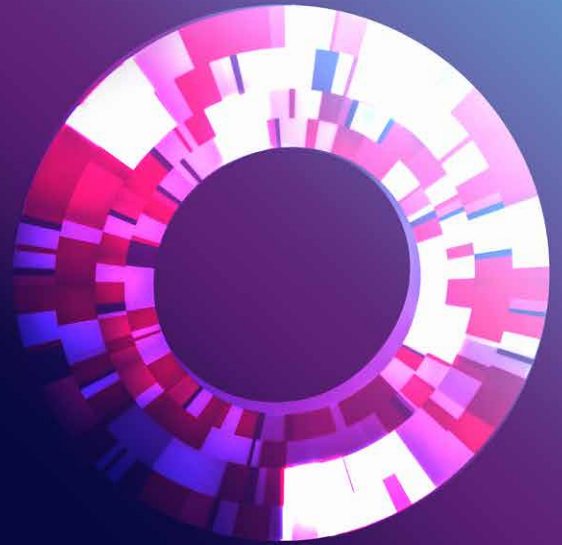
I welcome all existing and prospective investors to carefully read this Prospectus before making an investment decision.

I look forward to welcoming you as a shareholder of XPON.

Yours faithfully



Phillip Aris
Independent Non-Executive Chairman
XPON Technologies Group Limited



OUR PURPOSE

We unlock exponential growth for all of our stakeholders.

OUR APPROACH

We help customers modernise on a solid growth foundation by incrementally deploying the XPON Marketing & CX technology stack.

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1.

Investment Overview





1. Investment Overview

1.1 Summary Offer details

Terms of Offer	Minimum subscription	Maximum subscription
Gross amount to be raised under the Offer	\$10,000,000	\$12,500,000
Total number of Shares offered under the Prospectus	50,000,000	62,500,000
Total number of Shares to be issued to holders of Convertible Notes ¹	8,231,321	8,231,321
Total number of Shares currently on issue	232,895,440	232,895,440
Total number of Shares on issue following the Offer	291,126,761	303,626,761
Offer Price per Share	\$0.20	\$0.20
Undiluted market capitalisation at the Offer Price ²	\$58,225,352	\$60,725,352
Estimate pro forma net cash after Offer costs (as at 31/12/2021)	\$10,773,500	\$13,123,500
Enterprise value at the Offer Price	\$47,543,897	\$47,693,897
Enterprise value/pro forma FY21 revenue (times)	6.0	6.0
Enterprise value/pro forma annualised recurring revenue as at 30 September 2021 (ARR) (times)	4.3	4.3
Total number of Options on issue following the Offer ³	37,601,843	37,914,343
Percentage of Shares held by existing Shareholders following completion of the Offer	82.8%	79.4%
Percentage of Shares held by Shareholders who subscribe for Shares following completion of the Offer	17.2%	20.6%

1. Represents an approximate number of Shares to be issued to Noteholders based on conversion of the Convertible Notes occurring on or before 16 December 2021, factoring in accrued interest for the period from the date of issue (24 August 2021) to the date of conversion. Refer to Section 10.10 for further information on the Convertible Notes.
2. Market capitalisation is determined by multiplying the number of Shares on issue by the price at which Shares trade on the ASX from time to time. Shares may not trade at the Offer Price after the Company's listing. If Shares trade below the Offer Price, the market capitalisation may be lower. Investors should note the risks set out in Section 7.
3. See Section 10.13 for further details regarding the Options.

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1.2 Important dates

Event	Date
Prospectus date	Monday, 15 November 2021
Offer opens	Tuesday, 23 November 2021
Offer closes	Tuesday, 7 December 2021
Anticipated date of allotment	Friday, 10 December 2021
Shareholding statements expected to be dispatched	Wednesday, 15 December 2021
Anticipated commencement of ASX trading	Thursday, 16 December 2021

All dates and times are subject to change and are indicative only. All times are Australian Eastern Daylight Time. The Company, in consultation with and the consent of the Lead Manager, reserves the right to vary these dates and times without notice. It may close the Offer early, withdraw the Offer, or accept late applications.

1.3 Investment summary

Introduction		
Who is XPON and what does it do?	<p>Xpon Technologies Group Limited provides corporate and mid-tier enterprises in Australia, New Zealand, the United Kingdom and Europe with cloud based marketing technology (MarTech) solutions through two business units:</p> <ul style="list-style-type: none"> › The Xpon Technologies business helps customers modernise their marketing and customer experience technologies through: <ul style="list-style-type: none"> – Big Data Analytics, Machine Learning and Artificial Intelligence; – Supporting cloud infrastructure and technologies; – Deployment and management of MarTech and advertising technologies (AdTech); and – Building and modernising customer facing applications (apps) and digital products. <p>Once Xpon Technologies implements a modern architecture, customers are ready to deploy Xpon Platforms across their business.</p> <ul style="list-style-type: none"> › The Xpon Platforms business commercialises its two proprietary technology platforms: <ul style="list-style-type: none"> – The Wondaris® Customer Data Platform that centralises customer and marketing data, leveraging Artificial Intelligence for automated advertising activation. – The HoloScribe® Extended Reality (XR) platform for quickly and easily publishing XR and 360-degree content in any supported channel. 	Sections 2 and 3.1



Introduction

Who is XPON and what does it do? continued	<p>Key verticals served include retail, financial services, media & entertainment, and travel. The benefits to customers include less complexity, increased lifetime value of their customers, reduced cost per sale, greater automation, reduced time to extract value, and the ability to leverage integrated, intelligent, real-time and immersive customer-facing solutions.</p> <p>XPON's annualised recurring revenue (ARR) growth last year was 253% from June 2020 to June 2021, its customer retention rate is presently 99.6%, its LTV/CAC ratio is presently 25x, and its revenue retention is presently 119%.</p>	Sections 2 and 3.1
What is the history of XPON?	<p>XPON evolved from digital marketing agency Traffika which Matt Forman established in 2009. His vision has been to focus on building a global MarTech business with a single 'full stack' technology solution for marketing and customer experience modernisation.</p> <p>XPON Technologies Group Limited was established in August 2019 to execute on this vision through developing and commercialising its own technology and merging with complementary businesses.</p>	Section 3.2
Which industry does XPON operate in?	<p>Marketing technology, public cloud deployment, apps modernisation and extended reality solutions.</p> <p>An overview of the industry in which XPON operates is set out in the Independent Market Report in Section 2. The report estimates the combined market size that XPON operates in will be over \$200bn by 2025.</p>	Section 2
Why is the Offer being conducted?	<p>The objective of the Offer is to provide funding to build scale and expand the business globally based on its growth strategies:</p> <ul style="list-style-type: none">› Retaining existing customers and expanding the number of solutions used by them› Selling existing solutions to new customers› Enhancing XPON's solutions› Expanding sales and marketing capacity› Expanding overall operating capacity› Expanding partner relationships› Exploring expansion into other geographical regions› Extending the Wondaris[®] platform ecosystem <p>The funds raised will be deployed covering*:</p> <ul style="list-style-type: none">› Expanded sales, marketing and customer growth (57%)› Expanding product development and delivery capability (12%)› Capital expenditure required to expand the business (4%)› Expenses of the Offer (14%)› General working capital (13%) <p>* Percentages are based on the maximum funds that may be raised under the Offer of \$12.5 million.</p>	Section 9.6

Business Model

What is XPON's business strategy?

XPON's business model focuses on:

› **Proprietary open software:** XPON has made significant investments in its software platforms and owns this IP and technology. Its strategy is to build software on top of, and deeply integrate with, the leading global vendors in the marketing and CX ecosystem.

› **Partnering with global vendors:** XPON has deep experience in global platforms in the marketing, cloud and CX ecosystem. The integration of XPON's software with these global platforms enables a symbiotic relationship where these global vendors can win new customers, add value to existing customers, and thereby generate more revenue by recommending XPON's software and capabilities as integrated solutions for their customers.

XPON has established a unique and managed relationship with Google and is a Google Marketing Platform service and sales partner and a Google Cloud build, service and sales partner.

› **Land customer on initial use case:** Due to the proliferation of new technologies, the rapid growth of data and the widespread lack of advanced digital skills inside most organisations, the modernisation of marketing and CX can be an overwhelming task.

XPON partners with customers to identify an initial use case to be solved and then rapidly demonstrates value. This provides the customer with a demonstrable return on investment and confidence to accelerate its investment in XPON's solutions.

This is the 'land' step in the 'land and expand' strategy.

› **Retain and expand customer:** XPON is focused on customer success and maximising the return on investment in their marketing and CX activities. This drives high customer retention, increased average revenue per customer and helps customers expand their marketing and CX modernisation capabilities.

This is the 'expand' step in the 'land and expand' strategy.

› **Integrated 'full-stack' marketing and CX technology solution:** As customers drive greater value from the use of XPON's solutions and expand their capabilities, XPON seeks to become their partner for the 'full-stack' of marketing and CX technologies.

Section 3.3

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Business Model

How does XPON generate revenue?	<p>XPON earns revenue on a recurring and non-recurring basis. Recurring revenue is earned by:</p> <ul style="list-style-type: none">› selling its own proprietary software licenses (Wondaris® and Holoscribe®) and Google software licenses;› selling integrated managed service subscriptions to implement, support and scale the technology it sells; and› usage fees for consumption of software and cloud technologies. As customers increase their use of XPON's and its partners' products the revenue derived from usage fees continues to increase. <p>Non-recurring revenue is derived from:</p> <ul style="list-style-type: none">› Professional services; and› Project fees to implement customer projects. <p>In the financial year ended 30 June 2021, 90% of XPON's revenue was recurring and 10% was non-recurring.</p>	Section 3.3
Who are XPON's key customers?	<p>XPON has over 190 customers globally, including prominent brands such as Super Retail Group, Domino's Pizza, Informa, Flight Centre, Webjet, OFX Group, Sunsuper, Youi Insurance and British Caribbean Insurance Company.</p>	Section 3.1
Who are the competitors to XPON?	<p>Competitors exist for different areas of XPON's solutions and include, but are not limited to:</p> <ul style="list-style-type: none">› AdTech & MarTech Implementation: Annalect, Incubeta, Jellyfish, Louder, Merkle, Media.Monks› CDP: Tealium, Twilio Segment, Lexer, Salesforce, Adobe› App Modernisation: Accenture, Cognizant, Deloitte Digital, AND Digital› XR Experiences: Matterport, BrandXR, Lumiscaphe	Section 3.5
What is XPON's growth strategy?	<p>XPON's growth strategy is focused on winning new customers and expanding the solutions used by existing customers, by delivering repeatable products and services across a range of industries to help customer rapidly adopt and extract value from next-generation marketing and CX technologies. It intends to continue expanding its customer base through enhanced organic sales and marketing capacity as well as expanded channel partner relationships. Strategic acquisitions may be considered where a mix of talent, strengthened solutions and customer expansion are present.</p>	Section 3.7

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Business Model

What are the significant dependencies to XPON's business strategy and growth opportunities?

The key dependencies to XPON's business strategy and growth opportunities include:

- › retaining existing customers and expanding the number of solutions used by them;
- › selling existing solutions to new customers;
- › enhancing XPON's solutions;
- › expanding sales and marketing capacity;
- › expanding partner relationships; and
- › extending the Wondaris® platform ecosystem.

XPON may also explore expansion into other geographic regions.

Section 3.7

Benefits and Risks

Key investment highlights

Key investment highlights include:

- › Global data privacy concerns, highlighted by the removal of Third-Party Cookies plus structural growth with the shift to public cloud are providing strong tailwinds for XPON.
- › Fast organic ARR growth of 192% YoY to June 30 2021, total growth of 253% YoY to June 30 2021 and a further 19% ARR growth QoQ to September 2021 of \$11 million.
- › Growth underpinned by exceptional unit economics including 119% revenue retention and LTV/CAC ratio of 25x.
- › Solid revenue mix, with 88% recurring revenues in Q1 FY22 and expanding gross margins.
- › Proven ability to integrate highly synergistic acquisitions.
- › Founder-led, supported by a highly accomplished board and aligned management team that will own 50%+ post ASX listing.
- › Rapidly growing addressable markets with global reach: Total addressable market for Australia and Europe alone is forecasted to be in excess of AU\$201bn by 2025¹.
- › Highly scalable business with significant opportunities to cross-leverage customer base.
- › Strong moat built through unique mix of technology and partnership with Google.
- › Solves mission critical business problems with high retention and extremely sticky customers.
- › Diversified customer base with a mix of well-known and highly reputable brands.

1. Frost & Sullivan Independent Market Report. Refer Section 2.



Benefits and Risks

Overview of key risks

The specific investment risks associated with XPON's business are:

Section 7

Loss making XPON is loss making and expects to be loss making for the foreseeable future as it continues to invest to expand its market presence and market share. Whilst the growth trajectory of the business has been positive, there is no guarantee that the Company will continue this trajectory into the future and become profitable. As a result, it may be required to raise additional capital, and its reputation may be impacted.

Customer retention XPON's financial performance may be materially affected by its ability to retain existing customers. Retention of customers will be dependent on a number of factors including capability, pricing, customer support and value compared to competing offerings.

In addition, following initial commitment periods under customer contracts there is no guarantee that customers will continue their engagement with XPON.

XPON's performance in retaining customers may not continue into the future and this may have an adverse impact on the Company's financial and market performance.

Acquiring new customers The Company has a relatively small number of customers and continued revenue growth for the Company will be dependent on XPON acquiring new customers, accelerating sales, and maintaining strong marketing and distribution channels.

There is no guarantee that XPON will acquire new customers nor maintain the level of growth it has experienced historically and failure to do so may adversely impact the Company's financial and market performance.

Benefits and Risks

Overview of key risks continued

Relationships with key partners

XPON's business model relies on continuing strong relationships with key partners, in particular, its relationship with Google. Continuing strong relationships with key partners will be dependent on XPON ensuring its offering meet the needs of these partners and their customers.

XPON's relationship with Google Cloud and Google Marketing Platform may be affected if Google decides to diversify and offer partnerships to XPON's competitors, to terminate the agreement, or for other reasons. Further, there is a degree of complexity in the partner agreements with Google and other partners and there is a risk that XPON may not have met all requirements in the agreements.

A proportion of XPON's revenue is dependent on these partnerships and the loss of partnerships could cause the Company to lose growth momentum and may adversely impacts it's financial and market performance.

Competition regulation and loss of reputation

The segments in which XPON operates are competitive, evolving, and global. New entrants can enter the market and existing competitors can evolve and change rapidly.

There are competitive risks as a result, including:

- (a) competitors may have greater financial and other resources, and established histories in the market with broader experience;
- (b) aggressive competitor pricing, marketing, operational performance, product and services quality, and R&D strategies which impact XPON;
- (c) better agility and speed to adapt to changing market circumstances; and
- (d) new entrants into the market.

The failure by XPON to compete effectively and successfully may adversely impact the Company's financial performance and future success.

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Benefits and Risks

Overview of key risks continued

Dependence upon key Personnel

XPON depends on the talent and experience of its Personnel as one of its primary assets. There may be a negative impact on XPON if any of its key Personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key Personnel of the Company who leave, including to work for a competitor, may adversely impact the Company, and XPON may not be able to enforce certain post-employment restraints or IP rights.

In summary, XPON's ability to attract and retain Personnel will have a direct correlation upon its ability to deliver its project commitments and achieve growth objectives. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

Since the COVID-19 pandemic, the lockdown of international and state borders has impacted the ability for companies to obtain skilled staff. This situation may continue for some time into the future which may adversely impact the Company's market and financial performance.

Growth

There is a risk that the Company may be unable to manage its future growth successfully. The ability to acquire and retain customers, hire and retain skilled Personnel as outlined above, and upgrade the company's technology and operational systems may be a significant obstacle to growth.

Further, there is no guarantee that the operational effectiveness and cost efficiency of the Company will be able to be maintained and this may impact the company's market and financial performance.

Section 7

Benefits and Risks

Overview of key risks continued

Mergers and acquisitions

The Company's growth strategy may be impacted if it is unable to find suitable merger and acquisition targets.

Further, the Company's due diligence processes may not be successful and a merger or acquisition may not perform to the level expected.

Failure to find and effectively integrate new technologies, people and companies into XPON may adversely impact the Company's market and financial performance.

Intellectual property

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. The intellectual property may not be capable of being adequately legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, the company may not adequately identify breaches, or the Company may incur substantial costs in asserting or defending its intellectual property rights.

Issues regarding the company's intellectual property rights may cause a material risk to XPON's business, market growth and financial performance.

Further, the Company has developed its own intellectual property using tools and technology owned by third parties, including open-source technology. The Company may be subject to claims that its products, or its use of third-party products, breaches another party's intellectual property or other rights. This could result in significant costs and delays and may adversely impact the company's market and financial performance.

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Benefits and Risks

Overview of key risks continued

Regulatory risk and privacy

Information collected by customers as the primary controller and processed by XPON's offerings may include personal information of individuals some of which may be sensitive. Further, XPON may collect personal information related to its business (e.g. employees, investors, customers). Privacy, data protection and direct marketing regulation varies in the jurisdictions in which XPON operates. Claims relating to a breach of privacy regulation may adversely affect the Company's market and financial performance, particularly if the reputation of XPON's offerings is affected or compromised or if a large-scale privacy or confidentiality breach occurs. A breach may also result in additional regulatory scrutiny, damages, fines and other costs.

Jurisdictional risk

XPON operates in multiple jurisdictions. This increases the regulatory compliance burden and requires XPON to comply with multiple regulatory regimes with respect to its offerings. Different jurisdictions may adopt stricter or different approaches to regulation which may affect financial performance in those jurisdictions.

Further, the Company has operations in markets where there is a potential risk of exposure to modern slavery and similar legislation, or social, political or economic instability. There is no guarantee that such instabilities will not occur, and should they occur, they may adversely impact XPON's market and financial performance.

Currency exchange risk

XPON reports its financial performance in Australian dollars. However, XPON has customers in multiple jurisdictions. Fluctuations in the exchange rate between the AUD and currency in those jurisdictions may affect XPON's financial performance.

Section 7

Benefits and Risks

Overview of key risks continued

Insurance XPON offers a broad scope of information technology products and services and has obtained business insurances to cover these services and offerings. XPON consults periodically with its professional insurance advisors regarding its business insurances; however, there is a risk that XPON's existing policies may not cover all potential claims that XPON may sustain in the course of undertaking its business.

Capital structure risk Following completion of the Offer, the Directors and senior management team will retain a significant holding in XPON and will therefore have a significant influence over the Company, including in relation to resolutions requiring the approval of Shareholders. This collective interest may also have an impact on the liquidity (particularly having regard to any escrow arrangements), as well as acting as a potential deterrent to corporate transactions.

Escrow arrangements Directors and members of the Company's senior management team will be subject to escrow requirements, designed to protect the integrity of the market and allow the Company to develop a track record. This means that certain Shareholders will not be able to deal with escrowed Shares. The details of Shares that will be subject to escrow arrangements are set out in Section 8.8.

Escrowed Shares will be released at the end of the relevant escrow period, which may impact the Company's Share price if relevant persons seek to trade their Shares at that time.

XPON's business is also subject to general risk factors. The specific risks identified above and additional general risks associated with XPON are set out in further detail in Section 7.

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Proposed Use of Funds and Financial Information

How will the proceeds of the Offer be used?

The Offer will raise new capital for XPON which will be used to fund the expansion of the business including:

- › Expanded salespeople and capacity to win more new customers, ensure customers achieve business benefits from using XPON solutions, and driving more cross-sell and up-sell revenue.
- › Expanded marketing to increase brand awareness, position XPON's capability and benefits in targeted campaigns, drive more leads to increase pipeline, and drive higher revenue.
- › Expanded software and product development capacity to enable more rapid software deployment to market to meet customer demand.
- › Expanded project delivery capacity to ensure XPON customer projects are delivered on time, to budget, meeting customer outcomes.
- › Capital expenditure and working capital to support the sales, marketing, development and delivery capacity expansion.

The Offer proceeds will be applied over the first 24 months following completion of the Offer. A detailed summary of the allocation of the Offer proceeds and XPON's expenditure program is set out in Section 9.7.

Section 9.7

What is XPON's financial position?

The Company's financial position is set out in detail in Section 5 of this Prospectus.

A pro forma balance sheet is also included at Section 5 to show the effect of the Offer.

Historical and pro forma financial information regarding the Company is also considered in the Independent Limited Assurance Report provided in Section 6 of this Prospectus.

To fund its operations, XPON has primarily relied upon investment from Existing Shareholders and the issue of Convertible Notes, totalling approximately \$5.5m since November 2019, and reinvestment of revenue into growth and product development.

XPON's material operating expenses include employee expenses, sales and marketing expenses, IT and facilities expenses, costs and professional fees associated with commencing the initial public offer, and general and administrative costs.

Section 5

Other Details														
Board and executives	<p>XPON's Board of Directors comprise two independent Non-Executive Directors and one Executive Director. Collectively the Board members have significant depth of executive and non-executive board experience in the industry for marketing technology, apps modernisation and extended reality solutions, combined with publicly listed company, capital market, financial and global technology commercial expertise.</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Position</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>Phillip Aris</td> <td>Non-Executive Chairman</td> <td>Independent</td> </tr> <tr> <td>Matt Forman</td> <td>Group Managing Director</td> <td>Not independent</td> </tr> <tr> <td>Tim Ebbeck</td> <td>Non-Executive Director</td> <td>Independent</td> </tr> </tbody> </table> <p>XPON's key executive management team consists of:</p> <ul style="list-style-type: none"> (a) Chief Executive Officer – Matt Forman (b) Chief Financial Officer – Leanne Wolski (c) Chief Marketing and Experience Officer – Jennifer Killian (d) CEO of XPON Technologies AU/NZ – Chris Rozic (e) CEO of XPON Platforms – Simon Pereira (f) CTO of XPON Platforms – Matthew Daniels (g) CEO of XPON Technologies UK/EU – Ben Fogarty <p>Further detail on the experience and qualifications of each of the Directors and key executives are set out in Sections 4.2 and 4.3.</p>	Director	Position	Independence	Phillip Aris	Non-Executive Chairman	Independent	Matt Forman	Group Managing Director	Not independent	Tim Ebbeck	Non-Executive Director	Independent	Sections 4.2 and 4.3
Director	Position	Independence												
Phillip Aris	Non-Executive Chairman	Independent												
Matt Forman	Group Managing Director	Not independent												
Tim Ebbeck	Non-Executive Director	Independent												
Corporate structure	The corporate structure of the XPON Group is summarised in Section 4.1.	Section 4.1												



Other Details

What is the effect of the offer on the capital structure of XPON?

	Minimum subscription		Maximum subscription	
	Shares	%	Shares	%
Existing Shareholders ¹	74,802,300	25.69%	74,802,300	24.64%
Directors and senior management	158,093,140	54.30%	158,093,140	52.07%
Convertible Noteholders ²	8,231,321	2.83%	8,231,321	2.71%
New Shareholders under this Offer	50,000,000	17.17%	62,500,000	20.58%
Total Shares on issue	291,126,761	100%	303,626,761	100%

1. Assumes no Existing Shareholders will participate in the Offer.
2. Represents an approximate number of Shares to be issued to Noteholders based on conversion of the Convertible Notes occurring on or before 16 December 2021, factoring in accrued interest for the period from the date of issue (24 August 2021) to the date of conversion. See Section 10.9 for further information on the Convertible Notes.

Section 10.7

Who are the substantial Shareholders and what will their interests be on completion of the Offer?

On completion of the Offer, substantial Shareholders (including through their related parties and associates) of the Company are expected to be:

Shareholder	Shares	Percentage interest	
		Min. subscription	Max. subscription
Black Oak Ventures Pty Ltd	104,288,320	35.82%	34.35%
Benjamin Patrick Fogarty	35,267,180	12.11%	11.62%

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offer and prior to the Shares commencing trading on ASX.

Section 10.8

Other Details

Benefits and Interests of Directors

Director	Shares held on completion of the Offer	Shareholding % on completion of the Offer		Options upon completion of the Offer
		Min. subscrip.	Max. subscrip.	
Matt Forman	104,288,320	35.82%	34.35%	3,972,222
Phillip Aris	2,354,850	0.81%	0.78%	972,222
Tim Ebbeck	–	–	–	375,000

Section 10.19

The above table does not take into account any New Shares the Directors may acquire under the Offer. Directors are entitled to remuneration and fees on commercial terms.

Directors' interests and remuneration are set out in more detail in Sections 10.19 and the option terms are summarised in Section 10.13.

What Share escrow arrangements are in place and what is the expected free float on completion of the Offer?

In total, 165,142,048 of the 291,126,761 (56.72%) to 303,626,761 (54.38%) Shares on issue on completion of the Offer are anticipated to be subject to escrow arrangements.

Approximately 157,284,470 of the Shares subject to escrow arrangements are held by the Directors and members of senior management, representing between 54.03% and 51.8% of Shares on issue following completion of the Offer.

The Company's free float on completion of the Offer and admission to the ASX is expected to be between 125,984,713 (43.27%) and 138,484,713 (45.61%) Shares.

These numbers are indicative only and the total number of Shares subject to escrow restrictions will be announced prior to Shares commencing trading on ASX.

Further details of Shares subject to escrow arrangements is set out in Section 8.8.

Section 8.8

Related party transactions and benefits for other parties

Other than the contractual arrangements set out in detail in Sections 8.6 (executive contract of Matt Forman), 8.7 (deeds of access, insurance and indemnity) and 10.19 (letters of appointment for Non-Executive Directors), there are currently no other material arrangements between XPON and its Directors, or other related parties.

Advisers and other service providers are entitled to fees for services as set out in this Prospectus.

Sections 10.18 and 10.20



Key Terms and Conditions of the Offer

Who is the issuer of this Prospectus?	XPON Technologies Group Limited ACN 635 810 258.	
What is the Offer?	<p>XPON is offering to issue a minimum of 50,000,000 New Shares and a maximum of 62,500,000 New Shares at \$0.20 per New Share to raise gross proceeds of between \$10 million and \$12.5 million (before costs and expenses of the Offer).</p> <p>All New Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all existing Shares.</p>	Section 9.1
What is the structure of the Offer and who is eligible to participate?	<p>The Offer is open to the members of the general public in Australia that apply for New Shares using the Application Form provided with this Prospectus.</p> <p>This Prospectus also includes an offer of New Shares to Noteholders, which will be issued upon conversion of the Convertible Notes. Further information about the terms of the Convertible Notes is set out in Section 10.10.</p>	Sections 9.2 and 9.3
Who is the Lead Manager?	The Lead Manager is Sequoia Corporate Finance Pty Ltd.	Section 8.3
Will the Shares be listed?	<p>XPON will apply to the ASX for admission to the Official List and Official Quotation of Shares under the code XPN.</p> <p>Completion of the Offer is conditional on the ASX approving the Company's listing application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 9.14
Is the Offer underwritten?	The Offer is not underwritten.	Section 9.5
What is the allocation policy?	<p>The Company, after consultation with the Lead Manager, will allocate New Shares to Applicants under the Offer at its discretion.</p> <p>The Company may allocate all, or a lesser number, of New Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant.</p> <p>If the conditions in Section 9.4 are not satisfied, or for any reason the Offer does not proceed, all Application Money is refunded in full without interest.</p>	Section 9.8
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of New Shares under the Offer.	Not applicable

1. Investment Overview

Key Terms and Conditions of the Offer

What are the tax implications of investing in the New Shares?	The tax consequences of any investment in the New Shares will depend upon any investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.13
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around 15 December 2021.	Section 9.14
Will I receive dividends on my Shares?	The policy of XPON is to reinvest all cash flow into the business in order to maximise its growth. Accordingly, no dividends are expected to be paid in the short to medium term following XPON's listing on the ASX.	Section 5.8
How do I participate in the Offer?	Applications may only be made on the Application Forms attached to or accompanying this Prospectus or in a paper copy form as downloaded in its entirety from www.xpon.ai . Detailed instructions on how to complete the Application Forms are set out on the reverse of the Application Form. To the extent permitted by law, an Application under the Offer is irrevocable.	Section 9.9
Are there any conditions to the Offer?	The Offer is conditional on the Company raising the minimum subscription amount of \$10 million (before costs and expenses of the Offer) and being granted conditional approval to list on the ASX. If these conditions are not met, the Offer will not proceed, and investors' Application Monies will be returned (without interest).	Section 9.4
Can the Offer be withdrawn?	XPON reserves the right not to proceed with the Offer at any time before the issue of New Shares to successful Applicants. If the Offer does not proceed, the Share Registry will refund Application Monies. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 9.12
Where can I find more information?	Call the XPON Information Line on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia) between 9:00am and 5:00pm AEDT if you require assistance to complete an Application Form, require additional copies of this Prospectus or have any questions in relation to the Offer. If you are unclear in relation to any matter or are uncertain as to whether obtaining New Shares in XPON is a suitable investment for you, you should seek professional advice from your lawyer, stockbroker, accountant, tax adviser or other independent and qualified professional adviser before deciding whether or not to invest.	

Important notice

This Section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares.

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2.

Independent Market Report

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2. Independent Market Report

Market Report

Market for Martech, Customer-facing Apps Modernisation and Extended Reality Solutions in Australia and Europe

This report describes the market for marketing technology (**martech**), apps modernisation and extended reality solutions in Australia and Europe, and has been commissioned from Frost & Sullivan by **Xpon Technologies Group Limited** (or the Company) to support its initial public offering (IPO) process.

1. Introduction and Background

Xpon Technologies Group Limited provides corporate and mid-tier enterprises targeting Australia, the United Kingdom (**UK**) and Europe with solutions through two business units:

- The Xpon Technologies business helps clients modernise their marketing and customer experience (**CX**) technologies through:
 - Building and modernising customer facing applications (**apps**) and digital products;
 - Consulting, implementation and software enabled managed services to help companies manage marketing platforms and advertising technologies (**adtech**);
 - Big Data Analytics (**BDA**), Machine Learning (**ML**) and Artificial Intelligence (**AI**); and
 - Supporting cloud infrastructure and technologies
- The Xpon Platforms business commercialises the Wondaris® Customer Data Platform (**CDP**) that centralises customer and marketing data, leveraging AI for automated activation and HoloScribe® an Extended Reality (**XR**) platform for quickly and easily publishing XR and 360 degree content in any supported channel.

Key verticals served include retail, financial services, media & entertainment, and not for profit. The benefits to customers include increased lifetime value of their customers; reduced cost per sale; reduced time to value; leverage of seamless, intelligent, real-time and immersive customer-facing solutions, etc.

1.1 Scope and Definitions

Martech refers to technological solutions that are used to manage and run marketing activities. Martech helps marketers plan and execute online marketing campaigns, collect and evaluate campaign outcomes, measure and track marketing performance, and utilise collected insights for future campaigns. Key areas that martech covers include adtech, analytics, marketing automation, content management, customer relationship management (**CRM**) systems, and social media.¹

The primary use cases for martech include:

- Segmentation and targeting

¹ Innovative Business Models Spur Growth of Middle East ICT Market, Outlook 2021, Frost & Sullivan, May 2021



- Open market programmatic media buying
- Product and offer development
- Personalisation of digital content
- Private market programmatic media buying
- Integration of emerging media
- Optimisation of owned media content
- Cross channel measurement
- Cross channel messaging²

A key component of the martech solution suite is **CDP** which is a data management solution that imports customer data from multiple sources, integrates, cleans and organises it, and creates a unified profile of every single customer. CDPs then take that structured data and push it out to other martech platforms and web systems to enable advanced customer-centric functionality like personalisation. CDPs are becoming mission-critical for any organisation that is serious about adopting customer-centric business and marketing strategies, and will be a core component in a company's ability to serve up a holistic, consistent experience to customers.³

App modernisation services address the migration of legacy to new applications or platforms, including the integration of new functionality to provide the latest functions to the business. Modernisation options include re-platforming, re-hosting, recoding, re-architecting, re-engineering, interoperability, replacement and retirement, as well as changes to the application architecture to clarify which option should be selected.⁴

AI refers to machines running cognitive processes that are designed based on human intelligence (including learning, understanding, reasoning, and interacting).

ML is an approach within AI, in which systems learn from data. They learn patterns within the data. The representations are more effective when applied to new and unknown data, which makes this approach ideal for generating predictions and for vision and language systems.

BDA is defined as the process of analysing data to uncover patterns using computing algorithms, programming, and statistical modelling techniques to find valuable and timely correlations, resulting in actionable insights that drive business decisions inside an organisation.

Cloud infrastructure-as-a-service (IaaS) refers to hosted, scalable data centre infrastructure resources available on-demand, usually without term or usage commitments, and charged via a pay-per-use model. IaaS comprises raw infrastructure on which users can build and deploy applications or workloads. The two most common types of IaaS are computing-as-a-service and storage-as-a-service.

² Technologies Transforming the Future of Digital Marketing, Frost & Sullivan, Dec 2019

³ An Overview of Customer Data Platforms (CDPs), Arm Treasure Data, CMS Wire, Feb 2019, <https://www.cmswire.com/customer-experience/an-overview-of-customer-data-platforms-cdps/#comments>, accessed 19 Jul 2021

⁴ Gartner, <https://www.gartner.com/en/information-technology/glossary/application-modernization-services>, accessed 22 Jul 2021

XR refers to real and virtual combined environments or interfaces generated by a set of technologies through digital simulation. There are different types of technologies that can be leveraged to deliver XR, including augmented reality (AR), mixed reality (MR), and virtual reality (VR). AR combines real and augmented objects; it operates interactively in real time. VR allows the users to step into a completely immersive environment in a virtual world and users cannot see the real world around them. MR is defined as the combination of both the real and virtual.⁵

1.2 Methodology

In writing this report, Frost & Sullivan has used existing published data sources from government statistics, journals, articles, analyst reports and company reports and presentations, which are considered reliable. All currency refers to Australian dollars (\$) unless stated otherwise. The exchange rates used are A\$1 = US\$0.74; A\$1=£0.53.⁶

2. Market Drivers

The key trends driving demand for Xpon's solution are described below:

Overall Customer-facing Solutions

In a global Frost & Sullivan survey asking enterprises how they plan to measure their digital transformation strategy success, customer-facing criteria were three of the top-10 most mentioned factors.⁷

Figure 1: Digital Transformation Success Measurement, Global, 2020

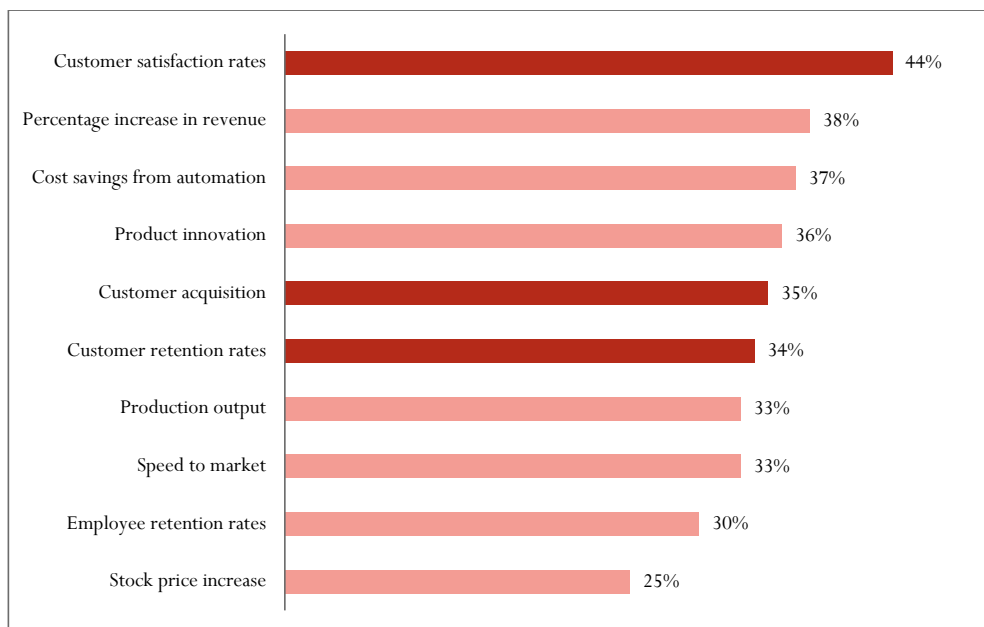
⁵ Extended Reality: Making Immersive Experiences Commonplace, Frost & Sullivan, Nov 2020

⁶ <https://www.xe.com/>

⁷ Maintaining Brand Loyalty as Digital Channels Thrive Amidst the COVID-19 Pandemic, Frost & Sullivan, Mar 2021



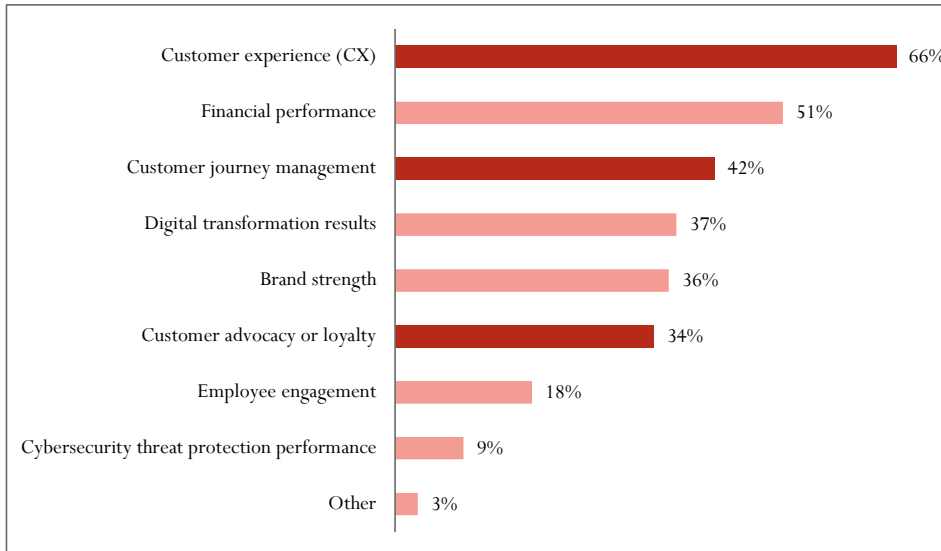
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Source: *Maintaining Brand Loyalty as Digital Channels Thrive Amidst the COVID-19 Pandemic*, Frost & Sullivan, Mar 2021; n=3,262, Q: How do you plan to measure your digital transformation strategy success?

Similarly, customer experience (CX), customer journey management and customer advocacy or loyalty are leading indicators of performance among board-level executives.

Figure 2: Indicators of Strategic Performance, Global, 2020



Source: *Maintaining Brand Loyalty as Digital Channels Thrive Amidst the COVID-19 Pandemic*, Frost & Sullivan, Mar 2021; n=917, Q: What would your board level executive say are the top three indicators of strategic performance?

This focus on customer-facing metrics is expected to underpin demand for martech, customer-facing app modernisation, AI/ML/BDA solutions, cloud IaaS and XR solutions.

Martech

High levels of online activity amongst consumers: As the table below shows, on a number of different parameters, both the UK and Australia show high levels of digital service and content use, compared to worldwide averages. This makes both countries mature markets for the leverage of martech solutions.

Table 1: Digital Service and Content Use, UK, Australia, Global, Jan 2021

	UK	Australia	Global
Internet users as % of total population	96.0%	89.0%	59.5%
% of Internet users aged 16 to 64 who own some form of smart home device	22.0%	14.6%	12.3%
Active social media users as a % of total population	77.9%	79.9%	53.6%
Users that advertisers can reach on Facebook as % of total population aged 13+	66.0%	75.0%	35.8%
Number of times per month that Facebook users click on Facebook ads	19	21	11
Users that advertisers can reach on Instagram as % of total population aged 13+	53.8%	51.6%	20.0%
Users that advertisers can reach on Snapchat as % of total population aged 13+	36.6%	35.4%	8.2%
Users that advertisers can reach on Twitter as % of total population aged 13+	28.6%	13.6%	5.8%
Average US\$ spent on online purchases of consumer goods per ecommerce user in 2020	\$1,697	\$1,492	\$703
% of Internet users aged 16 to 64 who use mobile	53.3%	48.9%	38.7%

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	UK	Australia	Global
banking or financial services apps each month			
% of Internet users aged 16 to 64 who research products online before making a purchase	60.6%	58.2%	55.6%

Source: Digital 2021: Global Overview Report, Kepios, We Are Social and Hootsuite, Jan 2021, <https://datareportal.com/reports/digital-2021-global-overview-report>, accessed 27 Jul 2021

Given the significant digital user activity in both countries, enterprises are looking to deliver integrated and seamless marketing that is supported by data-driven decision-making, an area where adtech and marketing analytics can play a significant role. With the increased use of omnichannel⁸ marketing strategies, synergies between cross-platform technologies (such as touchscreens, mobile phones, tablets and digital signage) are being explored.

In addition, the COVID-19-driven shift to increased remote work and online shopping is accelerating digital transformation efforts across verticals and increasing demand for targeted, data-driven online marketing. For example, total online shopping (across all retail product categories) grew 31.8% in Australia Jun 2020 to Jun 2021; sustaining the pace of growth from the previous year (33.2%).⁹ A total of 9.1 million households purchased online in the 12 months to Jun 2021.¹⁰ Similarly, according to ABS, in Apr 2021, 35.9% of Australians aged 18 years and over with a job worked from home (as compared to 23.6% prior to Mar 2020).¹¹ A number of surveys have shown that post-COVID-19, there is likely to be a marked preference for some level of remote working (with potentially a day or two physically in office each week).

Navigating changes to online privacy: Laws relating to digital data protection and user privacy (for example, the European Union (EU) General Data Protection Regulation (GDPR) and ePrivacy Regulation) are resulting in changes to the way digital marketing analytics and tracking is delivered. Leading Internet service and product provider, Google (which delivers online advertising technologies, search engine, cloud computing, software, and hardware) is expected to end support for third-party cookies¹² of its Chrome browser in late 2023.¹³ Other browsers such as Apple's Safari and Mozilla's Firefox have already transitioned away from third-party data. Whilst this is part of the IT industry's push to protect user privacy, it weakens the ability of brands to target customers effectively. In this context, CDP improves consumer data that is available to the client i.e. first-party data, anonymises it and facilitates more effective targeting. This also benefits consumers by ensuring that more relevant marketing messaging is reaching them.

Figure 3: Privacy-driven shift from third-party to first-party data strategy

⁸ Online presence and brick-and-mortar presence

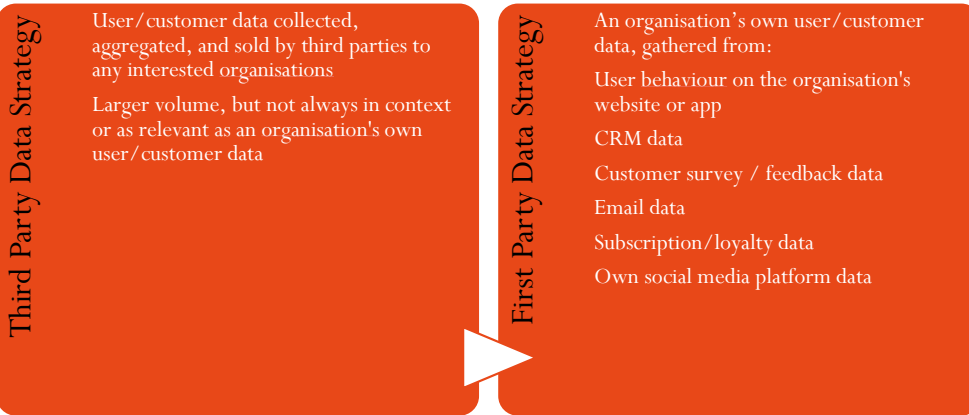
⁹ Inside Australian Online Shopping, eCommerce update, Australia Post, Jul 2021

¹⁰ Ibid

¹¹ Household Impacts of COVID-19 Survey, ABS Apr 2021

¹² Third-party cookies are tracking codes created by domains other than the one being visited and are used for cross-site tracking, retargeting and ad-serving.

¹³ An updated timeline for Privacy Sandbox milestones, Google, Jun 2021, <https://blog.google/products/chrome/updated-timeline-privacy-sandbox-milestones/>, accessed 27 Jul 2021



Source: Frost & Sullivan

Personalisation: Consumers – particularly Gen Z (born between 1996 and 2010 who will account for 24% of the global population by 2030¹⁴ and emerge as the next consumer powerhouse, as they become the primary working age population) – increasingly appreciate creative freedom and choice, and exhibit a strong sense of self-expression. Therefore, personalisation will drive brand loyalty in this consumer group. In terms of marketing, increased personalisation (based on historical and current digital behaviour) enables higher conversion rates, fewer customer complaints, improved user satisfaction, upsell and cross-sell opportunities, higher task completion rates, accelerated revenue growth, more effective loyalty programs, increased customer advocacy, as well as increased buyer confidence. Martech solutions uncover customer insights across data sets to drive such personalisation in messaging, promotion and ongoing engagement.

New modes to reach customers: Social media, user-generated content, influencer marketing, interactive / two-way communication with customers, and sponsored content have created new modes of reaching customers. This diversification of the marketing content has prompted the use of innovative marketing strategies that go well beyond traditional advertising and promotion. Organisations are also looking to go beyond transactional relationships and build a deeper connect with the customers. To facilitate these objectives, martech solutions are being increasingly used to protect and grow share of market.

In-house skills gaps: While marketing teams have put increasing level of focus on adopting advanced data science practices to revamp their digital marketing practices, they have been less successful in training their marketing teams to make the most of the tools available at their disposal. A key reason for this gap is that marketing teams have traditionally been siloed in nature with limited collaboration between technical and creative teams, whereas digital marketing teams need to build teams with a mixture of creative and analytical skill. Also, the technology stacks of marketers have become more complex, resulting in the need for solutions that can integrate with diverse solution stacks and consolidate the data from them so as to provide marketers with a holistic view. Hence, the need for advanced martech solutions and

¹⁴ Global Mega Trends to 2030, Frost & Sullivan, Sep 2019

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expertise from solutions providers with the track record and experience to deliver desired outcomes. At the same time, as marketing teams globally become more skilled and educated in use of technology, more investment is expected to flow towards adoption of martech.¹⁵

App Modernisation

Increased demand for modernising legacy apps: Despite acceleration in digital transformation, organisations accumulate – over the years – a diverse range of legacy apps. This not only reduces efficiency gains that come from new software features, but also poses increased security risks (if some software is no longer supported by the relevant vendor and consequently does not receive the required updates and patches).

App modernisation as path to digital maturity: Frost & Sullivan's 2020 global cloud user survey found that 47% of enterprises are already implementing app modernisation initiatives and a further 41% plan to in the next two years.¹⁶ This strategy of making app modernisation a foundational element of digital transformation is expected to spur demand for app modernisation services.

Need to improve functionality of systems and outcomes through integration: Legacy software may not be compatible with more recent solutions and so limits the potential to integrate systems.

Customer expectations: With customer expectations in terms of user experience (UX) being higher than ever before, modernisation of customer-facing apps becomes all the more critical.

AI/ML/BDA

Improved customer analytics: Analytics capabilities help find patterns and detect anomalies across multiple data streams. With BDA, brands can collect and visualise customer interaction data, across multiple channels, helping them predict customer sentiment and resolve customer issues effectively, reducing customer churn. Following the customer journey, brands can better understand the channels that customers prefer to interact with the brand and use their browsing behaviour to create buying opportunities. Use cases such as loyalty card analysis, customer-service chatbots, brand loyalty program analytics, purchase behaviour, and targeted promotions, are only a few examples of how brands are using customer behaviour data to drive their business strategies. AI and ML address the need to extract, visualise, and execute on this intelligence in near real-time (a need that is increasingly becoming a business-critical objective). At least 51% of the business leaders surveyed by Frost & Sullivan globally said that investigating and utilising data is a top business priority.¹⁷

Opportunity to integrate AI/ML/BDA using cloud solutions: Legacy apps limit organisations in terms of their ability to unlock value from AI/ML/BDA via cloud solutions. BDA supports an organisation's capability to make proactive real-time decisions. This helps position companies to be more predictive than reactive. BDA facilitates access to traditionally siloed data sources (both structured and unstructured) and uncovers previously inaccessible information.

¹⁵ Technologies Transforming the Future of Digital Marketing, Frost & Sullivan, Dec 2019

¹⁶ The State of the Cloud, Results from the 2020 Frost & Sullivan Global Cloud User Survey, Dec 2020

¹⁷ Global Big Data Analytics Market Fuelling Artificial Intelligence, 2020, Frost & Sullivan, Aug 2020

Cloud Infrastructure as a Service

Increased penetration of cloud services: In 2020, organisations worldwide have rushed to adopt hybrid¹⁸ and multi-cloud¹⁹ configurations, which give them the flexibility to host applications in optimal infrastructure and move workloads and data across infrastructures and clouds. The Frost & Sullivan 2020 Cloud User Survey shows that the proportion of organisations using hybrid cloud has risen from 37% in 2019 to 42% in 2020; and multi-cloud from 28% to 43%.²⁰ This increased penetration for cloud services is driving demand for app modernisation solutions.

Improved business process efficiency and quality: The cloud's flexibility and scalability, as well as the access to next-generation technologies enable businesses to be more efficient and make better, more informed decisions. Businesses will continue to turn to IaaS for its flexibility, performance, and high availability to respond to the current crisis and prepare for future disruptions. This enables them to test products and services and put them into production quickly, innovating faster.

Improved customer experience: The pandemic resurfaced gaps in customer experience in a remote, online, and digital world. In this context, cloud will be the foundation to provide enhanced customer interactions, products, and services.

Improved employee productivity: The pandemic is compelling companies to transition all or most employees to remote work, some indefinitely. This highlights the need to protect employee and company data, provide adequate employee equipment, and deliver cloud-based audio/video conferencing and performance management applications to ensure employee productivity remains undisrupted.

Increased business agility: The pressure to quickly transition to remote work while keeping company and employee data safe, and while responding to changing customer demand has translated into increased need for agility and flexibility. To deliver on this objective, cloud is seen as a key enabler.

XR

Increasing demand for immersive experiences: Low attention spans and increased multitasking is negatively impacting consumer engagement with digital marketing. For example, more than half of mobile users leave a website that takes more than three seconds to load.²¹ XR enables rich story telling that is also effective in achieving commercial outcomes.

5G:²² Achieving truly immersive XR experiences requires robust Internet connectivity with low latency and higher speeds. 5G's sub-5/sub-2 milliseconds (ms) latency diminishes the effects of

¹⁸ A hybrid cloud is defined as any combination of cloud, hosting and private data centre resources that are managed and controlled as a single pool of resources to run an application.

¹⁹ A multi-cloud environment combines services and resources from more than one cloud public service provider.

²⁰ The State of the Cloud, Results from the 2020 Frost & Sullivan Global Cloud User Survey, Dec 2020

²¹ Gone in 3 seconds: Mobile shoppers don't wait for websites to load, LambdaTest quoted in Manchester TV, Jan 2021, <https://manchester-tv.co.uk/gone-in-3-seconds-mobile-shoppers-dont-wait-for-websites-to-load/>, accessed 29 Jul 2021

²² 5G refers to the fifth generation of broadband mobile telecommunications network that provides increased data rates and reduced latency to support greater connectivity and enables machine-to-machine (M2M) services and the Internet of Things (IoT) (when objects are connected, virtualised and imbued with data measurement capabilities (giving physical and virtual objects an identity, interconnecting the objects that can monitor and interact with each other and having the ability to generate real-time insights from data that can be incorporated into existing organisational processes).



poor connection and buffering, and provides low latency.²³ In terms of speed and capacity, 5G is able to deliver 20 Gigabits-per-second (Gbps) peak data rates and 100+ Megabits-per-second (Mbps) average data rates and can support a 100x increase in traffic capacity and network efficiency compared to 4G.²⁴

Advances in XR technologies: Several key technology drivers can improve immersive experiences, including higher definition and higher screen resolution display, enhanced tracking and positioning technologies, high bandwidth and low latency network, enhanced rendering processing, and AI-based content production. These technologies can improve the immersive experience and result in increasing market penetration across industries and consumers.²⁵

Expansion of use cases: In retail, XR technology can help the customer visualise products and create an immersive brand experience. In the entertainment sector, XR provides an immersive experience and interaction between the users in the entertainment industry. Games and e-sports are the major growth segments. In the education sector, XR enhances the learning experience through a more naturalistic presentation of the information and interaction, which reduces the students' cognitive load. In healthcare, XR can be adopted for medical training and clinical support. Other use cases include XR in smart factories, military applications, etc.²⁶

3. Market Opportunity

The table below outlines the market opportunity for Xpon in Australia and Europe:

Table 2: Market Estimates Australia and Europe, 2020 and 2025

Market	Australia (\$ billion)		Europe (\$ billion)	
	2020	2025	2020	2025
Total Martech Solutions	2.28	2.77	25.76	31.34
CAGR (2020-2025)	3.9%		4.0%	

²³ Empowering the Future of VR/AR Content Consumption through 5G, Frost & Sullivan, Sep 2020

²⁴ Qualcomm, <https://www.qualcomm.com/5g/what-is-5g#:~:text=5G%20can%20be%20significantly%20faster,traffic%20capacity%20and%20network%20efficiency.>, accessed 27 Jul 2021

²⁵ Extended Reality: Making Immersive Experiences Commonplace, Frost & Sullivan, Nov 2020

²⁶ Ibid



CDP	0.09	0.27	0.88	2.68
CAGR (2020-2025)	24.6%		24.9%	
App Modernisation Services	0.39	0.71	3.54	7.12
CAGR (2020-2025)	12.7%		15.0%	
XR Solutions	0.60	2.21	5.40	18.56
CAGR (2020-2025)	29.8%		28.0%	
Cloud IaaS	1.44	3.65	17.46	49.57
CAGR (2020-2025)	20.4%		23.2%	
AI/ML	0.53	2.67	11.72	58.71
CAGR (2020-2025)	38.2%		38.0%	
BDA	0.33	1.32	5.67	19.87
CAGR (2020-2025)	31.9%		28.5%	

Sources: Frost & Sullivan analysis based on IBISWorld Marketing Technology in the UK, Nov 2020; IAB, Internet advertising revenue reports; Customer Data Platform Market, Market and Markets, Mar 2020; Application Modernization Services Market, Markets and Markets, Jul 2020; Gartner IT Services market data; Extended Reality: Making Immersive Experiences Commonplace, Frost & Sullivan, Nov 2020; Gartner IT Spend market data; Global Cloud Infrastructure-as-a-Service (IaaS) Market, Forecast to 2025, Frost & Sullivan, Nov 2020; Global Artificial Intelligence/Machine Learning Platforms Growth Opportunities, Frost & Sullivan, Jun 2021; Global Big Data Analytics Market Fueling Artificial Intelligence, Frost & Sullivan, Aug 2020

Martech revenues come from software implementation, licensing and maintenance fees.

App modernisation revenues come from application portfolio assessment, cloud application migration, application re-platforming, application integration, UI modernisation, post modernisation services.

XR revenues come from both XR hardware and software.

Cloud IaaS revenues come from both multi-tenant and single-tenant cloud, but excludes hosted services that are not available on-demand.

BDA revenues come from BDA vendor revenues.

AI/ML revenues come from professional services (consulting, developmental, implementation, and support services), AI/ML software platforms, and revenue from utilisation of cloud IaaS, platform-as-a-service (PaaS), and software-as-a-service (SaaS)—for AI/ML solutions.

Whilst the overall martech solutions market is expected to grow at a moderate compound annual growth rate (CAGR) from 2020 to 2025, the CDP segment is projected to enjoy a CAGR of over 24% in Australia and Europe over the same period. Whilst overall IT services revenue forecast growth is moderate, the app modernisation services segment is expected to grow at a significantly faster pace. Similarly, the other segments addressed by Xpon i.e. XR solutions, cloud IaaS, AI/ML and BDA are expected to enjoy significantly high CAGRs over the forecast period.

4. Key Verticals

Xpon’s solutions are leveraged across a number of verticals including the following:

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Financial Services and Insurance

According to the 2020 Frost & Sullivan Global Cloud User Survey, 77% of financial services firms rated increased reliance on data analytics and 76% rated improving customer experience as 'crucial' or 'very important' in terms of strategic business goals.²⁷

Australia enjoyed nearly three decades of consecutive economic growth prior to COVID-19 (a record amongst developed nations over this same period). Strong growth in the Australian share market over time has had a positive impact on investor confidence, the value of managed funds, as well as individual and institutional wealth. Stability of the major banks notwithstanding, disruption has come in the form of innovative non-banking lenders and platforms. This intensified competitive environment is forcing all financial services and insurance providers to improve customer-centricity.

Despite the negative impact of Brexit and the pandemic, the financial services sector in the UK remains resilient. In 2021, London was ranked second globally in terms of competitiveness of its financial services sector (based on business environment, human capital, infrastructure, financial sector development, and reputation).²⁸

Intensified competition for mortgages, low interest rate levels, the overall increase in online website and app banking, as well as reduced footfall to retail bank branches during the COVID-19 pandemic, have prompted a rethink on the role of retail bank branch networks. This is driving demand for more personalised omni-channel customer targeting and engagement.

Retail

According to the 2020 Frost & Sullivan Global Cloud User Survey, 83% of retailers rated improving customer experience and 78% rated increased reliance on data analytics as 'crucial' or 'very important' in terms of strategic business goals.²⁹

The significant surge in online shopping during and post-COVID-19 is changing shopper expectations of the online shopping experience, as well as retailer's expectations around deriving value from larger volume and more granular data of the customer that is now accessible.

Over the long term, the sector is expected to see continued growth in online shopping (exerting significant pressure on brick-and-mortar site competitiveness), increase in the number of smaller format stores, continued growth in private label products, a 'digital-first' approach to retail (that will result in enhanced UX), as well as product labelling and packaging designed to address consumer concerns around sustainability and traceability.

Use cases for the leverage of martech, app modernisation and XR in this vertical include organic search optimisation, conversion rate optimisation, customer sentiment analysis, customer service management and engagement, merchandising, planning, pricing analysis, and demand forecasting.

²⁷ 2020 Frost & Sullivan Global Cloud User Survey, Dec 2020

²⁸ 29th edition of the Global Financial Centres Index, Mar 2021, <https://www.caproasia.com/wp-content/uploads/2021/03/2021-Global-Financial-Centres-Index-29-Report.pdf>, accessed 9 Aug 2021

²⁹ 2020 Frost & Sullivan Global Cloud User Survey, Dec 2020

Non-profit

Donations and bequests remain a significant source of income for not-for-profits and in particular, charities. As a result, these organisations employ a variety of fundraising methods including personal engagement fundraising (face-to-face and telemarketing) and other fundraising (direct mail, events, advertising, etc.). Apart from meeting increasing compliance requirements to ensure transparency and accountability in the sector, the major challenge is increasing competition for individual donor dollars on account of growth in the number of active charities.

In addition, the mega trend of increased online content consumption by current and potential donors is triggering a consequent digital transformation within charities themselves. For example, in 2019, the proportion of registered charities in Australia having an online presence had risen from 34% in 2018 to 52% in 2019.³⁰

As a result, this vertical is leveraging marketing analytics tools to derive customer insight to improve fundraising campaign outcomes, cloud solutions to modernise legacy apps and XR to facilitate more compelling storytelling and donor education in campaigns.

Media & Entertainment

The media and entertainment industry faces significant disruption as a result of digital transformation mega trends, changed consumption behaviour (and consequently changed business models). At the same time, scrutiny from regulators is increasing in relation to privacy and market influence.

At the start of 2020, there were over 500 live and on-demand streaming services globally.³¹ This proliferation of mainly direct-to-consumer³² services such as subscription-based on-demand services, free advertising-supported services and live pay TV is translating into a scenario where many of these content services have matured to the tune of tens of millions of subscribers. This rapid growth in streaming services, as well as the rapid growth in user-generated video content (on platforms such as YouTube, Twitch and TikTok) and increased time spent by viewers on this content, is intensifying competition and spurring demand for robust adtech solutions, marketing analytics, as well as the effective leverage of AI/ML/BDA/cloud solutions.

The continued push to create more immersive viewing experiences is also driving demand for advanced XR solutions.

Others

Other relevant verticals include education, healthcare, automotive, leisure, sport and travel, industrial, building/facilities management, etc.

5. Competitive Landscape

The ecosystem of providers of martech, customer-facing app modernisation and XR solutions is characterised by the presence of large multinational technology companies, as well as a diverse

³⁰ Australian Charities Report, Australian Charities and Not-for-profits Commission (ACNC), May 2021

³¹ Streaming Video to Get Disrupted Again with Rising Costs and D2C Models, Frost & Sullivan, Jan 2020

³² Bypassing traditional distribution platforms



range of mid-tier solutions providers. Whilst the large competitors leverage strong research and development (R&D) pipelines, breadth in solutions and wide geographical footprint, mid-tier firms focus on specialised solutions/services, domain expertise in certain verticals, as well as flexibility and agility that keeps them responsive to changing client needs.

Competitive Tools

The key competitive tools providing competitive advantage include:

- The ability to modernise the full stack of technologies with the client and simplify complexity for commercial outcomes
- Strong relationships with vendors (enables more effective distribution)
- Established team of solution design and UX experts
- Solutions that are flexible, interoperable and scalable
- Solutions and processes that ensure privacy and security
- Independence of the solution provider i.e. a provider with no business interests that impact the neutrality and openness of the solution
- Ability to democratise the leverage of marketing data by giving frontline junior marketers and those without coding/digital engineering skills easy and intuitive user interfaces
- Ability to deliver solutions at low price points to accelerate time-to-value for clients
- Ability to serve advanced use cases
- Ability to play a collaborative and consultative role with customers; supported by proactive account management and client support

Competitors

Apart from the Xpon, other companies active in relevant segments of this market include the following:

Table 3: Competitive Landscape by Relevant Segments for Xpon Technologies

Segment	Examples of Competitors
Adtech Implementation Partners	Annalect, Incubeta, Jellyfish, Louder, Merkle, Mightyhive, etc..
Enterprise Marketing Analytics	Decibel, Double Verify, Foshpa Marketing, Google, Marketing Town, Oracle Infinity, Partnerize, SplashBI, etc.
CDP	Mastercard SessionM, Optimove, Oracle, Salesforce, Tealium, Treasure Data, Twilio Segment, SAP, etc.
App Modernisation	Accenture, Atos, Capgemini, Cognizant, DXC Technology, Fujitsu, HCL, Hexaware, IBM, Infosys, NTT, Oracle, TCS, Wipro, etc.
XR Software	Ansys, Matterport, Lumiscaphe, Unity, etc.

Source: Company Reports

6. Conclusions

Customer-facing performance is one of the key focus areas when measuring digital transformation strategy success. Similarly, CX, customer journey management and customer advocacy or loyalty are leading indicators of performance among board-level executives. This focus on customer-facing metrics is expected to underpin demand for martech, customer-facing app modernisation and XR solutions.

In the martech segment, high levels of digital service and content use in UK and Australia make these two countries attractive addressable markets. More importantly, changes to the way digital marketing analytics and tracking is delivered (driven by the push to protect user privacy) is spurring uptake of CDP to improve, anonymise and analyse consumer data. Martech solutions also help to drive personalisation in messaging, promotion and ongoing engagement. In addition, diversification of marketing content and the skills gap impacting in-house marketing teams is prompting increased reliance on advanced martech solutions and expertise from solutions providers with the track record and experience to deliver desired outcomes.

In the app modernisation services segment, increased demand for modernising legacy apps, the importance of app modernisation as a foundational part of digital transformation, as well as the opportunity to integrate and improve customer experience are driving demand.

For AI/ML/BDA, improved customer analytics, as well as the opportunity to integrate AI/ML/BDA using cloud solutions are expected to drive demand.

For cloud IaaS, increased penetration of cloud services, as well as improved business process efficiency and quality, customer experience, employee productivity and business agility are expected to underpin growth.

In the XR segment, increasing demand for immersive experiences, the rollout of 5G, advances in XR technologies and expansion of the number of use cases is underpinning uptake.

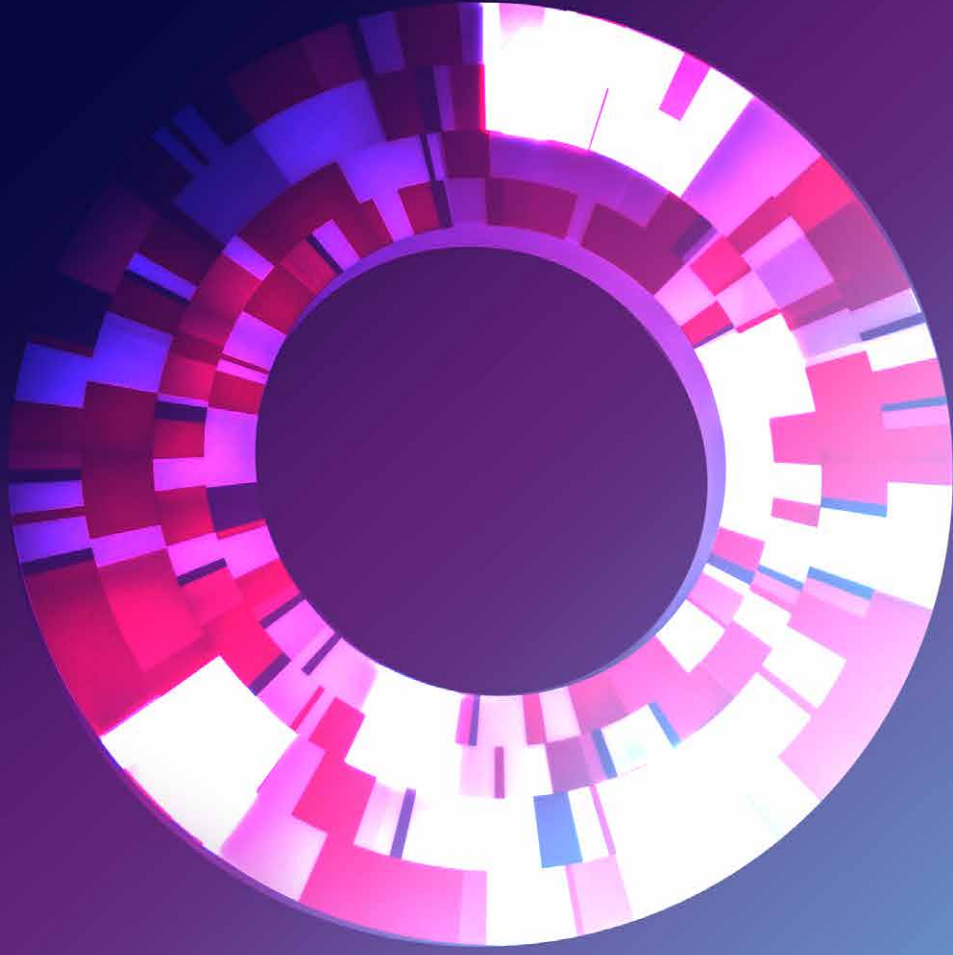
Whilst the overall martech solutions market is expected to grow at a moderate CAGR from 2020 to 2025, the CDP segment is projected to enjoy a CAGR of over 24% in Australia and Europe over the same period. Whilst overall IT services revenue forecast growth is moderate, the app modernisation services segment is expected to grow at a significantly faster pace. Similarly, the other segments addressed by Xpon i.e. XR solutions, cloud IaaS, AI/ML and BDA are expected to enjoy significantly high CAGRs over the forecast period.

7. Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Xpon Technologies and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

3.

Business Overview



3. Business Overview

3.1 Introduction to XPON

Modern consumers demand digital experiences and interactions that are personalised, highly engaging, real-time, private and secure.

The proliferation of new technologies, exponential growth of data and the lack of advanced digital skills inside organisations make delivering on these consumer expectations difficult, complex and expensive.

XPON empowers organisations to provide digital experiences that consumers love, while making it simpler to use and thereby accelerating the time-to-value from their investment.

XPON's mission is to accelerate the modernisation of marketing and customer experience capabilities. Its solutions enable organisations to rapidly extract value from their own data (First-Party data), leveraging next-generation marketing and customer experience technologies.

XPON currently sells solutions to customers in Australia, New Zealand, the United Kingdom and Europe providing corporate and mid-tier enterprises with solutions through two business units:

- ▶ **XPON Technologies:** helps its customers modernise their marketing and customer experience (CX) capabilities through:
 - Cloud infrastructure, technologies and services;
 - Deploying Big Data Analytics (**BDA**), Machine Learning (ML) and Artificial Intelligence (**AI**) solutions;
 - Implementation and recurring managed services to help organisations deploy and manage marketing technologies (**MarTech**) and advertising technologies (**AdTech**); and
 - Building and modernising consumer facing applications and digital products.
- ▶ **XPON Platforms:** enables its customers to improve consumer facing engagement by deploying its proprietary technology platforms:
 - Wondaris® Customer Data Platform (**CDP**) centralises customer and marketing data and leverages AI for automated advertising activation; and
 - Holoscribe® Extended Reality (**XR**) platform quickly and easily publishes XR and 360-degree content in any supported channel.

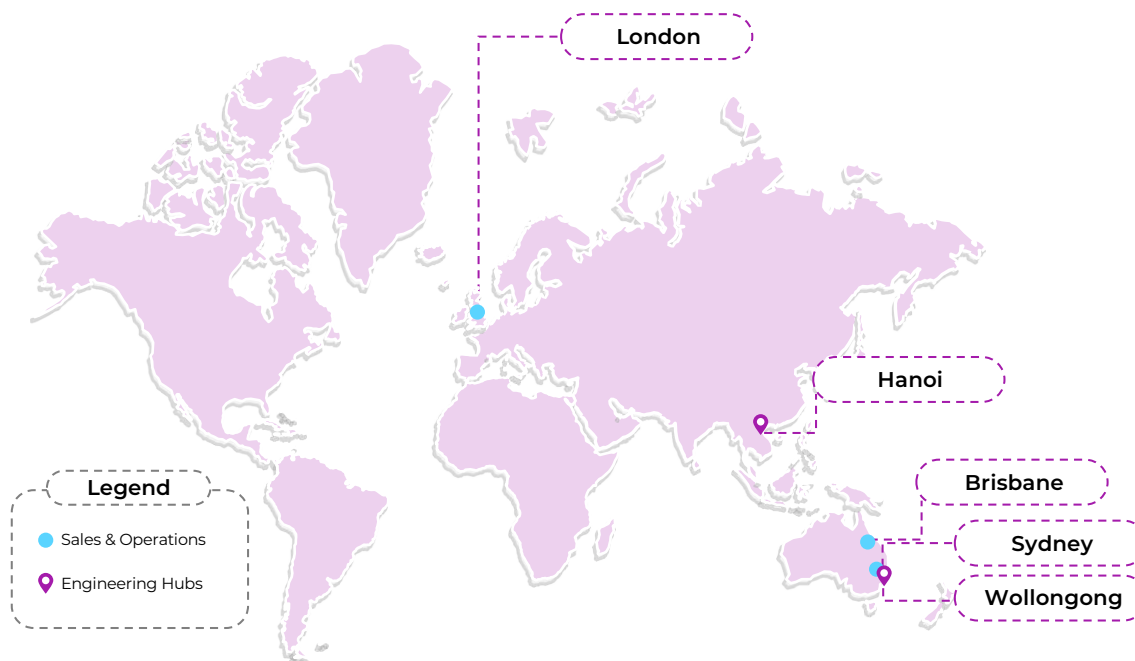
The Independent Market Report in Section 2 estimates the combined market size that XPON operates in will be over \$200bn by 2025.

XPON has over 190 customers globally, including prominent brands such as Super Retail Group, Domino's Pizza, Informa, Flight Centre, Webjet, OFX Group, Sunsuper, Youi Insurance and British Caribbean Insurance Company.

With a talented team of over 75 across the globe, XPON is a remote-first organisation, connecting its team and customers via the cloud. It has sales and operational bases in Sydney, Brisbane and London and engineering hubs in Wollongong, Australia and Hanoi, Vietnam.



XPON Global Footprint



XPON at a glance

>190

CLIENTS GLOBALLY

A\$200B

TOTAL ADDRESSABLE MARKET AU & EU by 2025*

>75

TALENTED TEAM MEMBERS

25x

LTV/CAC RATIO

90%

REVENUE RECURRING IN FY21

253%

ARR GROWTH YOY FY20 – FY21

99.6%

AVERAGE MONTHLY CLIENT RETENTION RATE

A\$137M

TOTAL CUSTOMER LTV AT SEPT 2021

* Frost & Sullivan Independent Market Report. Refer Section 2.

3.2 XPON's Growth Story

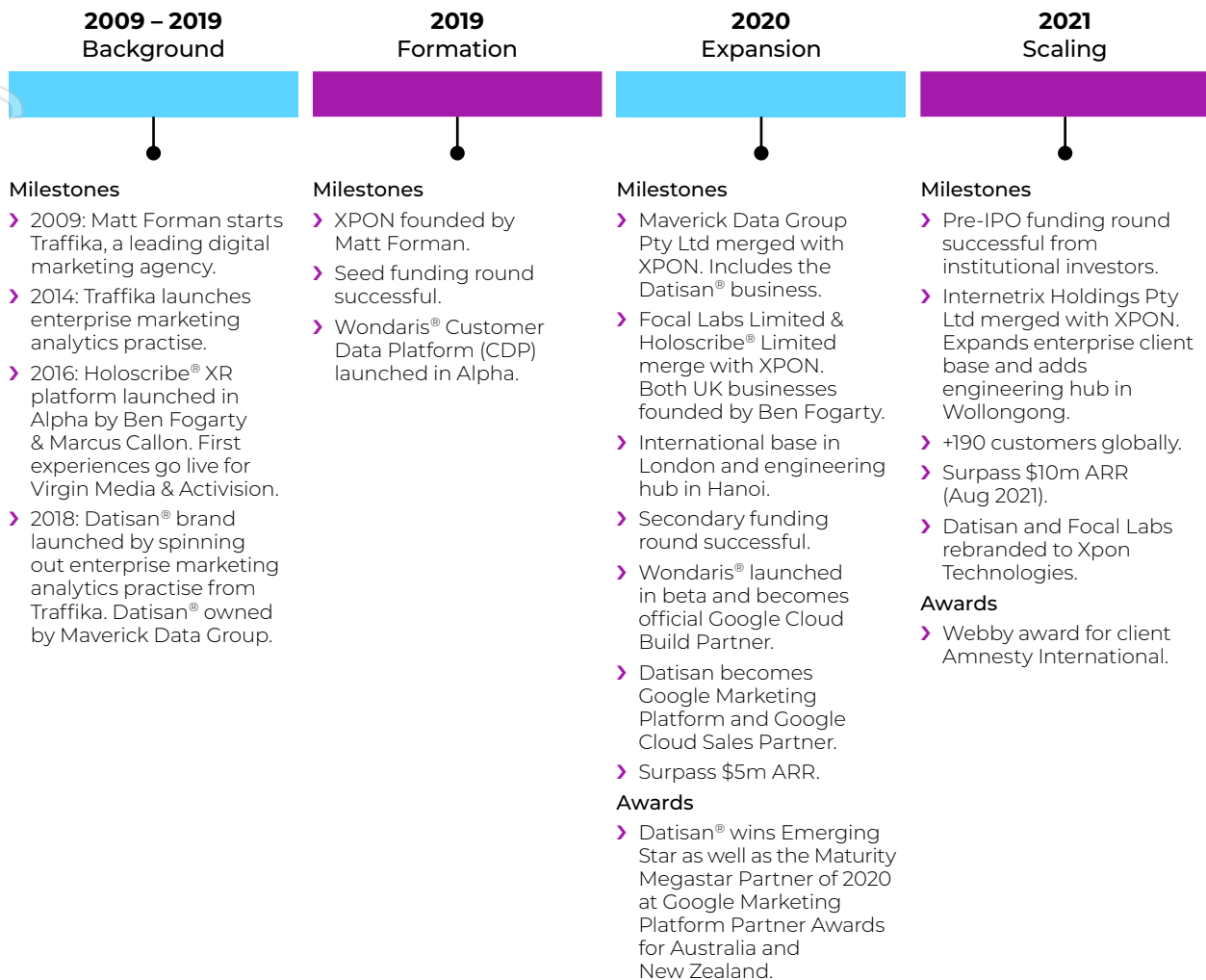
XPON evolved from digital marketing agency Traffika which Matt Forman established in 2009. His vision has been to focus on building a global MarTech business with a single 'full stack' technology solution for marketing and customer experience modernisation.

XPON Technologies Group Limited was established in August 2019 to execute on this vision through developing and commercialising its own technology and merging complementary businesses.

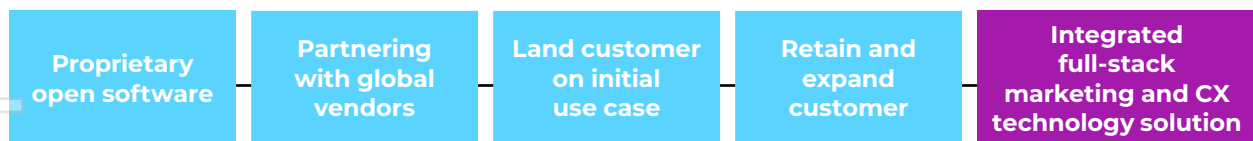
XPON has achieved many key milestones while maintaining strong organic growth and high customer retention.

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3. Business Overview



3.3 Business Model



The focus of XPON’s business model is:

Proprietary open software: XPON has made significant investments in its software platforms and owns this IP and technology. Its strategy is to build software on top of, and deeply integrate with, the leading global vendors in the marketing and CX ecosystem.

Partnering with global vendors: XPON has deep experience in global platforms in the marketing, cloud and CX ecosystem. The integration of XPON’s software with these global platforms enables a symbiotic relationship where these global vendors can win new customers, add value to existing customers, and thereby generate more revenue by recommending XPON’s software and capabilities as integrated solutions for their customers.

XPON has established a unique and managed relationship with Google and is a Google Marketing Platform service and sales partner and a Google Cloud build, service and sales partner.

Land customer on initial use case: Due to the proliferation of new technologies, the rapid growth of data and the widespread lack of advanced digital skills inside most organisations, the modernisation of marketing and CX can be an overwhelming task.



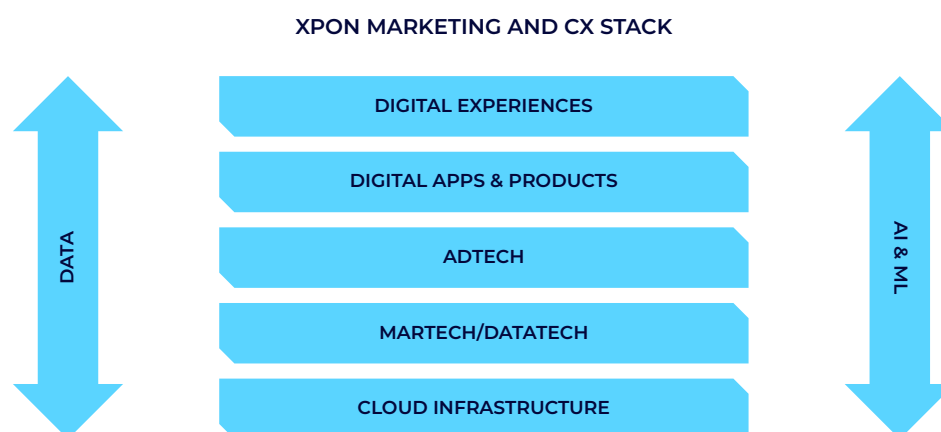
XPON partners with customers to identify an initial use case to solve and then rapidly demonstrates value. This provides the customer with a demonstrable return on investment and confidence to accelerate its investment in XPON's solutions.

This is the 'land' step in the 'land and expand' strategy.

Retain and expand customer: XPON is focused on customer success and maximising the return on investment in their marketing and CX activities. This drives high customer retention, increased average revenue per customer and helps customers expand their marketing and CX modernisation capabilities.

This is the 'expand' step in the 'land and expand' strategy.

Integrated 'full-stack' marketing and CX technology solution: As customers drive greater value from the use of XPON's solutions and expand their capabilities, XPON seeks to become their partner for the 'full-stack' of marketing and CX technologies.



Components of the stack include:

- › **Cloud Infrastructure:** The underlying cloud technologies that provide the foundation for modern digital business. Technologies include cloud storage, compute, security and data infrastructure. Cloud infrastructure is usually purchased on a consumption basis in an Infrastructure-as-a-Service (**IaaS**) model. XPON implements and sells Google Cloud Platform and integrates with major public cloud infrastructure vendors including Amazon Web Services and Microsoft Azure as well as private and hybrid cloud environments and configurations.
- › **MarTech:** Software-as-a-Service (**SaaS**) technologies that are used to run and manage marketing activities. Key components include marketing analytics, marketing automation, content management systems (**CMS**), customer relationship management (**CRM**) and social media. XPON implements and sells Google Marketing Platform.
- › **Datatech:** Core technology that connects MarTech and AdTech systems with the wider data ecosystem of an organisation. It includes features such as identity resolution, enrichment, big data analysis, Artificial Intelligence, Machine Learning, security and governance to increase the value and useability of a customer's data. XPON provides its customers with a Datatech solution through its Wondaris® Customer Data Platform.
- › **AdTech:** SaaS technologies that enable brands to target, deliver, and analyse their digital advertising. XPON implements and sells Google Marketing Platform AdTech products and integrates them with its own Wondaris® platform.
- › **Digital Apps & Products:** Core technology that brands use to interact and engage with their consumers digitally. It includes web and mobile customer facing applications, marketplaces, aggregation platforms, content and media delivery platforms. XPON develops products and deploys a modern cloud native approach to building, implementing, scaling and supporting Digital Apps & Products for customers.
- › **Digital Experiences:** Technology utilised by brands to capture attention and engage consumers. Provides customers with the ability to tell their brand stories to consumers in differentiated and unique ways. Includes immersive technologies such as XR, web and mobile experiences. The Holoscribe® XR Platform is licensed to customers to quickly and easily publish XR and 360-degree digital experiences in any supported channel.

3. Business Overview

Revenue Model

XPON earns revenue on a recurring and non-recurring basis. Recurring revenue is earned by:

- › Selling its own proprietary software licenses (Wondaris® and Holoscribe®) and Google software licenses;
- › Selling integrated managed service subscriptions to implement, support and scale the technology it sells; and
- › Usage fees for consumption of software and cloud technologies. As customers increase their use of XPON's and its partners' products the revenue derived from usage fees continues to increase.

Non-recurring revenue is derived from:

- › Professional services; and
- › Project fees to implement customer projects.

In the financial year ended 30 June 2021, 90% of XPON's revenue was recurring and 10% was non-recurring.

3.4 Business Units

XPON Technologies

XPON Technologies is XPON's solutions business that is focused on serving customers in two key geographic markets:

1. Australia and New Zealand; and
2. United Kingdom and Europe.

XPON Technologies earns revenue from:

- › The sale of recurring software licenses;
- › Recurring managed service subscriptions;
- › Usage fees arising from advertising and cloud consumption; and
- › Implementation and project revenue.

XPON Technologies serves as an implementation partner for the Wondaris® and Holoscribe® products, providing customers with a complete solution including software, product implementation and managed services.

XPON Technologies has a unique relationship with Google and is a managed Google Marketing Platform service and sales partner, and a Google Cloud build, service and sales partner. This enables the Company to onboard, implement, sell and support the suite of Google's marketing and CX technologies as part of the deployment of XPON's "full stack" capability.

Google Marketing Platform is an online advertising and analytics platform developed by Google and launched on 24 July 2018. Google Marketing Platform is used by advertisers to buy ads on the internet.

Google Cloud Platform is a suite of cloud computing services that runs on the same infrastructure that Google uses internally for its end-user products, such as Google Search, Gmail, file storage, and YouTube. Alongside a set of management tools, it provides a series of modular cloud services including computing, data storage, data analytics and machine learning.

XPON Technologies serves customers across 5 solution streams:

1. **MarTech & AdTech:** Includes the sale, implementation and support of XPON's Wondaris® product along with Google Marketing Platform products including Analytics 360, Display Video 360, Search Ads 360, Campaign Manager 360, Optimise 360, and Ads Data Hub.
2. **Data & Analytics:** Includes the design, build and support of cloud data platforms, data migrations and integrations, dashboarding and business intelligence, attribution, predictive analytics and the sale and deployment of supporting cloud infrastructure.
3. **Machine Learning & Artificial Intelligence:** Includes the sale, implementation and support of Google Cloud machine learning and artificial intelligence products such as Contact Centre AI, Vertex AI, Recommendations AI, along with sentiment analysis, personalisation and ML Models and Training.



4. **Application Modernisation:** Includes the design, build and support of cloud native software applications, new product design and minimum viable product identification, migration of legacy applications to the cloud, and the sale and deployment of supporting cloud infrastructure.
5. **Digital Experiences:** Includes the sale, implementation, and support of XPON's Holoscribe® product enabling digital communities, crowd tasking, content hubs and platforms.

XPON Platforms

XPON Platforms is the company's products business that builds its software for sale to customers worldwide.

XPON Platforms derives recurring revenue from the sale of software licenses and usage fees and is responsible for the development and commercialisation of its proprietary open software products, Wondaris® and Holoscribe®.

Wondaris®

Overview of the Wondaris® Customer Data Platform

Wondaris® is a Customer Data Platform (CDP). A CDP is a data management solution that imports consumer data from multiple sources, integrates, cleans and organises the data, and creates a unified profile of each consumer.

CDPs then take the structured data and synchronise it to other MarTech and AdTech platforms, and other digital communication systems, to enable advanced customer-centric functionality that is personalised and designed for higher advertising conversion. This means advertisers get a higher number of consumers clicking on their ads and then converting to become new customers.

CDPs are becoming mission-critical for any organisation that is serious about adopting a customer-centric business and marketing strategy. Wondaris® is designed to be a core component in an organisation's ability to serve consumers with a personalised, holistic and consistent experience.¹



Wondaris® Solutions

Wondaris® helps XPON's customers across marketing, customer experience and data teams to solve the following problems:

1. **Siloed Customer Data:** an average enterprise has over 20 primary sources² of data on its consumers. These silos of data are both a potential asset and a risk for organisations.

Siloed data provides an incomplete view of the consumer which can cause the business to make misinformed decisions about how to develop their products, invest their marketing budgets and target messaging and content to their consumers.

When these silos of data are connected, they provide a more complete view of the consumer. This provides the business with hidden insights and more confidence in their consumer, marketing and advertising decision making.

¹ <https://www.cmswire.com/customer-experience/an-overview-of-customer-data-platforms-cdps/#comments>

² <https://bi-survey.com/data-sources>

3. Business Overview

2. **Degradation of Third-Party Cookies:** With the move towards a more privacy centric internet, the major browser vendors (Google Chrome, Microsoft Edge, Firefox, Apple Safari) have ended, or are ending, their support for Third-Party Cookies.

Cookies are a text file that are written to a web users' device that enables information about the user to be stored and remembered. Third-Party Cookies are cookies that are placed on a web users' device by a website other than the website they are on.

The ability to place a cookie on a web users' device is determined by the web browser they are using.

Third-Party Cookies have been used by advertisers to target consumers on the internet based on their behaviours and interests. With the reduction in the ability to use Third-Party Cookies, the ability to effectively target advertising in digital channels may be greatly reduced.

The solution to this problem is the use of First-Party data. This is data that an organisation owns and is collected directly from its consumers and audiences. It is the data that has the most context, relevance and value to the organisation.

While complying with privacy regulations, Wondaris® enables customers to use their First-Party data for marketing and CX activities on third party platforms and digital channels in a highly targeted way.

3. **Management and governance of customer data:** Laws relating to consumer privacy and the protection of their data have resulted in changes to how organisations must manage and govern the way data is used and who has access to it.

This requires granular security controls, consumer consent, data encryption, security and audit logging solutions.

Wondaris® provides these solutions and a mechanism to assist with compliance of privacy regulations, such as the General Data Protection Regulation (**GDPR**), California Privacy Rights Act (**CPRA**) and Australian Privacy Act.

4. **Manual and inefficient processes:** Siloed data, complex internal manual processes, and the security protocols required to gain access and utilise First-Party data combine to create inefficiencies within an organisation.

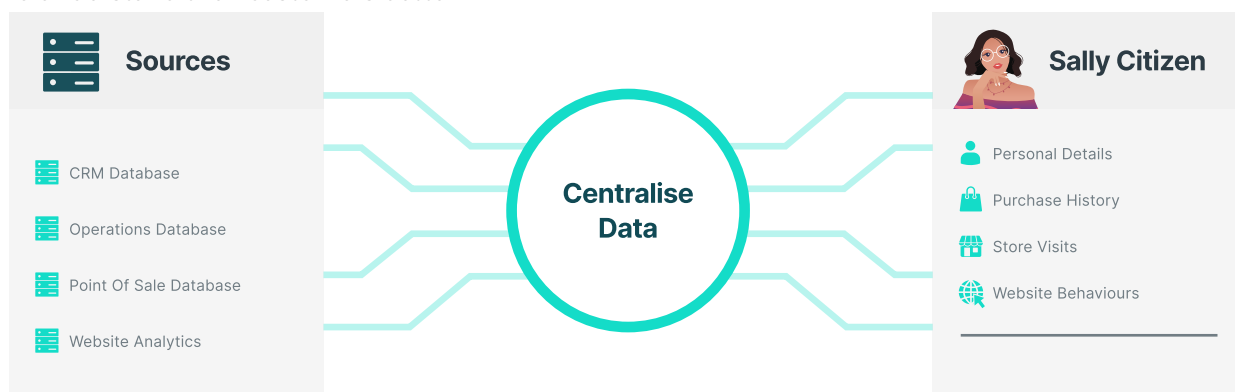
Often this results in missed market opportunities and slow responses to competitor activities. In many organisations, the utilisation of First-Party data is considered 'too hard' and it is not utilised at all.

Wondaris® makes First-Party data useful by embedding rules-based data governance, security and privacy controls with the First-Party data and providing automated workflows. Wondaris® is fully automated. It aggregates First-Party data and enhances it with artificial intelligence and machine learning.

This enables the value of First-Party data to be truly unlocked and utilised for marketing and CX activities in near real-time.

What Customers Use Wondaris® For

To understand their customers better





The focus on customer facing metrics by organisations and their boards demands a higher level understanding of the consumer.

By creating a unified view of consumer activities from multiple data silos, and across multiple touch points, a more complete picture of the consumer is provided.

Beyond just understanding a consumer's transactional and behavioural patterns, artificial intelligence and machine learning further enrich the understanding of the consumer. In addition, predictive insights such as which consumers are more likely to act in a particular way are revealed.

This can provide the organisations with competitive advantages, hidden insights and more confidence in their decision making.

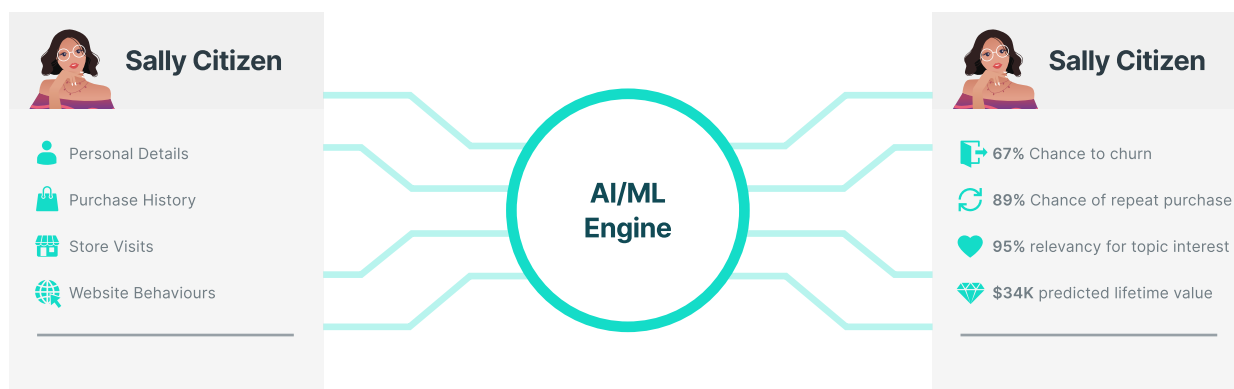
To find new customers, keep and grow existing customers

Increased competition for consumer attention online requires organisations to provide exceptional digital customer experiences that are personalised and relevant. This is even more critical in the digital world and COVID-19 has further amplified the importance.

Customers use Wondaris® to create highly segmented and targeted audience cohorts based on the selection of specific transactional and behavioural characteristics and/or by utilising XPON's artificial intelligence and machine learning generated audience segments.

These audiences are then utilised in marketing and CX activities to either:

- Target a specific audience with a specific offer or message;
- Exclude a specific audience from receiving an offer or message; or
- Find new consumers with similar characteristics by creating 'look-a-like' audiences on digital platforms like Google and Facebook.



Data governance & security

Organisations are required by law to protect consumer data and control who has access to it.

XPON's customers utilise the inbuilt data governance and security features of Wondaris® to facilitate compliance with internal and external data protection requirements. These key features include:

- Granular group and user permissions to control access to specific data;
- Encryption of the data while it is in flight (being transferred from one place to another) and at rest (saved in file storage);
- Hashing of Personally Identifiable Information (PII) so it is not readable by a human or a machine when it is sent to certain third party platforms;
- Automated warnings and alerts to ensure appropriate data protection protocols have been adhered to when PII is used for marketing and CX activities; and
- User controls designed to ensure individual users are confirming the use of data is compliant with relevant data privacy and protection laws. This forms the basis of the data governance audit trails within the platform.

3. Business Overview

Improve the productivity and responsiveness of marketing activities



Wondaris® simplifies the management and execution of complex data-driven marketing and CX activities into a user-friendly interface that requires no coding, data engineering or data science expertise.

This empowers front line marketing and CX teams to utilise First-Party data for their activities without the need for involvement from IT or Data teams, allowing the customer to operate a more agile business and respond to market opportunities and competitor activities.

Fully automated workflows combined with inbuilt data protection mechanisms mean marketing teams need only establish audiences and activations once and then let Wondaris® automatically manage the activity.

This saves organisations significant time across multiple teams and ensures the most up-to-date and relevant data is being used for marketing and CX activities.

The Wondaris® Platform

The Wondaris® Platform comprises four core modules:



Centralise

Brings together the silos of customer and marketing data in the cloud.



Enrichment

Adds value & creates competitive advantage from customer and marketing data.



Intelligence & Audience

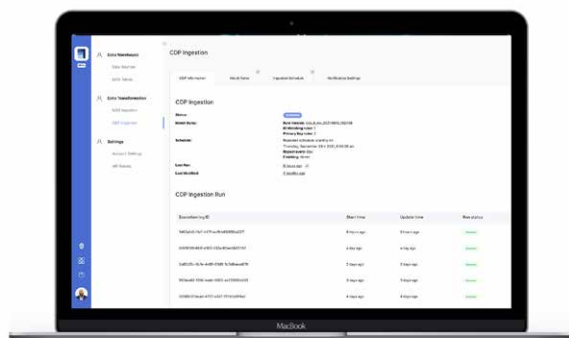
Surfaces actionable customer insights to deliver superior customer experience.



Activation

Simple clickable activation of audiences to multiple channel and surfaces.

Centralise module



Enables customers to ingest raw (structured or unstructured) consumer and marketing data from online and offline sources. The classification of data then allows business context to be added and standardises the data schema to provide a unified view of a consumer.

Provides identity resolution and prepares data for analysis, enrichment and activation.



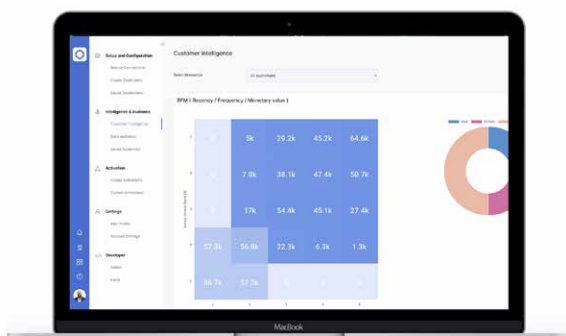
Enrichment module

A collection of services that provide greater depth and richness to existing data. Includes prebuilt AI for clustering analysis and ML models to create smart audience segments based on predictions of behaviour such as propensity to churn, propensity to purchase and predicted life-time-value (**LTV**).

An open architecture and API library that provides:

- › the ability to 'Bring Your Own' ML models for custom business requirements;
- › external access to existing predictions for use and integration into other platforms (i.e. website or CRM); and
- › for ingestion of Second-Party and third party data enrichment.

Intelligence & Audiences module

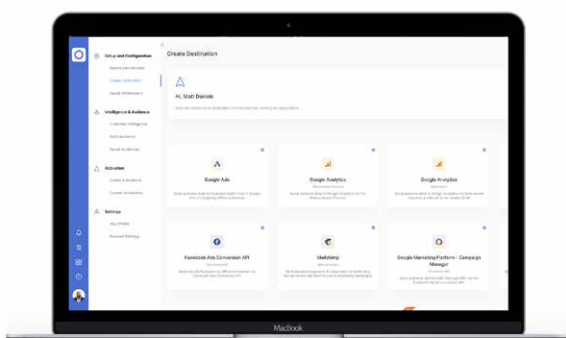


Surfaces key consumer insights with automatically generated Smart Audiences which are ready-to-activate from First-Party data. It requires no coding, data engineering or data science skills.

It generates rich intelligence from consumer and marketing data to discover key customer behavioural insights that can be used to improve business decision making, communications, and consumer engagement/experience whilst driving an increased return on marketing investment.

In addition to auto generated Smart Audiences, Wondaris® enables the granular exploration of behavioural characteristics of consumers including frequency, recency, content consumption, transaction history and segmentation opportunities, to build custom audiences for in depth analysis or automated activation.

Activation module



Automated workflows that enable simple clickable activation of audiences to multiple marketing channels.

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3. Business Overview

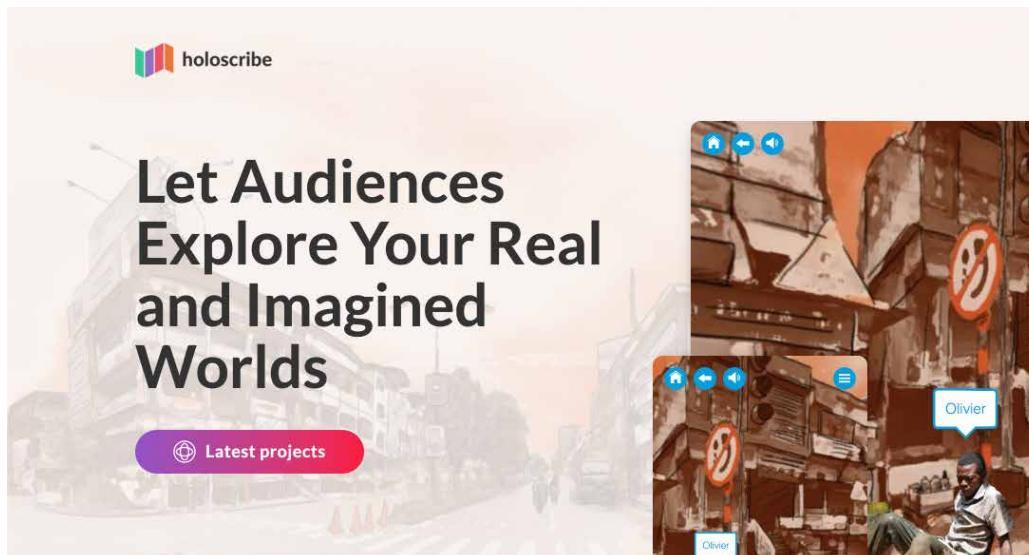
Wondaris® currently provides out-of-the-box activations to the following marketing platforms and destinations:

- › Google Ads;
- › Google Search Ads 360;
- › Google Campaign Manager 360;
- › Facebook Ads;
- › LinkedIn Ads;
- › Bing Ads;
- › Salesforce Marketing Cloud; and
- › Mailchimp.

XPON intends to continue to add additional destinations as part of the Wondaris® product roadmap.

Holoscribe®

Overview of the Holoscribe® Platform



Holoscribe® is an immersive storytelling platform that allows customers to quickly and easily build, edit and publish intimate 360-degree, extended reality (XR) and virtual reality (VR) environments in which consumers can control their journey and form emotional connections with brands.

The Holoscribe® Platform is comprised of three (3) core modules:

- › Holoscribe® Experiences;
- › Holoscribe® Experience Builder; and
- › Holoscribe® XR Analytics.

Consumers of a Holoscribe® experience do not require any special software or hardware to engage with the experience and can interact directly through their smart phone, web browser or preferred social media platform that supports 360-degree content.

Premium custom functionality is available for customers to publish an experience in VR mode, which means the Holoscribe® experiences are made available in virtual reality headsets such as HTC, Oculus and Google cardboard.



What customers use Holoscribe® for



+8

MILLION

Since 2018, **+8 million users** explored stories told using Holoscribe



9:35

MINUTES

Users send an average of over **9.5 minutes** exploring Holoscribe stories – far more than most conventional web stories



80%

COMPLETION

Users who enter Holoscribe experiences interact with and view 80% of content made available

Holoscribe® helps marketing and consumer experience teams to solve the following problems:

Capturing the attention of consumers: It is estimated that the average consumer is exposed to up to 10,000 advertising messages per day³, making it critical that brands develop experiences that capture people's attention and cut through a crowded marketplace.

Holoscribe's® rich, immersive experiences enable customers to create a point of difference with their communications and stand out in the crowded digital landscape.

Since 2018, Holoscribe® has captured the attention of over 8 million consumers.

Holding the attention of consumers: The average time a user spends on a website is 4.41 minutes.⁴ During this time the website must clearly communicate its message and provide the consumer with the information they are looking for in the easiest possible way.

Compared to a website, the Holoscribe® experience holds the attention of users for more than double the average time. On average, a consumer spends 9.35 minutes within a Holoscribe® experience and interacts with 80% of the information available within the experience.

This industry leading engagement enables customers to communicate more of their story and to educate consumers in a more impactful and complete fashion.

Capturing First-Party data from consumers: In addition to the rich behavioural data that is passively collected from hundreds or thousands of data points from within a user's experience, Holoscribe® is an effective privacy compliant First-Party data capture tool.

Within a Holoscribe® experience users are provided with the ability to personalise and customise the experience based on their individual preferences and requirements. These personalisation preferences are captured for deeper insights and segmentation by the customer. In addition, Holoscribe® provides many gamified features (like polls, quizzes and games) that customers can use to capture additional information about the consumer, furthering their insights and segmentation capabilities.

When synchronised with the Wondaris® CDP, the value of this First-Party data is enriched for broader value creation and use cases within the organisation.

Holoscribe® Experiences

Holoscribe® Experiences are the end user experience that are published by the customer.

XPON's customers deploy Holoscribe® for a number of use cases. Example use cases include:

³ <https://whoofey.com/blog/how-many-ads-do-we-see-a-day-2021-ad-exposure/>

⁴ <https://contentsquare.com/blog/2021-digital-experience-benchmarks-by-industry/>

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3. Business Overview

AIA Tottenham Hotspurs: Coaching Corner



An immersive behind-the-scenes experience at the AIA Tottenham Hotspurs stadium that promotes fan engagement.

Fans can get coaching tips from Hotspurs coaches, interact with exclusive content about their favourite players, venture into the change rooms and onto the pitch while getting health and nutrition advice from famous players.

BBC Learning: The English Home

A gamified learning experience to provide English as a second language skills and help users learn the names of common household items and objects.

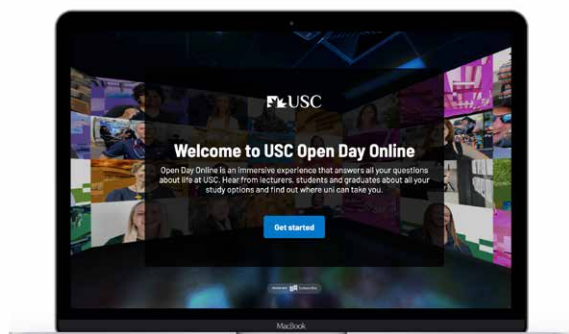
Set in a typical English home, users move from room to room to see objects in a room, hear how they are pronounced and see how they are spelt.



University of Sunshine Coast (USC) Virtual Open Day

An always-on virtual open day that increases student applications and overcomes the challenges of physical distancing.

Features deep personalisation and audience profiling where each user's experience is unique to them. Prospective students, parents and other stakeholders receive personalised event plans, can virtually explore the university's campuses and facilities and learn about study options and life at USC.





Oxfam Garu Green Christmas

An immersive journey into a village in Garu, Ghana. Focused on the devastating impact of climate change on the farming village and the transformational impact that Oxfams' work has had on the lives of families and the crops they grow.

Supporters are transported inside villagers' homes, schools, markets and fields to get an insightful view of their life. The ability to donate and continue to support the work of Oxfam is a key objective of the Holoscribe® experience.

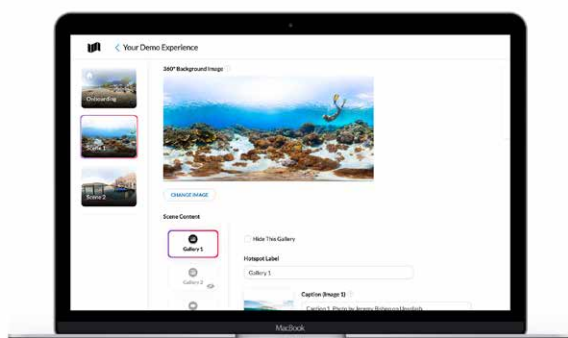


Holoscribe® Experience Builder

Holoscribe® Experience Builder is a simple-to-use web application that enables customers to rapidly build, preview and publish rich immersive experiences in 360° and VR environments.

No technical coding or design skills are required to use the tool and experiences can be built and published within minutes.

Once a Holoscribe® experience is published, the tool enables customers to edit, update and extend the experience as required.



Holoscribe® XR Analytics



Holoscribe® XR Analytics is an advanced XR Analytics product that delivers customers rich audience insights that fuel personalised XR experiences.

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3. Business Overview

Collecting hundreds or thousands of data points from within a consumer's experience to generate rich intelligence about their interactions, XR Analytics enables customers to:

- › Discover behavioural insights that can improve engagement and shape communication strategy;
- › Generate audiences that are ready for activation across multiple channels; and
- › Drive an increased return on investment from marketing and advertising spends that is more targeted as a result of enriched First-Party data.

The premium version of XR Analytics delivers deeper behavioural insights and collects First-Party data from consumers that can further improve engagement and shape the customer's communication strategy.

Built and housed in a petabyte scaled data platform, Holoscribe® XR Analytics is natively integrated with the Wondaris® CDP, enabling customers to automatically synchronise the rich behavioural insights and collected First-Party data from Holoscribe® directly into Wondaris® for unified consumer profiles and generation of audiences that are ready for activation across multiple channels.

Holoscribe® has a native integration with the Wondaris® CDP. This provides XPON with a unique competitive advantage when selling to customers with sophisticated and advanced data driven requirements.

3.5 Sales and Marketing

Sales Activities

Sales of XPON's solutions are derived from a combination of:

- › New solutions to new customers;
- › New solutions to existing customers; and
- › Expansion of existing solutions to existing customers.

XPON currently sells through its own direct sales force to corporate and mid-tier enterprises in Australia, New Zealand, the United Kingdom and Europe.

The sales approach focuses on key decision makers in marketing, customer success, IT or data teams that are adopting new technologies to modernise and improve their marketing and customer experience.

These personnel are usually in the key roles of Chief Marketing Officer, Chief Customer Officer, Chief Technology Officer, Chief Information Officer or Chief Data Officer. These roles typically have clear mandates to improve customer facing metrics and have both decision and budget authority to purchase.

The growth of sales to existing customers from new solutions and the expansion of existing solutions is driven by XPON's Customer Success & Growth team.

Marketing Activities

The increasing demand for next-generation marketing and CX technologies provides the need for XPON to expand its own marketing activities.

XPON will increase investment into the promotion of the XPON, Wondaris® and Holoscribe® brands to generate greater demand for its solutions.

XPON utilises a range of marketing activities to drive awareness, create interest and generate qualified leads. These include:

- › Joint marketing activities with partners;
- › Attendance at conferences and tradeshows;
- › Webinars, customer case studies and online product demos;
- › Social media programs and advertising campaigns;
- › Search Engine Marketing and Search Engine Optimisation;
- › Digital advertising;
- › Sponsorship of physical and virtual events;
- › Website promotion and content marketing; and
- › Outbound prospecting and outreach.



Partners

XPON has established a unique relationship with Google and is a managed Google Marketing Platform service and sales partner and a Google Cloud build, service and sales managed partner.

XPON has demonstrated successful results from working collaboratively with vendor partners to build a symbiotic relationship where partners can win new customers, add value and generate more revenue, when recommending XPON's software and capabilities as solutions to their customers.

XPON will continue to expand existing partner relationships, and develop new partnerships, both geographically and in complementary technologies in the marketing and CX ecosystem.

This may include additional integrations of XPON's software into existing and new partner products, new marketing and sales collateral, joint marketing programs and technical pre-sales and sales capabilities to support partners sales forces.

A summary of the partner arrangements with Google is set out in Section 8.4.

Customers

XPON has over 190 customers globally, including prominent brands such as Super Retail Group, Domino's Pizzas, Informa, Flight Centre, Webjet, OFX Group, Sunsuper, Youi Insurance and British Caribbean Insurance Company.

It leverages a 'land and expand' strategy whereby a customer may initially purchase one of XPON's solutions for a small part of their business or for a specific need and then, over time, expand the use of that solution to different parts of the business or purchase new solutions to solve additional problems within the business.

Competitors

Competitors exist for different areas of XPON's solutions and include, but are not limited to:

- › **AdTech & MarTech Implementation:** Annalect, Incubeta, Jellyfish, Louder, Merkle, Media.Monks
- › **CDP:** Tealium, Twilio Segment, Lexer, Salesforce, Adobe
- › **App Modernisation:** Accenture, Cognizant, Deloitte Digital, AND Digital
- › **XR Experiences:** Matterport, BrandXR, Lumiscaphe

3.6 Performance Metrics

Annualised Recurring Revenue (ARR): represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.

Year-on-Year (YoY) ARR Growth Rate (%): shows the change in XPON's ARR over a rolling 12-month time frame. This metric demonstrates the impact of the acquisition of new customers, the retention of customers and the expansion of existing customer contracts less any churn from customer's leaving or downgrading their contracts over a 12-month time frame.

Average Revenue Per Customer (ARPC): calculated as annual revenue for the last 12 months divided by the number of customers at that time (and divided by 12 to get a monthly view).

Monthly Customer Retention Rate (MCRR): the percentage of customers that are retained on a monthly basis and are not lost due to customer churn over the last 12 months (and divided by 12 to get a monthly view).

Lifetime Value (LTV): LTV per customer is the gross profit expected on average from a recurring customer over their lifetime. This is calculated by taking the average customer lifetime (1 minus the monthly retention rate to get monthly churn, then 1 divided by churn) multiplied by ARPC, multiplied by the gross margin percentage for the last quarter. Total LTV represents the total gross profit XPON expects to receive from its current recurring customer base by taking the average LTV per customer and multiplying it by the number of recurring customers.

3. Business Overview

Customer Acquisition Costs (CAC): calculated by total customer acquisition costs spent on acquiring customers over the last 12 month period divided by the number of customers acquired during the period. It includes 80% of the salary costs of all sales & marketing team members and 100% of sales commissions, advertising costs, costs for customer marketing activities and resources.

CAC Payback: the average number of months that it takes for XPON to receive back its customer acquisition costs.

LTV/CAC Ratio: LTV divided by CAC, expressed as a ratio to indicate the net return on the cost of acquiring a customer on average, after cost of sales and before operating expenses.

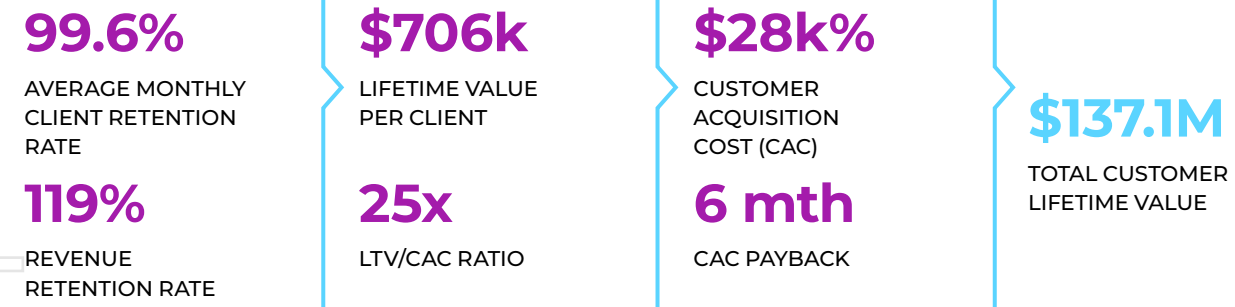
Customer Revenue Retention Rate (CRRR): the percentage of recurring revenue retained from existing customers over the last 12 months. This accounts for increased revenue from existing customers utilising more of XPON's solutions and lost revenue due to churned customers.

Financial performance metrics summary

Annualised Recurring Revenue



Unit Economics



3.7 Growth Strategy

XPON's growth strategy is focused on:

- › Retaining existing customers and expanding the number of solutions used by them;
- › Selling existing solutions to new customers;
- › Enhancing the XPON solutions;
- › Expanding sales and marketing capacity;
- › Expanding overall operating capacity;
- › Expanding partner relationships; and
- › Extending the Wondaris® platform ecosystem.

XPON may also explore expansion into other geographic regions.

Further details on how XPON plans to use the funds raised from the Offer to achieve its growth strategy is set out in Section 9.7.



Enhancing the XPON solutions

XPON offers a range of differentiated solutions that meet the needs of its customers. XPON expects this differentiation to continue and for XPON to continue to deliver new capabilities and offerings that add value to the existing solutions.

As the marketing and CX technology industry continues to evolve, XPON is committed to maintaining a leading set of solutions and products. This will require the development of new capabilities, ongoing expertise in emerging technologies and enhancements to our products.

In addition to continuing to develop and train its people, XPON may consider strategic acquisitions of synergistic businesses that will enhance its existing solutions.

Expand uptake of solutions from existing customers

XPON is focused on customer retention and the value customers derive from its solutions by expanding their marketing and CX modernisation capabilities. This results in increased average revenue per customer (**ARPC**). This is achieved by leveraging in-product upgrades and new software licences, product integrations, new solutions to solve for different use cases, and the expansion of XPON managed services.

Expand sales and marketing capacity

XPON believes there is a large-scale and global opportunity for its solutions. Its high customer retention rates, LTV and attractive CAC payback period means that acquiring new customers rapidly is a key driver of long-term growth.

XPON plans on expanding sales and marketing capacity in order to raise awareness for its solutions and to win new customers from a larger global audience.

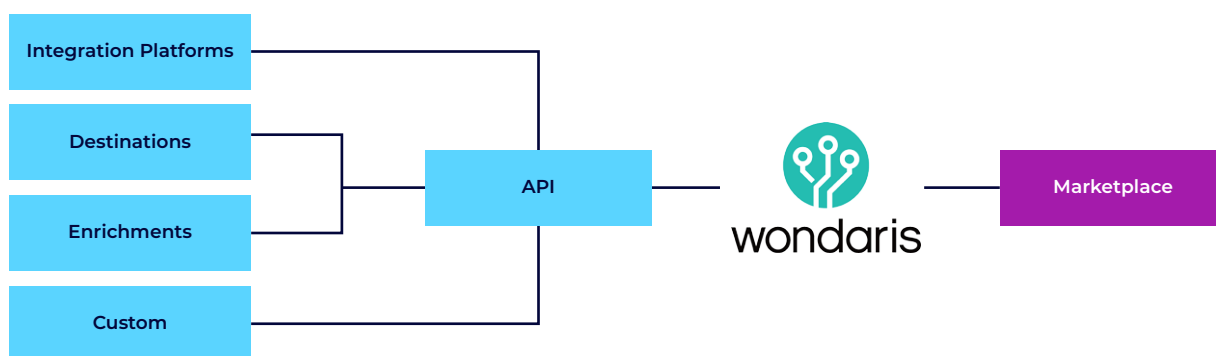
This may also include investments in additional sales and marketing collateral, additional advertising and additional members in marketing, technical pre-sales and sales teams.

Expand partner relationships

XPON intends to continue to expand existing partner relationships, and develop new partnerships, both geographically and in complementary technologies in the marketing and CX ecosystem.

This may include additional integrations of XPON's software into existing and new partner products, new marketing and sales collateral, joint marketing programs and technical pre-sales and sales capabilities to support partners' sales forces.

Extend Wondaris® platform ecosystem



Beyond the core Wondaris® platform, XPON has a comprehensive product roadmap that is designed to retain existing customers by supporting use cases that are valuable to them and to provide compelling features to attract and win new customers.

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3. Business Overview

XPON's product extension strategy is based on two pillars:

› **Providing application programming interfaces (APIs) that:**

1. Enable the largest possible number of data sources to be utilised by Wondaris®. Rather than build bespoke data connections for every potential data source, the strategy enables data integration platforms that are already used by customers to connect with Wondaris®.

Examples of data integration platforms include Fivetran, Mulesoft and Informatica. These data integrations are already used by many existing and potential customers and, combined, will provide connections to hundreds of data sources.

This extends the potential value of Wondaris® by enabling the rapid connection to a vast array of data sources, utilising technology and skillsets that already exist inside customer organisations.

2. Enable flexibility and increase the number of destinations customers can connect audiences to.
3. Increase the number of enrichments to customer data via new AI and ML models and from increased numbers of Second- and Third-Party data sources.
4. Empower customers to utilise Wondaris® in new ways and for in-house developers to enhance their applications with enriched data and functionality.

› **Extend the distribution of Wondaris® to make accessing and purchasing it simple via online SaaS marketplaces.**

Many of the global software vendors in the marketing and CX ecosystem have existing SaaS marketplaces that enable their customers to access and purchase verified third party software that adds value to their existing product offerings.

Examples of these include Google Cloud Marketplace, Salesforce AppExchange, Hubspot App Marketplace and Shopify App Store.

Integrating Wondaris® to online marketplaces is expected to raise the awareness of the platform globally to users of these marketplaces and make the purchase of the platform simple, reducing the need for a direct field sales force in new global markets.

3.8 People and Culture

XPON's culture is a key driver of its success, and its people are highly valued.

Care and attention to team wellbeing and performance is embedded into all operational activities. XPON's core values are the DNA of the organisation. There are five core values:

- › **Limitless Potential:** It's a mindset, the way we see opportunities and the way we wish to see life for ourselves and others. We don't accept what is, we look to push the barriers and innovate to find a better way.
- › **Lead with Curiosity:** It's how we learn and continuously improve. Always asking "why", seeking to understand. Our minds are open to possibility.
- › **Brave Enough:** It's the courage and strength to hear the hard stuff and say when we don't agree. We trust in each other, that we are safe to speak our truth.
- › **Own It:** It's owning our outcomes in all parts of our lives. We are accountable for our actions and stand by our results with honesty and authenticity. We cultivate a place of trust and support.
- › **Grow Together:** We embrace each other's individuality and diversities. We are strongest when we are connected. We share our experiences, learn from each other, to grow and to create a better experience for all.

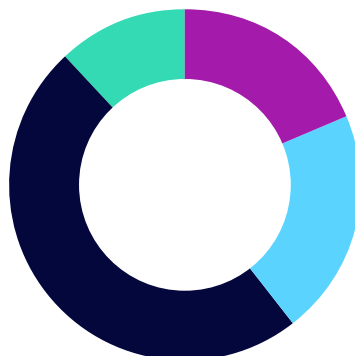
XPON is a remote-first organisation, connecting its team, partners and customers leveraging the cloud. With sales and operation bases in Sydney, Brisbane and London and engineering hubs in Wollongong, Australia and Hanoi, Vietnam. XPON has a talented team of over 75 'XPONERS' across the globe.

XPON intends to continue to support growth through investment in its people and culture by developing new and innovative ways to attract, recruit, develop and retain talented team members.



FTE Count

- Sales & Marketing **19%**
- Delivery **21%**
- Engineering **49%**
- Support & Administration **12%**



3.9 Intellectual Property

XPON Group utilises a combination of trademarks, copyright, domain names, trade secrets and contract terms and restrictions governing access to protect its brands, proprietary technologies and other intellectual property.

Intellectual property rights are protected by imposing contractual obligations on the parties who develop or access the core technology.

XPON Group enters into confidentiality agreements with employees, consultants, contractors and business partners. Employees, consultants and contractors are also subject to invention assignment arrangements, pursuant to which XPON Group obtains the rights to core technology that they develop for us. Further protection of rights in the proprietary technology and core intellectual property through restrictive licence and service use provisions in both the general and product-specific terms of use.

Further information regarding the intellectual property of XPON Group is set out in Section 10.15.

4.

Board, Management and Corporate Governance

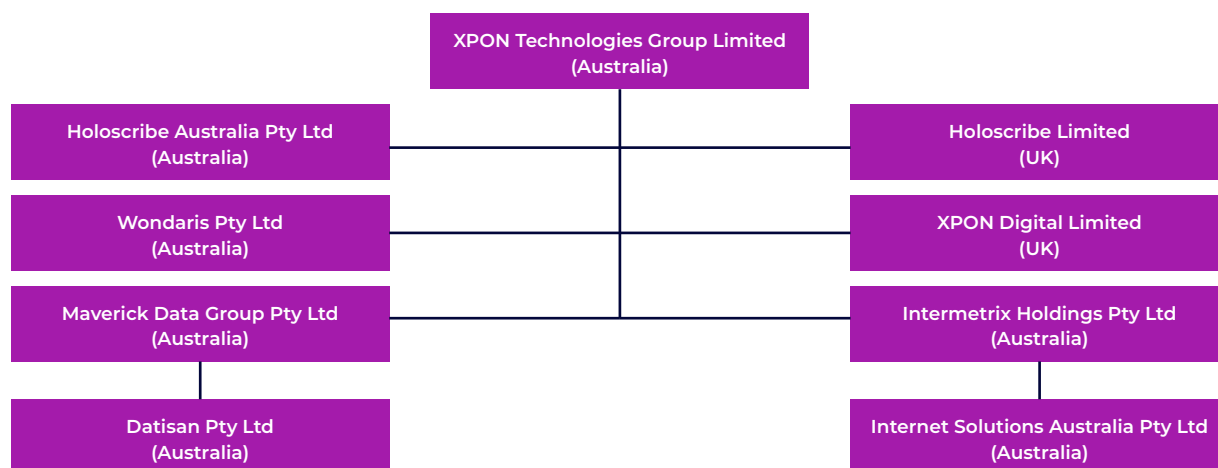




4. Board, management and corporate governance

4.1 Corporate structure of XPON Group

The following diagram represents the corporate structure of XPON Group as at the date of this Prospectus. Each entity is wholly owned, directly or indirectly, by XPON Technologies Group Limited, and is engaged in the business of the XPON Group (as described in Section 3):



4.2 Board



Phillip Aris
Non-Executive
Chairman

Phillip Aris has over 30 years of strategy, business development, C-suite executive and governance experience across a range of industries including banking, financial services, health and technology.

Phillip's executive experience includes roles as Managing Director and CEO at Countplus Limited, Regional Head of Strategy and Business Development for Thorn EMI Asia Pacific working across Australia, UK and Hong Kong, Chief Executive Officer of the Australian Health Export Council and Head of Credit Cards for Commonwealth Bank (ASX: CBA).

He is a board member and Non-Executive Director of Credit Corp (ASX: CCP) and a member of its Audit & Risk Committee, and a member of the Advisory Board for Lumenary Investment Management.

Phillip is also the chairman of XPON's Nomination & Remuneration Committee and a member of the Audit & Risk Management Committee.

Date of appointment 26 September 2019

Independent Yes

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4. Board, Management and Corporate Governance



Matt Forman
Group CEO and
Managing
Director

Matt Forman is a seasoned entrepreneur with over 25 years experience working with internet businesses and technologies. He has senior experience in strategy, commercialisation, business development, marketing, and technology across a range of industries including retail, media, telecommunications, agriculture, advertising and technology.

Matt is the Founder and Group Managing Director of XPON with prior experience including Founder and CEO of Maverick Data Group, Founder & CEO of leading digital marketing agency Traffika, Co-Founder & CEO of 3Syle Media and National Manager of FuelWatch.

Matt is also a member of XPON's Nomination & Remuneration Committee and Audit & Risk Management Committee.

Date of appointment 27 August 2019

Independent No



Tim Ebbeck
Non-Executive
Director

Tim Ebbeck has over 30 years of board, executive, and advisory experience across a breadth of industries including technology, AI, blockchain, media, sport, consulting, energy, and finance.

Tim's executive experience includes roles as Chief Executive Officer of SAP (A/NZ), Chief Executive Officer of Oracle (A/NZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officer of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide.

His board roles have included Non-Executive Director for ReadyTech Limited (ASX: RDY), Tymlez Limited (ASX: TYM), CPA Australia, and Nextgen Distribution, Chairman at the Yield Technology Solutions, IXUP Limited (ASX: IXU), and Insite Organisation. He is also a former Trustee of the Museum of Applied Arts & Sciences NSW.

Tim is a professional company director and advisor to a range of companies in the technology and emerging industries and a former member of the Business Council of Australia.

Tim is also the chairman of XPON's Audit & Risk Management Committee and a member of the Nomination & Remuneration Committee.

Date of appointment 20 July 2021

Independent Yes

4.3 Management

Executive team

Matt Forman
Chief Executive
Officer

See Section 4.2.

Leanne Wolski
Chief Financial
Officer

Leanne Wolski is an experienced public company finance executive with over 20 years of senior finance management experience.

Leanne's experience includes roles as Chief Financial Officer for Amaysim (ASX: AYS) and Director of Finance for Asia Pacific at Western Union (NYSE: WU).

Leanne holds a bachelor's degree with majors in Accounting and Finance with the Australian Catholic University. She is a member of the Institute of Chartered Accountants and is a graduate member of the Australian Institute of Company Directors.



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Jennifer Killian <i>Chief Marketing and Experience Officer</i>	<p>Jennifer Killian is a senior marketing and growth executive with more than 20 years experience in Business-to-Business SaaS technology companies ranging from Silicon Valley based AdTech start-up AdBrite to Fortune 500 company Robert Half.</p> <p>Prior to joining XPON, Jennifer was the General Manager of Marketing and General Manager of Channels for WiseTech Global (ASX: WTC).</p> <p>Jennifer holds a Masters of Business Administration from The Australian Graduate School of Management and is a member of the UNSW Business School Alumni Advisory Board and the Australian Institute of Company Directors.</p>
Chris Rozic <i>CEO of XPON Technologies Australia & New Zealand</i>	<p>Chris Rozic draws on over 14 years experience as a driven, passionate and self-starting entrepreneur.</p> <p>Chris was the Co-Founder of XPON's Datisan business and now is CEO of XPON Technologies Australia & New Zealand.</p> <p>Chris's previous experience includes co-founder of Winja Group Pty Ltd the developer of Ark CX, a machine learning and sentiment analytics company established with Matthew Daniels in 2017.</p> <p>Chris holds a Bachelor of Business (Marketing & Management) from the Queensland University of Technology and is a director of Datisan Pty Ltd.</p>
Simon Pereira <i>CEO of XPON Platforms</i>	<p>Simon Pereira has over with 23 years experience in sales, marketing, business operations and management and is an experienced leader within the SaaS based marketing technology sector.</p> <p>Simon is the CEO of XPON Platforms, which he helped establish in 2019.</p> <p>Simon's previous experience includes Chief Executive Officer of Adtorgue Edge and Chief Operations Officer of Datalicious.</p> <p>Simon holds a Diploma in Business Marketing and Events Management and is a director of Wondaris Pty Ltd and Holoscribe Australia Pty Ltd.</p>
Matthew Daniels <i>CTO of XPON Platforms</i>	<p>Matthew Daniels has over 14 years experience as a leader working across commercial and emerging technologies.</p> <p>Matthew was the Co-Founder & CTO of XPON's Datisan business and now is CTO of XPON Platforms. He is the chief architect of XPON's Wondaris® platform.</p> <p>Matthew's previous experience includes Technical Director at JuniorCru as well as co-founder of Winja Group Pty Ltd the developer of Ark CX Ark CX, a machine learning and sentiment analytics company established with Chris Rozic in 2017.</p> <p>Matthew has received technically accreditation in the Google Cloud Platform.</p>
Ben Fogarty <i>CEO of XPON Technologies United Kingdom & Europe</i>	<p>Ben Fogarty has over 20 years experience as a senior digital strategist and product innovator, creating and growing digital businesses globally. Ben is the Founder of several disruptive SaaS start-ups and a digital leader in the UK technology industry.</p> <p>Ben is the Co-Founder of Holoscribe & Co-Founder & CEO of Focal Labs Limited (Now XPON Technologies UK & Europe) both acquired by XPON in 2020.</p> <p>Ben's prior roles include Co-Founder & CEO of Shorthand and CTO for Global Mail Limited.</p> <p>Ben holds an MBA in Entrepreneurial Management from the Australian Institute of Business and is a director of XPON Digital Limited (UK) and Holoscribe Limited (UK).</p>

Company Secretary

Mark Licciardo

Mark is the founder and Managing Director of Mertons Corporate Services Pty Ltd. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters.

Mark is also an experienced Chairman and Non-Executive Director of a number of ASX listed public and private companies. Mark holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Governance Institute of Australia and the Institute of Company Secretaries and Administrators.

4.4 Responsibility of the Board

- (a) The Board is responsible for the Company's proper corporate governance. To carry out this obligation, the Board must act:
- (i) honestly, conscientiously and fairly;
 - (ii) in accordance with the law;
 - (iii) in the interests of XPON's shareholders (with a view to building sustainable value for them); and
 - (iv) in the interests of employees and other stakeholders.
- (b) The Board's broad function is to:
- (i) chart strategy and set financial targets for the XPON Group;
 - (ii) monitor the implementation and execution of strategy and performance against financial targets; and
 - (iii) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the XPON Group.
- (c) Power and authority in certain areas is specifically reserved to the Board – consistent with its function described in Section 4.4(b). These areas include:
- (i) composition of the Board itself including the appointment and removal of Directors;
 - (ii) oversight of the Group including its control and accountability system;
 - (iii) appointment and removal of senior management and the Company secretary;
 - (iv) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
 - (v) monitoring senior management's performance and implementation of strategy; and
 - (vi) approving and monitoring financial and other reporting and the operation of committees.

4.5 Composition of Board

- (a) Election of Board members is substantially the province of the Shareholders in general meeting, subject to the following:
- (i) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
 - (ii) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent Shareholders and fulfil the business objectives and values of the Company as well as to deal with new and emerging business and governance issues.



- (b) The Board currently consists of three (3) Directors, comprising one (1) Executive Director and two (2) Non-Executive Directors. The Board considers the current balance of skills and expertise to be appropriate given the Company's currently planned level of activity.
- (c) At least half of the Board should be Non-Executive Directors independent from management. The Chairman of the Board should be one of the independent Non-Executive Directors.

4.6 Board charter and policy

- (a) The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:
 - (i) a detailed definition of 'independence';
 - (ii) a framework for the identification of candidates for appointment to the Board and their selection;
 - (iii) a framework for individual performance review and evaluation;
 - (iv) proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
 - (v) basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non executive Directors;
 - (vi) ethical standards and values (in a detailed code of ethics and values);
 - (vii) dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
 - (viii) communications with shareholders and the market.
- (b) The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in XPON's internal practices and its dealings with others.

4.7 Audit & Risk Management Committee

- (a) The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its current members are:
 - (i) Tim Ebbeck (committee chair);
 - (ii) Phillip Aris; and
 - (iii) Matt Forman.
- (b) The committee performs functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. The committee's responsibilities include:
 - (i) Board and committee structure to facilitate a proper review function by the Board;
 - (ii) internal control framework including management information systems;
 - (iii) corporate risk assessment and compliance with internal controls;
 - (iv) internal audit function and management processes supporting external reporting;
 - (v) review of financial statements and other financial information distributed externally;
 - (vi) review of the effectiveness of the audit function;
 - (vii) review of the performance and independence of the external auditors;
 - (viii) review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
 - (ix) assessing the adequacy of external reporting for the needs of shareholders; and
 - (x) monitoring compliance with the Company's code of ethics.
- (c) Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

4. Board, Management and Corporate Governance

4.8 Nomination & Remuneration Committee

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors) and make recommendations to it about the appointment of new Directors (both executive and non-executive) and senior management. Its current members are:

- (a) Phillip Aris (committee chair);
- (b) Tim Ebbeck; and
- (c) Matt Forman.

The committee's functions include:

- (a) review and evaluation of market practices and trends on remuneration matters;
- (b) recommendations to the Board about the Company's remuneration policies and procedures;
- (c) oversight of the performance of senior management and non-executive Directors;
- (d) recommendations to the Board about remuneration of senior management and non-executive Directors;
- (e) reviewing the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives;
- (f) development of criteria (including skills, qualifications and experience) for Board candidates;
- (g) identification and consideration of possible candidates, and recommendation to the Board;
- (h) ensuring appropriate induction and continuing professional development programs are implemented for Directors;
- (i) review of processes for succession planning for the Board, Chief Executive Officer and other senior executives;
- (j) establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- (k) ensuring the performance of each Director, and of senior management, is reviewed and assessed each year using procedures adopted by the Board.

Meetings will be held at least once a year and more often as required.

4.9 Best practice commitment

- (a) The Company is committed to achieving and maintaining the highest standards of conduct and has implemented initiatives, set out in this Section, to achieve this objective. XPON's corporate governance charter is intended to 'institutionalise' good corporate governance, and build a culture of best practice both in the Company's own internal practices and in its dealings with others.

Independent professional advice

- (b) To fulfil his or her duties and responsibilities as directors, each director (with the prior approval of the Chairman) may seek independent legal or other professional advice about any aspect of the Company's operations. The Chairman's approval may not be unreasonably withheld or delayed. The cost of the advice is borne by the Company.

Code of ethics and values

- (c) The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

- (d) The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

- (e) The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted and can be inspected on the Company's website: www.xpon.ai.



4.10 Policies

Securities trading policy

The Company has adopted a securities trading policy to provide guidance to Directors and employees where they are contemplating dealing in the Company's securities.

The policy is designed to:

- (a) ensure that Directors and employees understand procedures in relation to trading in shares and other securities, and understand the meaning and legal consequences of 'insider trading';
- (b) protect Shareholders' interest at all times by ensuring Directors and key management personnel not use Inside Information for their personal advantage; and
- (c) ensure that XPON operates, at all times, in accordance with legal and societal standards of good corporate practice.

The securities trading policy is available on the Company's website: www.xpon.ai.

Continuous disclosure policy

The Company has adopted the following practices and procedures for ensuring continuous disclosure to the market:

- (a) at the time of induction, employees and key consultants are informed of the Company's policies, practices and obligations in relation to continuous disclosure;
- (b) all information, including material events and milestones, that can materially impact the Share price of the Company must be brought to the attention of a Director or the Company Secretary;
- (c) once a matter is identified as requiring announcement to ASIC and ASX, the Company Secretary or delegated party prepares the announcement for the consideration of the Board;
- (d) the Board reviews the draft and ascertains from management that the announcement is based on fact and not misleading;
- (e) the Board, or if the Board cannot be assembled in time, the Chairman, authorises the release of the announcement to ASIC and ASX. All announcements are also posted on the Company's website: www.xpon.ai; and
- (f) all external queries and comments in relation to announcements are directed to the Chairman for response if appropriate.

The Company's continuous disclosure policy is available on the Company's website: www.xpon.ai.

Diversity policy

XPON is committed to promoting diversity among Directors, management and employees. The Company's diversity policy is available on the Company's website: www.xpon.ai.

Anti-bribery and anti-corruption policy

XPON is committed to responsible corporate governance and to conducting its business lawfully, ethically and honestly, and will not tolerate any bribery or corrupt behaviour that is intended to obtain unlawful, improper, dishonest or corrupt benefit or advantage for XPON or its employees.

The Board has adopted an anti-bribery and anti-corruption policy (**Anti-Bribery and Anti-Corruption Policy**) to demonstrate its standards and commitment to preventing bribery and corrupt practices.

This general company-wide policy does not override specific policies, procedures, laws or regulations in local jurisdictions, but instead serves to complement them.

The Anti-Bribery and Anti-Corruption Policy is available on the Company's website: www.xpon.ai.

4.11 Compliance with ASX Corporate governance principles and recommendations

XPON is seeking to list on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations (4th Edition) (ASX Recommendations) for entities listed on ASX in order to promote investor confidence and to assist companies to meet shareholders' expectations.

The ASX Recommendations are not mandatory, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website, and also in an Appendix 4G that it must lodge with ASX at the time it lodges its annual report, disclosing the extent to which it has followed the ASX Recommendations. The Company must identify the recommendation that has not been followed and give reasons for not following it.

The Board has assessed XPON's current practice against the ASX Recommendations and outlines its assessment below:

Principles and recommendations	Compliance	Does XPON comply?
Principle 1 – Lay solid foundations for management and oversight		
<p>1.1 Have and disclose a board charter which establishes the functions expressly reserved to the Board and those delegated to management and discloses those functions.</p>	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The role of the Board and delegation to management have been formalised in the corporate governance charter which outlines the main corporate governance practices in place for the Company. The Board and each Director are committed to the charter. The conduct of the Board is also governed by the Company's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency.</p> <p>The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company.</p>	Complies.
<p>1.2 Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or reelect a director.</p>	<p>The Company will conduct police checks, solvency and banned director searches in relation to all appointed and future nominated directors or senior executives.</p> <p>The Company will publish Director profiles on the Company's website outlining biographical details, other directorships held, commencement date of office and level of independence.</p>	Complies.
<p>1.3 Have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The Company has entered into written agreements with each Director and senior executive.</p> <p>On appointment of directors and senior executives the Company will issue necessary written agreements outlining the terms of their appointment.</p>	Complies.



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Principles and recommendations	Compliance	Does XPON comply?
<p>1.4 The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.</p>	<p>This is consistent with the charter and corporate structure of the Company. The Company Secretary has a direct relationship with the Board in relation to these matters and operates independently of the executive.</p>	<p>Complies.</p>
<p>1.5 Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.</p>	<p>The Board has adopted a diversity policy that outlines objectives to ensure that the Company has as diverse a workforce as practicable.</p> <p>The Board determined that given the Company's size and structure, it is not appropriate or possible to mandate a fixed number of women at any given level within the organisation, so no measurable objectives have been set at this time.</p> <p>As a measurement of gender diversity, the proportion of women working within the XPON Group as at the date of this Prospectus is as follows:</p> <ol style="list-style-type: none"> 1. Women on the Board – 0% 2. Women in senior management positions (persons with direct reports to the CEO) – 44% 3. Women in the organisation – 36% 	<p>Partially complies.</p>
<p>1.6 Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Company conducts the process for evaluating the performance of the Board, its committee and individual directors as outlined in the Board Charter.</p>	<p>Complies.</p>
<p>1.7 Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to the Company.</p> <p>The Chairman, with assistance from the Nomination & Remuneration Committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors.</p> <p>A summary of the process for the performance evaluation of key executives, Directors and the Board will be made available on the Company's website: www.xpon.ai.</p>	<p>Complies.</p>

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Does XPON comply?
Principle 2 – Structure the Board to add value		
<p>2.1 The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.</p> <p>The functions and operations of the nomination committee should be disclosed.</p>	<p>The Company has established a Nomination & Remuneration Committee, which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to nomination and remuneration matters.</p> <p>The Nomination & Remuneration Committee is comprised of three (3) directors, being Phillip Aris (committee chairman), Tim Ebbeck and Matt Forman.</p> <p>The Nomination & Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is contained in the Corporate Governance Charter, which is available on the Company's website: www.xpon.ai.</p> <p>The Annual Report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>	<p>Complies.</p> <p>It is intended that at such time a third non-executive director is appointed to the Board, subject to their consent, the new non-executive director will be appointed as a member of the Nomination & Remuneration Committee and Matt Forman will retire as a member.</p>
<p>2.2 Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.</p>	<p>The Company has established charter rules for the Nomination & Remuneration Committee as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business.</p>	<p>Does not presently comply, however the Board intends to formalise a skills matrix.</p>
<p>2.3 Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.</p>	<p>The Corporate Governance Charter requires the disclosure of the name of Directors considered by the Board to be independent.</p> <p>The Board comprises three (3) Directors, of whom Phillip Aris and Tim Ebbeck are independent Directors.</p> <p>At the date of this Prospectus:</p> <ol style="list-style-type: none"> Phillip Aris, through his controlled entity, holds Shares and Options in the Company; and Tim Ebbeck, through his controlled entity, holds Options in the Company <p>The interests of Phillip Aris and Tim Ebbeck are not considered material such that the Board considers it a factor impacting their independence.</p> <p>Matt Forman is the CEO and Managing Director of the Company, and therefore is not considered independent.</p> <p>Details of the Shares and Options held by the Directors is set out in Section 10.19.</p>	<p>Complies.</p>

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Principles and recommendations	Compliance	Does XPON comply?
<p>2.4 A majority of the Board should be independent directors.</p>	<p>The Corporate Governance Charter requires that, where practical, the majority of the Board should be independent.</p> <p>The Company will have a three (3) member Board, of whom two (Phillip Aris and Tim Ebbeck) are independent non-executive Directors.</p>	Complies.
<p>2.5 The chairman of the Board should be an independent director and should not be the CEO.</p>	<p>The Chairman, Phillip Aris, is an independent Director.</p>	Complies.
<p>2.6 There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	<p>This is consistent with the Corporate Governance Charter and process for induction and continuous professional development.</p>	Complies.
<p>Principle 3 – Act ethically and responsibly</p>		
<p>3.1 Articulate and disclose the Company's values.</p>	<p>The Board recognises the need to observe the highest standards of corporate practice and business conduct.</p> <p>Accordingly, the Board has adopted a code of conduct which is designed to be followed by all employees, contractors and officers.</p> <p>The Company's core values are set out in its Corporate Governance Charter which is available on the Company's website: www.xpon.ai.</p>	Complies.
<p>3.2 Have a code of conduct for the Board, senior executives and employees, disclose that code or a summary of that code and ensure that the Board or committee of the Board is informed of any material breaches of that code.</p>	<p>The Company has adopted a Code of Conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.</p> <p>The Code of Conduct is contained in the Company's Corporate Governance Charter, which is available on the Company's website at www.xpon.ai.</p>	Complies.

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Does XPON comply?
<p>3.3 Have and disclose a Whistleblower Policy and ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.</p>	<p>The Company has adopted a Whistleblower Policy, which sets out a process to ensure the company has the highest standard of conduct of ethical behaviour, including reporting to the Board any material incidents reported under the policy.</p> <p>The Whistleblower Policy is available on the Company's website: www.xpon.ai.</p>	<p>Complies.</p>
<p>3.4 Have and disclose an Anti-Bribery and Anti-Corruption Policy and ensure that the Board or a committee of the Board is informed of any material breaches of that policy.</p>	<p>The Company has adopted an Anti-Bribery and Anti-Corruption Policy to ensure the highest standard of honesty and integrity.</p> <p>The Anti-Bribery and Anti-Corruption Policy is available on the Company's website: www.xpon.ai.</p>	<p>Complies.</p>
<p>Principle 4 – Safeguard integrity in corporate reporting</p>		
<p>4.1 The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members.</p> <p>The functions and operations of the audit committee should be disclosed.</p>	<p>The Company has established an Audit & Risk Management Committee, which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to audit and risk management matters.</p> <p>The Audit & Risk Management Committee is comprised of three (3) directors, being Tim Ebbeck (committee chairman), Phillip Aris and Matt Forman.</p> <p>The Audit & Risk Management Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is contained in the Corporate Governance Charter, which is available on the Company website: www.xpon.ai.</p> <p>The Annual Report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>	<p>Partially complies.</p> <p>The Board considers it a priority to maintain a diversity of opinion and skills on the Audit & Risk Management Committee, and therefore have decided to appoint Matt Forman (CEO and Managing Director) as a member of the committee, as opposed to the committee only comprising of the two non-executive directors.</p> <p>It is intended that at such time a third non-executive director is appointed to the Board, subject to their consent, the new non-executive director will be appointed as a member of the Audit & Risk Management Committee and Matt Forman will retire as a member.</p>



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Principles and recommendations	Compliance	Does XPON comply?
<p>4.2 The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.</p>	<p>This is consistent with the approach to be adopted by the Audit & Risk Management Committee and Board and defined in the CEO and CFO responsibilities of the Corporate Governance Charter.</p>	<p>Complies.</p>
<p>4.3 The Company should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p>When the Company releases information to the market that is not audited, any data and figures contained in the report, such as annual financial data, is reviewed to ensure it is accurate and consistent with the Company's audited financial statements with appropriate oversight by the Audit & Risk Management Committee and the Board.</p>	<p>Complies.</p>
<p>Principle 5 – Make timely and balanced disclosure</p>		
<p>5.1 Have and disclose a written policy for complying with continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.</p>	<p>The Company has a written Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in accordance with the requirements of the Listing Rules and Corporations Act.</p>	<p>Complies.</p>
<p>5.2 Ensure that its Board receives copies of all material market announcements promptly after they have been made.</p>	<p>The Company has a written Continuous Disclosure Policy which is designed to ensure that the Board receives copies of all material market announcements promptly after they have been made.</p>	<p>Complies.</p>

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Does XPON comply?
<p>5.3 Where the Company gives a new and substantive investor or analyst presentation, it releases a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	<p>The Company has a written continuous disclosure and communications policy which is designed to ensure that, where the Company gives a new and substantive investor or analyst presentation, release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	<p>Complies.</p>
<p>Principle 6 – Respect the rights of security holders</p>		
<p>6.1 Provide information about the Company and its governance to investors via its website.</p>	<p>The Corporate Governance Charter and other applicable policies are available on the Company’s website: www.xpon.ai.</p>	<p>Complies.</p>
<p>6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The Company’s continuous disclosure and communications policy provides that the Company will use its website, half year and annual reports, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings.</p>	<p>Complies.</p>
<p>6.3 Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Company intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. The Company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.</p>	<p>The Company has not disclosed a formal policy or process, but has engaged Automic Pty Ltd to further these objectives.</p>
<p>6.4 Ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.</p>	<p>The Company intends to facilitate effective participation in the AGM. The Company intends to adopt appropriate processes for shareholder meetings.</p>	<p>Complies.</p>
<p>6.5 Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.</p>	<p>The Company has instructed its share registry to facilitate this option for investors, as well as future shareholders at appropriate times.</p>	<p>Complies.</p>

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Principles and recommendations	Compliance	Does XPON comply?
Principle 7 – Recognise and manage risk		
<p>7.1 The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p>	<p>The Company has a combined Audit & Risk Management Committee. See 4.1 above.</p>	<p>Partially complies.</p> <p>The Company has formed the view that the Audit & Risk Management Committee is appropriately structured and independent from the executive to effectively fulfil its role.</p>
<p>7.2 The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Audit & Risk Management Committee charter establishes the role of the committee.</p>	<p>Complies.</p>
<p>7.3 Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the Audit & Risk Management Committee will monitor the Company's internal control processes and evaluate material or systemic issues.</p>	<p>Does not comply due to the nature and scale of operations, however the Board believes it and the Audit & Risk Management Committee, together with senior management, have adequate oversight of the existing operations.</p>
<p>7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.</p>	<p>The Board does not believe that the Company has any such material risks. All risks will be re-evaluated at least annually in accordance with the Audit & Risk Management Committee Charter.</p>	<p>Complies.</p>

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Does XPON comply?
Principle 8 – Remunerate fairly and responsibly		
<p>8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<p>The Company has established a combined Nomination & Remuneration Committee. The committee is comprised of two independent Directors and one non-executive Director.</p> <p>The Nomination & Remuneration Committee is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to remuneration matters.</p> <p>The Nomination & Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is available on the Company's website: www.xpon.ai.</p> <p>The Annual Report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>	<p>Complies.</p> <p>The Company has formed the view that the Nomination & Remuneration Committee is appropriately structured and independent from the executive to effectively fulfil its role.</p> <p>It is intended that at such time a third non-executive director is appointed to the Board, subject to their consent, the new non-executive director will be appointed as a member of the Nomination & Remuneration Committee and Matt Forman will retire as a member.</p>
<p>8.2 The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<p>The Company intends to adopt remuneration policies which comply with the Guidelines including separately disclosing the remuneration of non-executive Directors, and the remuneration of executive Directors and other senior executives.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration.</p>	<p>Partially complies.</p> <p>Matt Forman is an executive director and currently a member of the Nomination & Remuneration Committee. The committee has adopted appropriate conflict arrangements to ensure Matt Forman is not involved in decisions relating to his own remuneration.</p>
<p>8.3 If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<p>The Company operates an employee share option plan.</p> <p>In accordance with the Company's Securities Trading Policy, participants are not permitted to enter into transactions which limit economic risk without written clearance.</p>	<p>Complies.</p>

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5.

Financial Information

5. Financial Information

5.1 Introduction

The financial information contained in this Section has been prepared by XPON in connection with the Offer. The financial information is set out below for the historical financial years ended 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and 30 June 2021 (**FY21**). The financial information contained in this Section includes:

Historical Financial Information

- › Statutory Historical Consolidated Financial Information of XPON, comprising the:
 - statutory historical consolidated statements of profit or loss for FY19, FY20 and FY21 (**Statutory Historical Results**);
 - statutory historical consolidated statements of cash flows for FY19, FY20 and FY21 (**Statutory Historical Cash Flows**); and
 - statutory historical consolidated statement of financial position as at 30 June 2021 (**Statutory Historical Statement of Financial Position**);
- › Pro Forma Historical Consolidated Financial Information of XPON, comprising the:
 - Pro Forma historical consolidated statements of profit or loss for FY19, FY20 and FY21 (**Pro Forma Historical Results**);
 - Pro Forma historical consolidated statements of cash flows for FY19, FY20 and FY21 (**Pro Forma Historical Cash Flows**);
 - Pro Forma historical consolidated statement of financial position as at 30 June 2021 (**Pro Forma Historical Statement of Financial Position**);

(together the Statutory Historical Financial Information and the Pro Forma Historical Financial Information are referred to as the **Historical Financial Information**).

No forecast financial information has been provided for the Company (see Section 5.7)

Also summarised in this Section 5 are:

- › The basis of preparation and presentation of the Financial Information (refer Section 5.2);
- › Information regarding certain non Australian Accounting Standards (**AAS**) or IFRS financial measures (refer Section 5.2.3);
- › Summary of key pro forma operating metrics and business performance update as at 30 September 2021 (unaudited) (refer Section 5.6);
- › The pro forma adjustments to the Statutory Historical Financial Information, and reconciliations to the Pro Forma Historical Financial Information respectively (refer Sections 5.3.2, 5.4.2 and 5.5.1);
- › Details of XPON's indebtedness and capitalisation (refer Section 5.5.2);
- › Information regarding XPON's liquidity and capital resources (refer Section 5.5.3);
- › Management's discussion and analysis of the Pro Forma Historical Financial Information (refer Sections 5.5.7); and
- › Details of the proposed dividend policy (refer Section 5.8).

The Financial Information provided in this Section 5 should be read together with the information provided in this Prospectus, including:

- › The risk factors outlined in Section 7;
- › The description of the use of the proceeds of the Offer described in Section 9.7;
- › The Independent Limited Assurance Report, set out in Section 6; and
- › The indicative capital structure described in Section 10.7.



5.2 Basis of preparation and presentation of the Financial Information

5.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of XPON. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information presented in this Prospectus has been reviewed by BDO Audit Pty Ltd (BDO) in accordance with the *Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 6).

XPON operates on a financial year ended 30 June. All amounts disclosed in this Section 5 are presented in Australian Dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

Measurement and Recognition Principles

The Statutory Financial Information has been prepared and presented in accordance with the measurement and recognition principles prescribed in Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations issued by the Australian Accounting Standards Board (**AASB**)), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

Post-Listing, XPON will continue to prepare its financial statements in accordance with AAS and its financial statements post-Listing will be audited and reviewed by BDO in accordance with Australian Auditing Standards.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information are set out in Appendix 1 of this Prospectus and have been consistently applied throughout the financial periods presented in this Prospectus.

5.2.2 Preparation of the Historical Financial Information

Statutory Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited consolidated financial statements of XPON for FY19, FY20 and FY21.

Accounting for Merger Transaction

In March 2020, XPON acquired 100% of the share capital in Maverick Data Group Pty Ltd and its subsidiaries (MDG) with the issuance of 20,000,000 ordinary shares at a value of \$0.33 per share giving a total consideration of \$6,600,000.

The acquisition of MDG in March 2020 was not within the scope of AASB 3 since common control existed between XPON and MDG prior to the acquisition. As such, this has been treated as a group restructure and the group has applied the pooling of interests' method with the restatement of comparatives from the earliest period presented.

XPON's consolidated financial statements for FY19, FY20 and FY21 have been audited by BDO in accordance with Australian Auditing Standards. As the predecessor entity to XPON the 2019 financial statements are named Maverick Data Group Pty Ltd and Controlled Entities. As noted these results became the comparative results for XPON following the restructure referred to above. The auditors issued an unmodified audit opinion with an emphasis of matter in relation to going concern on the financial reports for the financial periods ended 30 June 2019, 30 June 2020 and 30 June 2021.

5. Financial Information

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus.

The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to reflect the impact of historical acquisitions, to eliminate certain non-recurring items, and adjustments to reflect XPON's operating and capital structure following completion of the Offer.

The Pro Forma Historical Statement of Financial Position as at 30 June 2021 is based on the audited financial statements of XPON at that date adjusted to reflect the impact of the Offer and other material transactions post 30 June 2021 (refer to Section 5.5).

The Pro Forma Historical Information has been presented and has been adjusted to reflect the impact of all material events including:

- › Incremental costs associated with being a publicly listed company including Board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX listing fees;
- › Eliminating certain items inconsistent with the future operating structure of the Company including business acquisition costs and COVID-19 related grants (cash Boost & JobKeeper);
- › Impact of the Offer including capital raised and Offer costs, and the capital structure in place after the IPO;
- › The acquisition of the following entities:
 - Focal Labs Limited UK and Holoscribe Limited UK (hence defined as "UK" or "UK Acquisitions") on 15 April 2020; and
 - Internetrix Pty Ltd and Controlled Entities (hence defined as "Internetrix") on 5 June 2021.

The financial results of Focal Labs Limited UK, Holoscribe Limited UK and Internetrix Pty Ltd and Controlled Entities are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.

As a significant acquisition Internetrix's consolidated financial statements for FY20 and FY21 have been audited by BDO in accordance with Australian Auditing Standards. The auditors issued an unmodified audit opinion with an emphasis of matter in relation to going concern on the financial reports for the financial periods ended 30 June 2020 and 30 June 2021.

The acquisition of Focal Labs Limited UK (now Xpon Digital Limited) and Holoscribe Limited UK were completed greater than 12 months before the lodgement of this prospectus. The financial results of these entities have been included in the consolidated financial statements of XPON from the date of acquisition. The financial information of these entities from 1 July 2018 to the date of acquisition has been reviewed by BDO as part of issuing its ILAR.

A timeline of the acquisition and presentation in the Historical Information is set out in the table below:

	Acquisition date	FY19	FY20	FY21
Xpon Digital Ltd UK and Holoscribe Ltd UK	15-Apr-20			
Internetrix & its controlled entities	5-Jun-21			

■ Statutory Historical Financial Information

■ Pro forma Historical Financial Information

Refer to Section 5.3.1 for a reconciliation between Statutory Historical and Pro Forma Historical Consolidated Results, to Section 5.4.1 for a reconciliation between the Statutory Historical and the Pro Forma Historical Consolidated Statement of Cash Flows and to Section 5.5.1 for a reconciliation between the Statutory Historical Consolidated Statement of Financial Position and the Pro Forma Historical Consolidated Statement of Financial Position.



The Pro forma Historical Financial Consolidated Information included in the prospectus has been reviewed, but not audited, by BDO. Investors should note the scope and limitations of the Independent Limited Assurance Report (ILAR).

Investors should note that past results are not a guarantee of future performance.

5.2.3 Non-AAS or IFRS financial measures

XPON uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 5.2.3, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures".

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- › **Annualised Recurring Revenue (ARR):** represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.
- › **Year-on-Year (YoY) ARR Growth Rate (%):** shows the change in XPON's ARR over a rolling 12-month time frame. This metric demonstrates the impact of the acquisition of new customers, the retention of customers and the expansion of existing customer contracts less any churn from customer's leaving or downgrading their contracts over a 12-month time frame.
- › **Average Revenue Per Customer (ARPC):** calculated as annual revenue for the last 12 months divided by the number of customers at that time (and divided by 12 to get a monthly view).
- › **Monthly Customer Retention Rate (MCRR):** the percentage of customers that are retained on a monthly basis and are not lost due to customer churn over the last 12 months (and divided by 12 to get a monthly view).
- › **Lifetime Value (LTV):** LTV per customer is the gross profit expected on average from a recurring customer over their lifetime. This is calculated by taking the average customer lifetime (1 minus the monthly retention rate to get monthly churn, then 1 divided by churn) multiplied by ARPC, multiplied by the gross margin percentage for the last quarter. Total LTV represents the total gross profit XPON expects to receive from its current recurring customer base by taking the average LTV per customer and multiplying it by the number of recurring customers.
- › **Customer Acquisition Costs (CAC):** calculated by total customer acquisition costs spent on acquiring customers over the last 12 month period divided by the number of customers acquired during the period. It includes 80% of the salary costs of all sales & marketing team members and 100% of sales commissions, advertising costs, costs for customer marketing activities and resources.
- › **CAC Payback:** the average number of months that it takes for XPON to receive back its customer acquisition costs.
- › **LTV/CAC Ratio:** LTV divided by CAC, expressed as a ratio to indicate the net return on the cost of acquiring a customer on average, after cost of sales and before operating expenses.
- › **Customer Revenue Retention Rate (CRRR):** the percentage of recurring revenue retained from existing customers over the last 12 months. This accounts for increased revenue from existing customers utilising more of XPON's solutions and lost revenue due to churned customers.

Certain financial data included in Section 5.6 is also non-IFRS financial information.

Although XPON believes that these measures provide useful information about the financial performance of XPON, they should be considered as supplements to the financial statement measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way XPON calculated these measures may differ from similarly-titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

5. Financial Information

5.3 Consolidated Pro Forma Historical Results

5.3.1 Overview

Table 1 below sets out the Pro Forma Historical Consolidated Results for FY19, FY20 and FY21.

Table 1: Statutory Historical Results and Pro Forma Historical Results for FY19, FY20, and FY21

\$'000	Notes	Statutory Historical			Pro Forma Historical		
		FY19	FY20	FY21	FY19	FY20	FY21
Revenue from contracts with customers	1	1,227	1,716	5,439	5,305	5,374	7,969
Cost of sales	2	(358)	(732)	(2,240)	(2,060)	(2,374)	(3,806)
Gross profit		869	984	3,199	3,246	2,999	4,164
IT and Facilities expense	3	(120)	(173)	(223)	(395)	(345)	(378)
Sales and Marketing expenses	4	(117)	(216)	(370)	(185)	(257)	(406)
Employee expenses	5	(955)	(1,731)	(3,626)	(3,392)	(3,725)	(4,274)
Write-off of investment	6	(303)	0	0	0	0	0
Depreciation and Amortisation	7	(65)	(61)	(363)	(270)	(299)	(456)
Other expenses	8	(337)	(793)	(844)	(1,927)	(2,406)	(2,253)
Finance expenses	9	0	(68)	(6)	0	(68)	(6)
Operating expenses		(1,897)	(3,042)	(5,433)	(6,169)	(7,100)	(7,772)
Operating profit/(loss)		(1,028)	(2,058)	(2,233)	(2,923)	(4,100)	(3,609)
Other income	10	20	88	250	634	598	512
Other income/(expense)		20	88	250	634	598	512
Profit/(loss) before tax		(1,009)	(1,970)	(1,983)	(2,289)	(3,502)	(3,097)

Note

1. Revenue from contracts with customers – includes software license revenue, managed services revenue, project and implementation services revenue and usage fees.
2. Cost of sales – costs directly associated with services provided to customers that are billable under contract, and software and infrastructure costs directly related to providing license and usage fees revenue.
3. IT and Facilities expenses – IT & hosting expenses and subscriptions/licensing expenses.
4. Sales and Marketing expense – sales commission, marketing and selling expenses.
5. Employee expenses – salaries, wages, and employee related costs including superannuation.
6. Write-off of investment – non-core investment not aligned to XPON's growth strategy.
7. Depreciation and Amortisation – depreciation of furniture, fixtures and fittings, office equipment, leasehold improvements, right of use assets, and amortisation of customer contracts and software intangible assets.
8. Other expenses – compliance expenses, insurance, and general office expenses.
9. Finance expenses – interest expenses related to borrowings, unrealised and realised currency gains/losses.
10. Other income – non-core income including R&D Tax refunds, COVID-19 related JobKeeper and Cash Boost.



5.3.2 Pro forma adjustments to the Statutory Historical Consolidated Results

Table 2 & 3 below sets out the pro forma adjustments that have been made to XPON's Statutory Historical Consolidated Results to reflect the full year impact of the operating and capital structure that will be in place following completion of the Offer as if it were in place as at 1 July 2018. These adjustments are summarised below.

Table 2: Pro Forma adjustments to the Statutory Historical Results for FY19, FY20, and FY21

\$'000	Notes	FY19	FY20	FY21
Profit/(loss) before tax		(1,009)	(1,970)	(1,983)
Profit/(loss) before tax – UK Acquisitions	1	(298)	(27)	0
Profit/(loss) before tax – Internetrix	2	266	238	243
Public company costs	3	(1,371)	(1,371)	(1,012)
Acquisition Costs	4	0	109	50
COVID related (Cash Boost, JobKeeper)	5	0	(302)	(326)
Write-off of investment	6	303	0	0
Amortisation Customer Contract & Software	7	(180)	(180)	(68)
Pro Forma profit/(loss)		(2,289)	(3,502)	(3,097)

Notes:

1. Profit/(loss) before tax – UK Acquisitions – is included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.
2. Profit/(loss) before tax – Internetrix – is included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.
3. Public company costs – Incremental costs associated with being a publicly listed company including Board and governance costs, Share Based Payments incentive cost, incremental audit, tax, legal and compliance related costs, and ASX listing fees.
4. Acquisition Costs – Subtract acquisition costs related to UK and Internetrix acquisitions.
5. COVID-19 related (Cash Boost, JobKeeper) – Reduce COVID-19 related Cash Boost and JobKeeper from other income and employee expenses.
6. Write Off of Investment – Subtract write off of investments.
7. Amortisation of Customer Contracts & Software – Recognised amortization expenses for Customer Contract and software from the acquisition of UK and Internetrix entities as if the businesses had been acquired from 1 July 2018.

Table 3: Revenue from contracts with customers – Historical to Pro Forma Reconciliation for FY19, FY20, and FY21

\$'000	Notes	FY19	FY20	FY21
Revenue from contracts with customers – Historical		1,227	1,716	5,439
Revenue from contracts with customers – UK Acquisitions	1	872	1,009	0
Revenue from contracts with customers – Internetrix	2	3,207	2,649	2,530
Revenue from contracts with customers – Pro Forma		5,305	5,374	7,969

Notes:

1. Revenue from contracts with customers – UK Acquisitions – are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.
2. Revenue from contracts with customers – Internetrix – are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.

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5.4 Consolidated Pro Forma Historical Cash Flows

5.4.1 Overview

Table 4 below sets out the Pro Forma Historical Consolidated Cash Flows for FY19, FY20 and FY21.

Table 4: Statutory Historical Cash Flows and Pro Forma Historical Cash Flows for FY19, FY20, and FY21

\$'000	Notes	Statutory Historical			Pro Forma Historical		
		FY19	FY20	FY21	FY19	FY20	FY21
Cash flows from operating activities							
Receipts from customers (inclusive of GST)	1,2	1,337	2,387	3,886	7,087	6,932	7,223
Payments to suppliers and employees (inclusive of GST)	1,3	(1,481)	(3,966)	(4,747)	(7,607)	(9,815)	(8,659)
Income taxes (paid)/received		(60)	6	(94)	(277)	(97)	(94)
Interest paid		0	0	0	2	1	0
Net cash (used in) provided by operating activities		(204)	(1,573)	(955)	(796)	(2,979)	(1,530)
Cash flows from investing activities							
Payment for intangible asset		(9)	(36)	(33)	(9)	(36)	(33)
Proceeds from sale of plant and equipment		0	0	0	0	1	0
Purchase of property, plant and equipment		0	(25)	(5)	(39)	(28)	(5)
Payment of subsidiary, net of cash acquired		0	41	(8)	0	41	(8)
Net cash flows from investing activities		(9)	(20)	(45)	(48)	(22)	(45)
Cash flows from financing activities							
Proceeds from issue of shares		0	2,477	1,867	0	2,719	1,867
Proceeds from borrowings		68	0	71	99	(16)	71
Repayment of borrowings		0	(55)	(68)	0	(55)	(68)
Dividends paid		0	0	0	(46)	0	(216)
Payment of lease liabilities		0	(39)	(178)	0	(101)	(178)
Net cash provided by (used in) financing activities		68	2,383	1,691	53	2,546	1,475
Net cash flow		(146)	789	690	(790)	(456)	(101)

Notes:

1. UK Acquisitions & Internetrix – are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018;
2. Subtract: COVID-19 related JobKeeper & Cash Boost income that are non-standard costs (FY20 \$302,000, FY21 \$326,000).
3. Add: Public listed company costs (\$707,920 per annum FY19, FY20 FY21) and the removal of costs related to acquisitions (FY20 \$1109,069, FY21 \$49,832).



5.4.2 Pro forma adjustments to the Statutory Historical Consolidated Cash Flows

Table 5 below sets out the pro forma adjustments that have been made to XPON's Statutory Historical Consolidated Statements of Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following completion of the Offer as if it was in place as at 1 July 2018. These adjustments are summarised below.

Table 5: Pro Forma adjustments to the Historical Cash Flows for FY19, FY20, and FY21

\$'000	Notes	FY19	FY20	FY21
Statutory net cash flow		(146)	789	690
Net cash flow – UK Acquisitions	1	(59)	(14)	0
Net cash flow – Internetrix	2	122	(330)	193
Listed Company Costs	3	(708)	(708)	(708)
Acquisition Costs	4	0	109	50
COVID related (Cash Boost, JobKeeper)	5	0	(302)	(326)
Pro Forma net cash flow		(790)	(456)	(101)

Notes:

1. Net cash flow – UK Acquisitions – is included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.
2. Net cash flow – Internetrix – is included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.
3. Public listed company costs including ASX Listing annual fees, Insurance Directors & Officers and Company secretarial; Investor relations/communications and Audit fees.
4. Costs related to the UK Acquisitions and acquisition of Internetrix.
5. COVID-19 related JobKeeper & Cash Boost income – government grants related to COVID-19.

5.5 Statutory Historical Consolidated Statement of Financial Position and Pro Forma Historical Consolidated Statement of Financial Position

5.5.1 Overview

Table 6 below sets out the pro forma adjustments that have been made to the audited Statutory Historical Consolidated Statement of Financial Position for XPON at 30 June 2021 in order to prepare the Pro Forma Consolidated Statement of Financial Position for XPON to take into account the effect of, amongst other things, the Offer proceeds, transaction expenses and other material transactions.

The pro forma adjustments include the proceeds of the Offer and the impact of the operating and capital structure that will be in place at completion of the Offer as if they had occurred or were in place as at 30 June 2021. The Pro Forma Historical Consolidated Statement of Financial Position is therefore provided for illustrative purposes only and is not necessarily indicative of XPON's view of its future financial position.

In particular, cash and cash equivalents in the Pro Forma Historical Consolidated Statement of Financial Position have been adjusted to reflect the impact of the Offer as if it took place as at 30 June 2021, and as such are not adjusted for the expected inflows and outflows of cash from 1 July 2021 up to completion of the proposed Capital Raising.

The Offer comprises a capital raising of between \$10 million and \$12.5 million, by way of an issue of between 50,000,000 and 62,500,000 Shares at \$0.20 per Share. The Pro Forma Historical Consolidated Statement of Financial Position has been prepared to show the impact of the Offer on both capital raising scenarios.

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5. Financial Information

Table 6: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2021

\$'000	Notes	30-Jun-21	Pro Forma \$10mil raise adjustments	Pro Forma \$10mil raise 30-Jun-21	Pro Forma \$12.5mil raise adjustments	Pro Forma \$12.5mil raise 30-Jun-21
Assets						
Cash and cash equivalents	1	1,722	9,227	10,949	11,562	13,284
Trade and other receivables	2	3,153	165	3,319	180	3,334
Current tax receivable		139	–	139	–	139
Other Current Assets		–	–	–	–	–
Total current assets		5,014	9,392	14,406	11,742	16,756
Property, plant and equipment		152	–	152	–	152
Deferred tax assets		318	–	318	–	318
Intangible assets		4,633	–	4,633	–	4,633
Right-of-use assets		649	–	649	–	649
Other assets		55	–	55	–	55
Total non-current assets		5,808	–	5,808	–	5,808
Total assets		10,822	9,392	20,214	11,742	22,564
Liabilities						
Trade and other payables		4,008	–	4,008	–	4,008
Borrowings		21	–	21	–	21
Lease liabilities		106	–	106	–	106
Employee benefits		435	–	435	–	435
Other financial liabilities		1,203	–	1,203	–	1,203
Total current liabilities		5,773	–	5,773	–	5,773
Borrowings		71	–	71	–	71
Deferred tax liabilities		253	–	253	–	253
Lease liabilities		570	–	570	–	570
Employee benefits		66	–	66	–	66
Total non-current liabilities		959	–	959	–	959
Total liabilities		6,733	–	6,733	–	6,733
Net assets		4,089	9,392	13,481	11,742	15,831
Equity						
Issued capital	3	8,060	10,377	18,438	12,727	20,788
Foreign Currency Translation Reserve		36	–	36	–	36
General Reserve		849	–	849	–	849
Retained earnings	4	(4,856)	(986)	(5,842)	(986)	(5,842)
Total equity		4,089	9,392	13,481	11,742	15,831



Notes:

1. Cash and cash equivalents

- › Pre-IPO convertible note capital raise:
 - \$10mil raise: adjusted to reflect net proceeds of \$1,043,000 (being \$1,110,000 gross proceeds less capital raising costs of \$67,000); and
 - \$12.5mil raise: adjusted to reflect net proceeds of \$1,043,000 (being \$1,110,000 gross proceeds less capital raising costs of \$67,000).
- › Impact of the Offer:
 - \$10mil raise: adjusted to reflect net proceeds of \$8,183,000 (being \$10,000,000 gross proceeds less transaction costs of \$1,817,000 (inclusive of GST)); and
 - \$12.5mil raise: adjusted to reflect net proceeds of \$10,518,000 (being \$12,500,000 gross proceeds less transaction costs of \$1,982,000 (inclusive of GST)).

2. Trade and other receivables

- › \$10mil raise: GST receivable of \$165,000 related to transaction costs; and
- › \$12.5mil raise: GST receivable of \$180,000 related to transaction costs.

3. Issued Capital

- › Impact of the Offer: Adjusted to reflect a net share capital increase of \$12,737,330, represented by:
 - \$10mil raise: Adjusted to reflect a net share capital increase of \$10,377,000, represented by:
 - Pre-IPO convertible note capital raise: \$1,132,000 of convertible note debt (being proceeds raised of \$1,110,000 and accrued interest of \$22,000); and
 - Pre-IPO capital raise Offer: \$9,245,000 net capital increase (being proceeds raised of \$10,000,000, offset by \$755,000 of transaction costs allocated to equity).
 - \$12.5mil raise: Adjusted to reflect a net share capital increase of \$12,727,000, represented by:
 - Pre-IPO convertible note capital raise: \$1,132,000 of convertible note debt (being proceeds raised of \$1,110,000 and accrued interest of \$22,000); and
 - Pre-IPO capital raise Offer: \$11,595,000 net capital increase (being proceeds raised of \$12,500,000, offset by \$905,000 of transaction costs allocated to equity).
- › Transaction costs:
 - \$10mil raise: \$1,817,000 (GST inclusive) has been recognised in relation to advisors, listing and other costs associated with the Offer. Management have not recognised a deferred tax asset to reflect the tax effect of these transactions. Of the \$1,652,000 transaction costs (net of GST), \$755,000 has been allocated against share capital and \$897,000 expensed through retained earnings.
 - \$12.5mil raise: \$1,982,000 (GST inclusive) has been recognised in relation to advisors, listing and other costs associated with the Offer. Management have not recognised a deferred tax asset to reflect the tax effect of these transactions. Of the \$1,802,000 transaction costs (net of GST), \$905,000 has been allocated against share capital and \$897,000 expensed through retained earnings.

- 4. Retained earnings** – in both the \$10mil and \$12.5mil raise scenarios observed, losses increased by \$986,000,517 relating to costs from the impact of the offer (\$8976,000,656) and costs associated with the issuance of the Convertible Notes (\$898,000,861).

5.5.2 Indebtedness

Indebtedness refers to the excess/(deficiency) of cash reserves over borrowings.

XPON's indebtedness in the Statutory Historical Consolidated Financial Statements at 30 June 2021 was an excess of \$1,630,000 (being cash reserves of \$1,722,000, offset by \$92,000 of borrowings). XPON's indebtedness in the Pro Forma Historical Consolidated Financial Statements at 30 June 2021 is an excess of \$13,192,000 (being cash reserves of \$13,284,000, offset by \$92,000 of borrowings on the basis that Maximum Subscription of \$12,500,000 is achieved). Should the Minimum Subscription of \$10,000,000 be raised, XPON's pro forma indebtedness at 30 June 2021 is an excess of \$10,857,000 (being cash reserves of \$10,949,000, offset by \$92,000 of borrowings).

5. Financial Information

5.5.3 Liquidity and capital resources

Following completion of the Offer, XPON's principal sources of funds are expected to be cash flow generated from operations and cash on hand of \$13,284,000 (Maximum Subscription of \$12,500,000 raised) or \$10,949,000 (Minimum Subscription of \$10,000,000 raised).

Xpon expects to fund its operations through the proceeds of the Offer. Xpon intends to apply the funds raised under the IPO over the first 24 months following Quotation as follows:

	\$10m Raise	%	\$12.5m Raise	%
IPO Costs	\$1,652,000	17%	\$1,802,000	14%
Sales, Marketing & Customer Growth	\$5,114,000	51%	\$7,114,000	57%
Product Development & Expansion	\$515,000	5%	\$515,000	4%
Capability Expansion	\$1,045,000	10%	\$1,045,000	8%
CAPEX	\$450,000	5%	\$450,000	4%
Working Capital	\$1,224,000	12%	\$1,574,000	13%
	\$10,000,000	100%	\$12,500,000	100%

XPON's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions.

Quantitative and qualitative disclosures about market risk sensitive instruments are addressed in Section 5.5.4.

5.5.4 Quantitative and qualitative disclosures about foreign exchange risk

XPON is exposed to market risk in the ordinary course of its business. Market risk represents the risk of loss that may impact XPON's financial position due to adverse changes in financial market prices and rates. XPON's market risk exposure is primarily a result of fluctuations in foreign currency exchange rates. XPON is exposed to market risk through changes in foreign exchange rates, primarily through the cash and cash equivalents and debt held, which are denominated in UK Pounds.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which XPON holds financial instruments which are other than the AUD functional currency of XPON.

Exposures to currency exchange rates arise from XPON's overseas sales and purchases, which are primarily denominated in UK Pounds.

Generally, XPON's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives reports showing the settlement date of transactions denominated in non Australian Dollar currencies and expected cash reserves in that currency.



Historical Statutory Result 30 June 2021:

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

2021	AUD	GBP	USD	Total
	\$'000	\$'000	\$'000	\$'000
Nominal amounts				
Cash and cash equivalents	1,426	262	34	1,722
Trade and other receivables	2,562	285	307	3,153
Trade and other payables	(3,539)	(233)	(236)	(4,008)
Short-term exposure	449	314	104	867

Market risk – Foreign currency sensitivity

XPON is exposed to foreign currency exposure on financial assets and liabilities primarily denominated in UK Pounds and USD. XPON have completed a sensitivity analysis of the net result for the year and in equity, in regards to these financial assets and primarily considering the foreign currencies noted above.

The year-end rates applied were 0.54 UK Pounds and 0.75 USD.

XPON considered a +/- 2% change in the AUD/UK Pounds and the AUD/USD exchange rates – determined based on the average market volatility in exchange rates in the previous 12 months.

Based on the sensitivities performed, there was no material impact to XPON's performance. Future exposures to foreign exchange rates will vary depending on the volume of overseas transactions.

5.5.5 Off balance sheet items

XPON has no material contingent liabilities or off-balance sheet arrangements.

5.5.6 Segment information

XPON only has one operating segment as illustrated by the structure of the board papers which drives how management monitors XPON's operations and makes decisions about continuing or disposing of XPON's assets and operations.

5.5.7 Management discussion and analysis of Pro Forma Financial Information

This Section 5.5.7 sets out a discussion of the main factors which affected XPON's operating and relative financial performance in FY19, FY20 and FY21.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected historical operating and financial performance.

The information in this Section 5.5.7 should also be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

5. Financial Information

Table 7: Management's analysis of Pro Forma Financial Information FY19, FY20 and FY21

\$'000	Notes	Pro Forma Historical		
		FY19	FY20	FY21
Revenue from contracts with customers	1	5,305	5,374	7,969
Cost of sales	2	(2,060)	(2,374)	(3,806)
Gross profit	3	3,246	2,999	4,164
Operating expenses	4	(6,169)	(7,100)	(7,772)
Operating profit/(loss)	5	(2,923)	(4,100)	(3,609)
Growth %				
Revenue from contracts with customers			1%	48%
Cost of sales			15%	60%
Gross profit			-8%	39%
Operating expenses			15%	9%
Operating profit/(loss)			40%	-12%

UK acquisition and acquisition of Internetrix are included in the Pro Forma Historical Financial Information for FY19, FY20 and FY21 as if the businesses had been acquired from 1 July 2018;

1. Revenue from contracts with customers

The year-on-year growth of 48% for FY21 compared to FY20 is mainly driven by XPON's pre acquisition of Internetrix, due to:

- › Focus on targeting enterprise customers with the "full stack" XPON approach driving new high value customers;
- › Leveraging the Google relationship to target and secure new customers;
- › Delivering business outcomes for customers and a demonstrable return on investment from the customer's MarTech capability driving new sales into existing customers; and
- › Discrete focus on customer success driving high customer retention and expanded use of XPON solutions by existing customers.

The Internetrix acquisition was completed 5 June 2021. It is now being integrated into the Group.

For the quarter ended 30 September 2021, XPON reported \$3,034,463 (unaudited) in revenue from contracts with customers.

2. Cost of sales

FY21, the cost of sales increased by 60% year-on-year which is higher than revenue growth of 48% is related to the acquisitions (UK acquisition and Internetrix) where the cost of sales as a percentage of revenue is higher for the acquired entities.

As the Group integrated the acquired entities into its business operating model, for the quarter ended 30 September 2021, the costs of sales were \$1,148,145 (unaudited) being 38% of revenue.



3. Gross profit

FY21, the gross profit increased by 39% year-on-year which is lower than revenue growth of 48%, this is related to the acquisitions (UK acquisition and Internetrix) where the cost of sales as a percentage of revenue is higher for the acquired entities. This also resulted in a 4% lower gross margin for FY21 at 52% (FY20 was 56%).

The quarter ended 30 September 2021, the Group reported a gross profit of \$1,886,318 (unaudited), and a gross profit margin of 62% (unaudited).

4. Operating expenses

FY21, operating expenses increased by 9% compared to FY20, it was 98% as a percentage of revenue.

As the Group continues to drive operating efficiency by leveraging on sharing existing resources and intelligence across the Group. The current fixed operating expenses (excluding sales and marketing) is scalable as the business grows.

The quarter ended 30 September 2021, operating expenses was \$2,630,242 (excluding IPO related costs) being 87% of revenue (unaudited).

5. Operating profit/(loss)

Operating loss for FY21 was down by 12% compared to FY20 as the Group continued to drive operating efficiency across its businesses.

The quarter ended 30 September 2021, operating loss was \$743,924 (unaudited and excluding IPO related costs).

5.6 Key Operating Metrics and Business Performance Update as at 30 September 2021 (unaudited)

Table 8 below sets out a summary of XPON's key historical operating metrics for the last twelve months as at 30 September 2021. These Historical Results have not been subject to review.

As at 30 September 2021:

- ▶ Annualised Recurring Revenue (ARR) has increased to \$10,974,338, up by 19% compared to \$9,243,198 at 30 June 2021;
- ▶ The Average Revenue Per Customer (ARPC) has increased to \$4,560 from \$4,048;
- ▶ The Monthly Customer Retention Rate (MCRR) has remained stable at 99.6%;
- ▶ The Lifetime Value (LTV) per customer has increased to \$705,924 from \$607,223;
- ▶ XPON continues to invest in new customer acquisition and marketing, with Customer Acquisition Costs (CAC) increasing to \$27,979 from \$23,328 per new customer;
- ▶ The Customer Acquisition Costs Payback (CAC Payback) was stable at 6 months;
- ▶ The CAC/LTV Ratio was 25 at 30 September 2021 compared 27 as at 30 June 2021;
- ▶ The Customer Revenue Retention Rate (CRRR) increased to 119% (30 September 2021) compared to 110% (30 June 2021).

5. Financial Information

Table 8: Key operating metrics Pro Forma Financial Information at 30 Jun 2021 & 30 Sep 2021

Rolling 12 Months	Notes	Pro forma Historical 30-Jun-21	Unaudited – Historical LTM 30-Sep-21	movement
Key operating metrics				
ARR – Annualised Recurring Revenue (\$'000)	1	\$9,243	\$10,974	\$1,731
ARR Growth Rate (%)	2	30%	19%	
ARPC – Average Revenue Per Customer (\$'000)	3	\$4.0	\$4.6	13%
Monthly Retention Rate (%)	4	99.6%	99.6%	flat
Lifetime Value (LTV \$'000)	5	\$607	\$706	16%
Customer Acquisition Costs (CAC \$'000)	6	\$23	\$28	20%
CAC Payback (month)	7	6	6	flat
LTV/CAC Ratio	8	26	25	-3%
Customer Revenue Retention Rate (%)	9	110%	119%	9%

Notes:

1. Annualised Recurring Revenue (ARR): \$10,974,338 as at 30 Sep 2021, a growth rate of 19% from 30 Jun 2021 (\$9,243,198).
2. Year-on-Year (YoY) ARR Growth Rate (%): a 19% growth compared to 30 Jun 2021 on a rolling 12 months period.
3. Average Revenue Per Customer (ARPC): at \$4,560, an increase of 13% compared to 30 Jun 2021 on a rolling 12 months period.
4. Monthly Retention Rate: flat at 99.6%.
5. Lifetime Value (LTV): at \$705,924 per customer with a growth rate of 16% compared to 30 Jun 2021 (\$607,223).
6. Customer Acquisition Costs (CAC): at \$27,979, an increase of 20% as XPON continues to invest in customer acquisition.
7. CAC Payback: flat at 6 months.
8. LTV/CAC Ratio: at 25 as XPON continues to invest in customer acquisition.
9. Customer Revenue Retention Rate: at 119%, a growth rate of 9% compared to 30 June 2021.

UK Acquisitions – The financial results of Focal Labs Limited UK, Holoscribe Limited UK are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.

Acquisition – Internetrix – The financial results of Internetrix Pty Ltd and Controlled Entities are included in the Pro forma Financial Information as if the businesses had been acquired from 1 July 2018.

5.7 No Forecasts

The Directors have considered the matters detailed in ASIC's Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of XPON are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.



5.8 Dividend policy

The policy of XPON is to reinvest all cash flow into the business in order to maximise its growth. Accordingly, no dividends are expected to be paid in the near-term following XPON's listing on the ASX.

The payment of a dividend by XPON, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of XPON, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by XPON, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by XPON.

5.9 Summary of Significant Accounting Policies

Set out in Appendix 1 of this Prospectus is a summary of the significant accounting policies which have been adopted in preparation of the Financial Information.

5.10 Summary of Financial Risk Management Framework

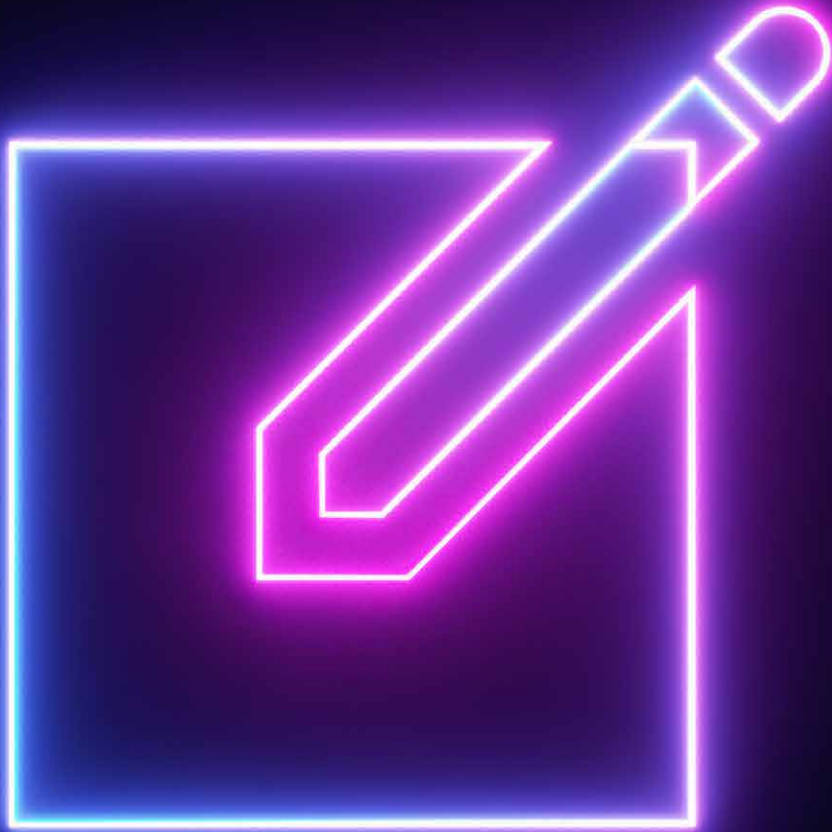
Set out in Appendix 2 of this Prospectus is a summary of XPON's financial risk management framework.

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6.

Independent Limited Assurance Report





6. Independent Limited Assurance Report



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

The Directors
Xponential Technologies Limited
Level 2, 33 Longland Street
Newstead, QLD 4006

15 November 2021

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

BDO Audit Pty Ltd ('BDO Audit') has been engaged by Xponential Technologies Limited ('Xpon' or 'the Company') to report on the statutory historical financial information and pro forma historical financial information ('the Historical Financial Information') for inclusion in a prospectus proposed to be issued on or about 15 November 2021 and relating to the issue of an offer of between 50,000,000 and 62,500,000 ordinary shares in XPON Technologies Group Limited shares in Xpon ('the Prospectus').

Expressions and terms defined in the Prospectus have the same meaning in this report ('this Report').

Scope

Statutory Historical Financial Information

You have requested BDO Audit to review the following Statutory Historical Financial Information of Xpon (being the party responsible for the Historical Financial information) included in Section 5 of the Prospectus:

- ▶ The statutory historical consolidated statements of profit or loss for the financial years ended 30 June 2019 ('FY19'), 30 June 2020 ('FY20'), and 30 June 2021 ('FY21');
- ▶ The statutory historical consolidated statements of cash flows for FY19, FY20, and FY21; and
- ▶ The statutory historical consolidated statement of financial position as at 30 June 2021.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Xpon's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the financial reports of Xpon for FY19, FY20 and FY21 which were audited by BDO Audit Pty Ltd in accordance with Australian Auditing Standards. As the predecessor entity to XPON the 2019 financial statements are named Maverick Data Group Pty Ltd and Controlled Entities. As noted these results became the comparative results for XPON in FY20. BDO Audit Pty Ltd issued unmodified audit opinions, dated 1 October 2021, with an emphasis of matter regarding the material uncertainty related to going concern on each of the financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested BDO Audit to review the following Pro Forma Historical Financial Information of Xpon (being the party responsible for the Historical Financial information) included in Section 5 of the Prospectus:

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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- ▶ The pro forma historical consolidated statements of profit or loss for FY19, FY20, and FY21;
- ▶ The pro forma historical consolidated statements of cash flows for FY19, FY20, and FY21; and
- ▶ The pro forma historical consolidated statement of financial position as at 30 June 2021.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Xpon, after adjusting for the effects of pro forma adjustments described in Section 5.2.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and Xpon's adopted accounting policies, applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 5.2.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance, and/or cash flows.

Directors' Responsibility

The directors of Xpon are responsible for the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information to be free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit on any financial information used as a source of the Historical Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 5 of the Prospectus, and comprising:

- ▶ The statutory historical consolidated statements of profit or loss for FY19, FY20, and FY21;
- ▶ The statutory historical consolidated statements of cash flows for FY19, FY20, and FY21; and
- ▶ The statutory historical consolidated statement of financial position as at 30 June 2021,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2 of the Prospectus.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 5 of the Prospectus, and comprising:

- ▶ The pro forma historical consolidated statements of profit or loss for FY19, FY20, and FY21;
- ▶ The pro forma historical consolidated statements of cash flow for FY19, FY20, and FY21; and
- ▶ The pro forma historical consolidated statement of financial position as at 30 June 2021,

are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 5.1 and Section 5.2 of the Prospectus, which describes the purpose of the Historical Financial Information, being for inclusion in the Prospectus. As a result, the Historical Financial Information may not be suitable for use for another purpose. We disclaim any liability for use of this Report, or reliance on the Historical Financial Information by any other persons or for any other purpose than that set out in Section 5 of the Prospectus.

Consent

We have consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, our consent has not been withdrawn. However, BDO Audit has not authorised the issue of the Prospectus. BDO Audit makes no representation regarding, or responsibility for, any other statements, material in (or omissions from) the Prospectus.

Liability

The liability of BDO Audit is limited to the inclusion of this Report in the Prospectus. BDO Audit makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

General Advice Warning

This Report has been prepared, and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this Report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Declaration of Interest

BDO Audit does not have any interest in the outcome of the proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit will receive normal professional fees for the preparation of this Report.

BDO Audit Pty Ltd

T R Mann
Director

Brisbane, 15 November 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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7.

Risk Factors





7. Risk Factors

7.1 Factors influencing success and risk

Introduction

This Section identifies the major risks the Board believes are associated with an investment in XPON.

The XPON business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of XPON and the value of an investment in the Company. There can be no guarantee that XPON will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on XPON's operating performance and profits, and the market price of the Shares.

Before deciding to invest in the Company, potential investors should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the Directors' forecasts if any, the sensitivity analysis and the risk factors that could affect the financial performance of XPON;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.2 Specific investment risks

Loss making

XPON is loss making and expects to be loss making for the foreseeable future as it continues to invest to expand its market presence and market share. Whilst the growth trajectory of the business has been positive, there is no guarantee that the Company will continue this trajectory into the future and become profitable. As a result, the Company may be required to raise additional capital, and may have an adverse impact on its reputation.

Customer retention

XPON's financial performance may be materially affected by its ability to retain existing customers. Retention of customers will be dependent on a number of factors including capability, pricing, customer support and value compared to competing offerings.

In addition, following initial commitment periods under customer contracts there is no guarantee that customers will continue their engagement with XPON.

XPON's performance in retaining customers may not continue into the future and this may impact the company's financial and market performance.

Acquiring new customers

The Company has a relatively small number of customers and continued revenue growth for the Company will be dependent on XPON acquiring new customers, accelerating sales, and maintaining strong marketing and distribution channels.

There is no guarantee that XPON will acquire new customers nor maintain the level of growth it has experienced historically and failure to do so may adversely impact the company's financial and market performance.

Relationships with key partners

XPON's business model relies on continuing strong relationships with key partners, in particular, its relationship with Google. Continuing strong relationships with key partners will be dependent on XPON ensuring its offering meet the needs of these partners and their customers.

7. Risk Factors

XPON's relationship with Google Cloud and Google Marketing Platform may be affected if Google decides to diversify and offer partnerships to XPON's competitors, to terminate the agreement, or for other reasons. Further, there is a degree of complexity in the partner agreements with Google and other partners and there is a risk that XPON may not have met all requirements in the agreements. Termination of the partnership arrangements with Google may adversely impact the Company's ability to deliver on its obligations under contracts with its customers.

A proportion of XPON's revenue is dependent on these partnerships and the loss of partnerships could cause the Company to lose growth momentum and may adversely impact its financial and market performance.

Competition regulation and loss of reputation

The segments in which XPON operates are competitive, evolving, and global. New entrants can enter the market and existing competitors can evolve and change rapidly.

There are competitive risks as a result, including:

- › Competitors may have greater financial and other resources, and established histories in market with broader experience than XPON;
- › aggressive competitor pricing, marketing, operational performance, product and services quality, and R&D strategies which impact XPON;
- › better agility and speed to adapt to changing market circumstances; and
- › new entrants into the market.

The failure by XPON to compete effectively and successfully may adversely impact the Company's financial performance and future success.

Dependence upon key Personnel

XPON depends on the talent and experience of its Personnel as one of its primary assets. There may be a negative impact on XPON if any of its key Personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key Personnel of the Company who leave, including to work for a competitor, may adversely impact the Company, and XPON may not be able to enforce certain post-employment restraints or IP rights.

In summary, XPON's ability to attract and retain Personnel will have a direct correlation upon its ability to deliver its project commitments and achieve growth objectives. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

Since the COVID-19 pandemic, the lockdown of international and state borders has impacted the ability for companies to obtain skilled staff. This situation may continue for some time into the future which may adversely impact the Company's market and financial performance.

Growth

There is a risk that the Company may be unable to manage its future growth successfully. The ability to acquire and retain customers, hire and retain skilled personnel as outlined above, and upgrade the company's technology and operational systems may be a significant obstacle to growth.

Further, there is no guarantee that the operational effectiveness and cost efficiency of the Company will be able to be maintained and this may impact the company's market and financial performance.

Mergers and acquisitions

The Company's growth strategy may be impacted if it is unable to find suitable merger and acquisition targets.

Further, the Company's due diligence processes may not be successful and a merger or acquisition may not perform to the level expected.

Failure to find and effectively integrate new technologies, people and companies into XPON may adversely impact the Company's market and financial performance.



Intellectual property

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. The intellectual property may not be capable of being adequately legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, the company may not adequately identify breaches, or the Company may incur substantial costs in asserting or defending its intellectual property rights.

Issues regarding the company's intellectual property rights may cause a material risk to XPON's business, market growth and financial performance.

Further, the Company has developed its own intellectual property using tools and technology owned by third parties, including open-source technology. The Company may be subject to claims that its products, or its use of third-party products, breaches another party's intellectual property or other rights. This could result in significant costs and delays and may adversely impact the company's market and financial performance.

Regulatory risk and privacy

Information collected by customers as the primary controller and processed by XPON's offerings may include personal information of individuals, some of which may be sensitive. Further, XPON may collect personal information related to its business (e.g. employees, investors, customers). Privacy, data protection and direct marketing regulation varies in the jurisdictions in which XPON operates. Claims relating to a breach of privacy regulation may adversely affect the Company's market and financial performance, particularly if the reputation of XPON's offerings is affected or compromised or if a large-scale privacy or confidentiality breach occurs. A breach may also result in additional regulatory scrutiny, damages, fines and other costs.

Jurisdictional risk

XPON operates in multiple jurisdictions. This increases the regulatory compliance burden and requires XPON to comply with multiple regulatory regimes with respect to its offerings. Different jurisdictions may adopt stricter or different approaches to regulation which may affect financial performance in those jurisdictions.

Further, the Company has operations in markets where there is a potential risk of exposure to modern slavery and similar legislation, or social, political or economic instability. There is no guarantee that such instabilities will not occur, and should they occur, they may adversely impact XPON's market and financial performance.

Currency exchange risk

XPON reports its financial performance in Australian dollars. However, XPON has customers in multiple jurisdictions. Fluctuations in the exchange rate between the AUD and currency in those jurisdictions may affect XPON's financial performance.

Insurance

XPON offers a broad scope of information technology products and services and has obtained business insurances to cover these services and offerings. XPON consults periodically with its professional insurance advisors regarding its business insurances; however, there is a risk that XPON's existing policies may not cover all potential claims that XPON may sustain in the course of undertaking its business, including, for example, claims under indemnities provided by XPON to third parties.

Capital structure risk

Following completion of the Offer, the Directors and senior management team will retain a significant holding in XPON and will therefore have a significant influence over the Company, including in relation to resolutions requiring the approval of Shareholders. This collective interest may also have an impact on the liquidity (particularly having regard to any escrow arrangements), as well as acting as a potential deterrent to corporate transactions.

7. Risk Factors

Escrow arrangements

Directors and members of the Company's senior management team will be subject to escrow requirements, designed to protect the integrity of the market and allow the Company to develop a track record. This means that certain Shareholders will not be able to deal with escrowed Shares. The details of Shares that will be subject to escrow arrangements are set out in Section 8.8.

Escrowed Shares will be released at the end of the relevant escrow period, which may impact the Company's Share price if relevant persons seek to trade their Shares at that time.

7.3 General investment risks

Share market investments

Before the Offer there has been no public market for the Shares. It is important to recognise that, once the Shares are quoted on ASX, their price might rise or fall, and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Those fluctuations might adversely affect the price of the Shares.

General economic conditions

XPON's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

COVID-19

The outbreak of the 2019 novel coronavirus disease (**COVID-19**) has had a significant impact on the global economy and the ability of individuals, businesses and governments to operate. Travel, trade, business, working arrangements and consumption have been materially impacted by the outbreak. The nature and extent of the outbreak on XPON's performance remains unknown, including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantine and supply restrictions. The impact of some or all of these factors could cause an adverse impact to XPON's financial performance.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and XPON's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in XPON's financial statements.

Tax risks

Changes to the rate of taxes imposed on XPON (including in overseas jurisdictions in which XPON operates now or in the future) or tax legislation generally may affect XPON and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to XPON's interpretation may lead to an increase in XPON's tax liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. XPON is not responsible either for tax or tax penalties incurred by investors.

Litigation

There is a risk that the Company may in future be the subject of or required to commence litigation. There is, however, no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against the Company.



7.4 Cautionary statement

Statements contained in this Prospectus may be forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources the examination of historical operating trends, data contained in the Company's records and other data available from third parties. There can be no assurance, however, that their expectations, beliefs or projections will give the results projected in the forward-looking statements. Investors should not place undue reliance on these forward-looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward-looking statements are discussed earlier in this Section.

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8.

Material Agreements



8. Material Agreements

8.1 Key documents

The Board considers that certain agreements relating to XPON are significant to the Offer, the operations of XPON or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below; however, the agreements do not purport to be complete and are qualified by the text of the agreements themselves.

8.2 Constitution

The following is a summary of the major provisions of the Company's constitution:

> Shares

The Directors are entitled to issue and cancel Shares in the capital of XPON, grant Options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, Shares are issued or Options are granted as well as the rights and restrictions that attach to those Shares or Options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

XPON may also sell a Share that is part of an unmarketable parcel of shares under the procedure set out in the Constitution.

> Variation of class rights

The rights attached to any class of Shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

> Restricted securities

If the ASX classifies any of XPON's share capital as restricted securities, then the restricted securities must not be disposed of during the escrow period and XPON must refuse to acknowledge a disposal of the restricted securities during the escrow period, except as permitted under the Listing Rules or by the ASX.

> Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, XPON need not issue share certificates if the Directors so decide.

> Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

> Forfeiture and lien

XPON may forfeit Shares to cover any call, or other amount payable in respect of Shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of XPON and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit.

A person whose Shares have been forfeited may still be required to pay XPON all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

XPON has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends.

XPON's lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

8. Material Agreements

› Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, XPON has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

› General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of XPON. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

› Voting rights

Subject to any rights or restrictions attached to any Shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

› Remuneration of Directors

Each Director is entitled to remuneration from XPON for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by XPON in general meeting (see Section 10.19 of this Prospectus). The remuneration of an executive Director must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of XPON or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on XPON's business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to XPON's affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in XPON's business.

› Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

› Election and retirement of Directors

There must be a minimum of three Directors and a maximum of 12 Directors unless Shareholders in general meeting resolve otherwise.

Where required by the Corporations Act or Listing Rules, XPON must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire is (in default of agreement between them) determined by ballot.



› Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any Shares or class of Shares) paid on all Shares proportionate to the amount for the time being paid on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

› Proportional takeover bids

XPON may prohibit registration of transfers purporting to accept an offer made under a proportionate takeover bid unless a resolution of XPON has been passed approving the proportional takeover bid under the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids cease on the third anniversary of the adoption of the Constitution, or the renewal of the rules, unless renewed by a special resolution of Shareholders.

› Indemnities and insurance

XPON must indemnify current and past Directors and other executive officers (**Officers**) of XPON on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in XPON or a related body corporate.

XPON may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in XPON or a related body corporate.

8.3 Lead Manager Mandate Letter

XPON has appointed Sequoia Corporate Finance Pty Ltd as the Lead Manager for the Offer under an engagement letter dated 8 June 2021 (**Mandate Letter**).

Under the Mandate Letter, XPON will pay the Lead Manager:

- (a) a retainer of \$5,000 (plus GST) per month, commencing from the date of entry into the Mandate Letter and continuing until the Company's admission to the official list of ASX or another securities exchange;
- (b) a management fee equal to 6% (plus GST) of total funds raised from all sources under the Offer; and
- (c) a fee equal to 2.5% (plus GST) of the number of Shares on issue immediately following completion of the Offer, payable in unquoted options and exercisable at a 50% premium to the Offer Price (\$0.30 per option) on or before the date that is 4 years from the date of issue of the options. XPON and the Lead Manager have entered into a Lead Manager Options Deed, which governs the terms of the options to be granted to the Lead Manager (see Section 10.11).

XPON is required to reimburse any reasonable out-of-pocket expenses that the Lead Manager incurs in connection with the engagement under the Mandate Letter, subject to XPON's prior approval of any expenditure over \$1,000.

Under the Mandate Letter, if the services that are actually provided under the engagement are materially different from that contemplated at the date of the engagement (such as where the transaction scope or structure materially changes), the parties are required to review and discuss in good faith the terms of the engagement with a view to agreeing changes that are reasonable in the circumstances.

Either party is entitled to terminate the Mandate Letter at any time upon providing the other party 30 days' written notice.

XPON has also provided a standard indemnity to the Lead Manager and its associates in respect of all claims and losses arising in connection with the engagement under the Mandate Letter.

8. Material Agreements

8.4 Google Partner Agreements

Datisan Pty Ltd (**Datisan**), a wholly owned subsidiary of XPON, is party to the following reseller agreements with Google Australia Pty Ltd (**Google Australia**):

- › Google Cloud Platform partner agreement, entered into in March 2018 (**GCP Agreement**); and
- › Google Marketing Platform partner agreement, entered into in October 2020 (**GMP Agreement**), (together, the **Google Partner Agreements**).

› Commercialisation

The revenue generated from XPON's partnership with Google Australia represents a substantial proportion of XPON Group's annual income.

The Google Partner Agreements authorise Datisan to resell and supply Google Marketing and Google Cloud platform products and services in Australia and New Zealand. Google products and services are typically bundled with XPON managed services and solutions such as the Wondaris® and Holoscribe® platforms.

Further information on how XPON incorporates and implements Google Marketing and Google Cloud platform products and services as part of its business model is set out in Section 3.3.

› Authorisations

Datisan is authorised under the Google Partner Agreements as a non-exclusive reseller and supplier of Google Marketing and Google Cloud platform products and services.

GCP Agreement

The Google Cloud Partner Program covers three engagement models: Sell, Service and Build. Datisan is a participant under all three engagement models.

- › **Sell Engagement Model** – Enables Datisan to sell Google Cloud products. Selling activities may include ongoing account management and renewals associated with XPON's customers and indirect resellers.
- › **Service Engagement Model** – Enables Datisan to provide services to customers such as consulting, training, implementation, and technical support services related to Google Cloud products.
- › **Build Engagement Model** – This model is only available to partners that provide their own products that complement, enhance, or extend the reach or functionality of Google Cloud products, or that integrate one or more products into their own product offerings. This model enables Datisan to access technical and marketing support with respect to the Wondaris® and Holoscribe® platforms, which have been built on the Google Cloud Platform and certified by Google. This is a global-based partnership between Google and Datisan.

GMP Agreement

Datisan's authorisations in respect of Google Marketing platform advertising services extends to the resale and supply of the Display & Video 360 Service, Search Ads 360 Service and Campaign Manager.

› Terms and termination rights

Each Google Partner Agreement is subject to terms customary for a reseller arrangement and the supply of information technology products and services.

Each Google Partner Agreement has a term of 12 months commencing from the date of the agreement and is subject to automatic renewal for a further 12 months on each anniversary of the agreement (unless otherwise terminated in accordance with the agreement).

Each Google Partner Agreement is subject to the following terms for renewal and termination:

- › **GCP Agreement** – Either party may terminate the agreement for convenience on 90 days' prior written notice to the other party.
- › **GMP Agreement** – Either party may terminate the agreement if it notifies the other party in writing at least 60 days prior to the end of the initial term or any subsequent term.



Either party may immediately terminate the relevant Google Partner Agreement for cause, including for a breach that is incapable of or is not remedied, or the product or service cannot be provided or becomes onerous to provide as a result of a change of an applicable law or regulation.

Datisan must also notify Google Australia in writing within 30 days of it experiencing a change of control, such as through a share purchase or sale, merger, or other form of corporate transaction. Google Australia may immediately terminate the Google Partner Agreements by notifying Datisan within 30 days of receipt of the notice from Datisan.

As at the date of this prospectus, the Directors are not aware of any reason that Google Australia would seek to terminate or would not renew the Google Partner Agreements.

› Future arrangements

In November 2020, XPON entered into a Google Cloud Platform Partner Agreement with Google Australia (**XPON GCP Agreement**).

Entry into a Google Cloud platform reseller arrangement at the parent-company level positions XPON to apply to Google Australia in the future for the inclusion of other XPON Group entities in the Google Cloud Partner Program, which may include expansion into new jurisdictions as XPON Group grows its business and product and service offerings.

Any authorisation request is subject to approval by Google Australia and there is no guarantee that such authorisations will be given to XPON Group entities.

8.5 Customer contracts

XPON Group enters into different forms of contractual arrangements with its customers. The form of contract and contracting XPON Group entity varies depending on the customer, the services and products provided, third party authorisations (such as for the Google Cloud and Marketing platforms) and the jurisdiction in which the contract is formed. XPON Group may also enter into multiple contracts with the same customer where further services are procured and which cannot be incorporated under an existing arrangement.

Details of the services and products provided by XPON Group are set out in Section 3.3.

A customer contract is typically issued with a statement of work (**SOW**), which forms the basis of the engagement. The SOW outlines the scope of professional services to be provided by XPON Group, including details of any excluded services, licenced software, deliverables, key risks and responsibilities of the parties for ensuring a successful engagement.

The terms of service that apply under each contract vary between XPON Group's primary contracting jurisdictions of Australia and the United Kingdom, but otherwise contain standard terms for contracts relating to the supply of information technology products and services. Certain provision of the terms of services will incorporate by reference terms agreed between the parties under the SOW, such as the services and products to be provided, contract tenure, specific termination rights, and responsibilities of the parties for deliverables and milestones. XPON Group's standard terms include the following key provisions:

- › Mutual and specific indemnities, including for breaches of the agreement and infringement of third party intellectual property rights;
- › Retention of each party's rights in any intellectual property existing prior to the contract and, where applicable, the assignment of any intellectual property rights to the customer in deliverables provided by XPON Group under the contract;
- › Terms for payment of invoices, expenses and third party costs;
- › Confidentiality requirements and protection of data;
- › Right of XPON to use the customer's details in advertising and marketing mediums, subject to any confidentiality obligations or additional requirements agreed between XPON and the customer;
- › Circumstances in which the contract may be terminated by XPON Group or the customer, including breach of a material term, unremedied breach, or failure to address a breach within a reasonable period; and
- › Limitations on the liability of XPON Group under the contract.

8. Material Agreements

In certain circumstances, XPON Group may enter into a form of contract prepared by the customer. This is considered on a project-by-project basis and involves a risk assessment undertaken by XPON management to ensure the contract contains provisions necessary to protect the interests of XPON Group.

Customer contracts may also include additional terms of service or use, in particular where the engagement involves a supply of software, such as for the Wondaris® and Holoscribe® platforms and Google Marketing and Cloud products or services. Where this applies, the customer contract will incorporate a schedule setting out the terms of any software licence and service level agreement provided by the licensor or authorised reseller. These terms are provided by the software or product proprietor on an 'as is' basis and must be included by XPON Group in the contract in order for the product or service to be provided to the customer.

Fees and costs relating to the supply of products and services by XPON Group are set out in the SOW. Where additional costs arise from the customer or an end user's usage of a licenced product or service, a schedule of consumptions charges or fees is included in the contract.

Details of some of XPON Group's customers are set out in Section 3.5.

8.6 Executive service contracts

The Company has entered into executive service agreements with key executives, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions.

Name	Role	Type of employment	Total salary*
Matt Forman	Chief Executive Officer	Full-time	\$275,000
Leanne Wolski	Chief Financial Officer	Full-time	\$251,142
Jennifer Killian	Chief Marketing and Experience Officer	Full-time	\$242,000
Chris Rozic	CEO of XPON AUNZ	Full-time	\$198,000
Simon Pereira	CEO of XPON Platforms	Full-time	\$217,800
Matt Daniels	CTO of XPON Platforms	Full-time	\$198,000
Ben Fogarty	CEO of XPON UKEU	Full-time	£154,950

* Salaries are inclusive of superannuation and pension contributions (as applicable).

Each executive is eligible to participate in any short-term or long-term incentive plan established by the Company.

In addition to the standard terms and conditions above, the executive service contract entered into between the Company and Matt Forman includes the following specific terms:

- › Annual review of performance and remuneration by the Board after 30 June in each year.
- › Termination of employment by notice (not including termination for cause) may only occur where:
 - the Company gives Matt Forman 12 months' notice in writing; or
 - Matt Forman gives the Company six (6) months' notice in writing.
- › A limitation on total payments that may be made to Matt Forman as a result of his employment being terminated, which must not exceed the maximum amount permitted to be paid under the Corporation Act, the Listing Rules or associated legislation.
- › An obligation on the Company and Matt Forman to obtain the releases of certain personal guarantees given by Matt Forman in respect of the obligations of the XPON Group. The Company is required to indemnify Matt Forman in respect of these personal guarantees.

Details of fees payable to the Directors are set out in Section 10.19.



8.7 Deeds of access, insurance and indemnity and access

The Company has entered into standard deeds of access, insurance and indemnity with the Directors.

The Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director for seven years after the Director ceases to be a Director.

The Company has further undertaken with each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director ceases to be a Director.

The Company has also entered into deeds of insurance and indemnity with certain members of the XPON Group senior management.

8.8 Restricted security arrangements and expected free float

In accordance with the requirements of the ASX Listing Rules, certain Existing Shareholders and Noteholders will be restricted from dealing in the Shares held by them.

In total, 165,142,048 of the 291,126,761 (56.72%) to 303,626,761 (54.38%) Shares on issue on completion of the Offer are anticipated to be subject to escrow arrangements. Approximately 157,284,470 of the Shares subject to escrow arrangements are held by the Directors and members of senior management, representing between 54.03% and 51.8% of Shares on issue following completion of the Offer.

The Company's free float on completion of the Offer and admission to the ASX is expected to be between 125,984,713 (43.27%) and 138,484,713 (45.61%) Shares.

The details of the escrow arrangements are as follows:

Shareholder/s	Mandatory restriction		Voluntary restriction
	12 months from issue	24 months from quotation	24 months from quotation
Black Oak Ventures Pty Ltd	–	104,288,320	–
Benjamin Patrick Fogarty	–	35,267,180	–
Phillip Aris & Associates Pty Ltd	–	2,354,850	–
Existing Shareholders	5,026,257	150,000	–
XPON senior management*	(4,311,495)*	–	15,374,120*
Noteholders	2,681,321	–	–
Total	7,707,578	142,060,350	15,374,120

* Refer to notes 2 and 3 below.

Notes to escrow arrangements table

- Shares subject to a 24 month mandatory escrow from the date of quotation of the Company's Shares on ASX include Shares held by entities controlled by the Directors, being Matt Forman and Phil Aris, associates of Matt Forman, and Benjamin Fogarty who is classified as a promoter for the purposes of the Listing Rules.
- 4,311,495 Shares held by a member of XPON's senior management (through a controlled entity) are subject to a 12 month mandatory escrow from the date on which Shares were issued. However, the Shareholder has agreed to enter into a voluntary restriction agreement which restricts the Shareholder from selling, creating a security interest in or otherwise dealing in its Shares held immediately prior to completion of the Offer for a period of 24 months from the date of quotation of the Company's Shares on ASX. This will align the escrow for that Shareholder with the other members of XPON's senior management that have similarly agreed to a 24 month voluntary escrow (see Section 8.8(c) below).
- Certain members of XPON's senior management have agreed to enter into voluntary restriction agreements which restrict them from selling, creating a security interest in or otherwise dealing in their Shares held immediately prior to completion of the Offer for a period of 24 months from the date of quotation of the Company's Shares on ASX.

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8. Material Agreements

4. 5,026,257 Shares held by Existing Shareholders that participated in a capital raising undertaken by the Company between April and June 2021 are subject to a 12 month mandatory escrow period from the date on which the Shares were issued. The escrow release schedule for these Shares is as follows:

Escrow end date	Escrow Shares
27 April 2022	431,002
28 April 2022	1,698,315
29 April 2022	134,617
4 May 2022	339,233
5 May 2022	269,231
17 May 2022	538,463
18 May 2022	134,617
19 May 2022	538,466
21 May 2022	538,463
27 May 2022	134,617
4 June 2022	269,233
Total	5,026,257

5. Approximately 2,681,321 of the Shares issued to Noteholders upon conversion of the Convertible Notes are expected to be subject to a 12 month mandatory escrow period from the date on which the Shares are issued, which will occur when the Company receives conditional approval for quotation of its Shares on ASX (see Section 10.10).
6. All Options (including Shares issued upon exercise of the options) held by the Directors and Benjamin Fogarty are subject to mandatory escrow for 24 months from the date of quotation of the Company's Shares on ASX (see Section 10.13).
7. All Options (including Shares issued upon exercise of the options) held by the Lead Manager, including any nominee of the Lead Manager, are subject to 24 month mandatory escrow from the date of quotation of the Company's Shares on ASX (see Section 10.11).

The escrow arrangements do not restrict those Shareholders from accepting a successful takeover bid (being a takeover bid that is accepted by at least half of the non-escrowed Shareholders), transferring Shares under a scheme of arrangement or entering into a pre-bid acceptance agreement with a potential bidder for all the Shares.

During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to its ASX platform full details (quantity and duration) of the Shares and Options held in escrow prior to the Shares commencing trading on ASX.

It is intended that a holding lock be applied to the Shares that are subject to escrow restrictions. The holding lock will prevent the escrowed Shareholders from disposing of their escrowed Shares for the applicable escrow period.

Details of the number and the total number of Shares subject to ASX imposed escrow restrictions in this Section are indicative only. The final numbers will be announced prior to Shares commencing trading on ASX.

8.9 Mertons services agreement

XPON has engaged Mertons Corporate Services Pty Ltd (**Mertons**) to provide corporate governance and company secretarial services pursuant to a services agreement dated 18 August 2021. In connection with the engagement, Mertons agreed to procure that Mark Licciardo act as company secretary of XPON, to be assisted by nominated representatives of Mertons from time to time.

The agreement contains standard terms for an engagement of that nature. XPON is required to maintain an appropriate directors and officers insurance policy and ensure that such policy covers Mark Licciardo in his capacity as company secretary of XPON. XPON must also indemnify Mertons and its officers, employees, contractors and agents in connection with the engagement, including in respect of any costs and liabilities expended by Mertons on account of XPON.

The engagement continues unless and until termination by XPON or Mertons upon giving 90 days notice to the other party, or immediately where a party commits an irreparable or material breach of the engagement.



8.10 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of XPON; and
- (b) the consents to the issue of this Prospectus.

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9.

Details of the Offer and How to Apply





9. Details of the Offer and How to Apply

9.1 Description of the Offer

The Offer comprises a capital raising of between \$10 million and \$12.5 million, by way of an issue of between 50,000,000 and 62,500,000 Shares at \$0.20 per Share.

The process for applying for Shares under the Offer is set out in Section 9.9. Applications must be for a minimum of 10,000 Shares (\$2,000). There is no maximum value of Shares that may be applied for under the Offer.

9.2 Structure of the Offer

The Offer is open to the members of the general public in Australia (for details of the foreign selling restrictions, see Section 9.16). The allocation of New Shares under the Offer will be determined by the Company in agreement with the Lead Manager having regard to the allocation policy outlined in Section 9.8. The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

No New Shares or other securities will be issued on the basis of this Prospectus later than the expiry date being the date 13 months after the date of this Prospectus.

9.3 Noteholder Offer

This Prospectus also contains an offer of Shares to Noteholders upon conversion of the Convertible Notes, the terms of which are detailed in Section 10.10 (the **Noteholder Offer**). The Noteholder Offer is only made to and capable of acceptance by the Noteholders. The Company will send Noteholders a personalised application form which will be accompanied by or form part of a copy of this Prospectus.

9.4 Conditions of the Offer

The Offer is conditional upon:

- › the Company receiving applications and application monies for the minimum subscription amount of \$10,000,000 (being 50,000,000 Shares) under the Offer; and
- › ASX giving its conditional approval for the admission of the Company to the official list of ASX and quotation of the Shares on the ASX.

The Company will not issue any Shares until these conditions are satisfied. If ASX does not grant permission for official quotation of Shares within three (3) months after the date of this Prospectus or if the minimum subscription is not achieved within four (4) months after the date of this Prospectus, or in each case such longer period as is permitted under the Corporations Act, the Company will not proceed with the Offer, no securities will be issued pursuant to the Offer, and any application monies received under the Offer will be refunded to applicants in full (without interest) in accordance with the Corporations Act.

Trades in Shares occurring on the ASX before their issue occurring will be conditional on the above matters occurring and the issue of Shares to successful Applications under the Offer.

9.5 Underwriting

The Offer is not underwritten.

9. Details of the Offer and How to Apply

9.6 Why is the Offer being conducted?

The objective of the Offer is to provide funding to build scale and expand the XPON Group's business globally based on the Company's growth strategies:

- › Retaining existing customers and expanding the number of solutions used by them;
- › Selling existing solutions to new customers;
- › Enhancing the XPON solutions;
- › Expanding sales and marketing capacity;
- › Expanding partner relationships;
- › Expanding overall operating capacity;
- › Exploring expansion into other geographical regions; and
- › Extending the Wondaris® platform ecosystem.

9.7 What will the proceeds of the Offer be used for?

The proceeds of the Offer will be utilised by the Company to fund the expansion of the XPON Group's business, including:

- › Expanded sales people and operational capacity to win more new customers, ensure customers achieve business benefits from using XPON solutions, and driving more cross-sell and up-sell revenue.
- › Expanded marketing to increase brand awareness, position XPON's capability and benefits in targeted campaigns, drive more leads to increase pipeline, and drive higher revenue.
- › Expanded software and product development capacity to enable more rapid software deployment to market to meet customer demand.
- › Expanded project and delivery capacity to ensure XPON customer projects are delivered on time, to budget, meeting customer outcomes.
- › Capital expenditure and working capital to support the sales, marketing, development and delivery capacity expansion.

This represents current intentions of the Company based on its current business plan and business conditions. The amounts and timing of the actual expenditure may vary and will depend upon numerous factors.

The Company expects to fund its operations through the proceeds of the Offer. The Company intends to apply the funds raised under the IPO over the first 24 months following Quotation as follows:

Use of Funds	Minimum subscription: \$10 million				Maximum subscription: \$12.5 million			
	Year 1		Year 2		Year 1		Year 2	
Expenses of the Offer	\$1,651,587	16.5%	-	-	\$1,801,587	14.4%	-	-
Sales and marketing	\$1,538,500	15.4%	\$3,575,000	35.8%	\$2,038,500	16.3%	\$5,075,000	40.6%
Expansion of product development and delivery capacity	\$495,000	5.0%	\$1,065,000	10.7%	\$495,000	4.0%	\$1,065,000	8.5%
Capital expenditure	\$150,000	1.5%	\$300,000	3.0%	\$150,000	1.2%	\$300,000	2.4%
General working capital	\$544,500	5.4%	\$680,413	6.8%	\$660,000	5.3%	\$914,913	7.3%
Total	\$4,379,587	43.8%	\$5,620,413	56.2%	\$5,145,087	41.2%	\$7,354,913	58.8%



This table represents the Company's current intentions based upon its plans and present business condition. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including any changes from the expected business environment and the risk factors outlined in Section 7. The Directors believe that the net proceeds from the Offer will be sufficient to fund the Company's stated business objectives.

The Directors believe that the Company's current cash reserves and the funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus.

9.8 Allocation of Shares under the Offer

The Company, after consultation with the Lead Manager, will allocate New Shares to Applicants under the Offer at its discretion.

The Company may allocate all, or a lesser number, of New Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant.

Where no allocation is made to a particular Applicant or the number of New Shares allocated is less than the number applied for by an Applicant, surplus Application Money is returned to that Applicant. No interest is paid on refunded Application Money. Any interest earned on Application Money is the property of the Company.

Successful Applicants will be given written notice of the number of Shares allocated to them as soon as possible after the Closing Date. It is the responsibility of Applicants to confirm the number of New Shares allocated to them before trading in New Shares. Applicants who sell New Shares before they receive notice of the New Shares allocated to them do so at their own risk.

If the conditions in Section 9.4 are not satisfied, or for any reason the Offer does not proceed, all Application Money is refunded in full without interest.

9.9 How to apply

Applications may only be made on or in accordance with the Application Forms attached to or accompanying this Prospectus or in a paper copy form as downloaded in its entirety from www.xpon.ai. Detailed instructions on how to complete the Application Forms are set out on the reverse of the relevant Application Form.

The Offer Price is \$0.20 per New Share. Applications must be for a minimum of 10,000 New Shares (\$2,000).

You may complete a paper copy of an Application Form or, alternatively, may apply for New Shares online by following the instructions on the Application Form. Applicants making online applications may pay their application money by BPAY® or electronic funds transfer.

Paper copy Application Forms must be sent, with payment in Australian currency, to be received by the Closing Date to:

Post:

Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001

Hand Delivery:

Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Applications made using a paper copy Application Form can only be made by Cheque. Cheques must be made payable to 'XPON Technologies Group Limited', drawn on an Australian bank, expressed in Australian currency and crossed 'Not Negotiable'.

Applicants with questions on how to complete an online Application or Application Form, or who require additional copies of the Prospectus, can contact 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or visit the website, www.xpon.ai, to download a copy of the Prospectus.

9. Details of the Offer and How to Apply

It is the Applicant's responsibility to ensure that their BPAY® payment or electronic funds transfer payment is received by the Share Registry by no later than 5.00pm AEDT on 7 December 2021. Applicants should inquire with their financial institution regarding earlier cut-off times with regard to electronic payment, and should therefore take this into consideration when making payment.

9.10 Validity of Application Forms

An Application Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus.

By completing and lodging an Application Form received with this Prospectus, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Prospectus before completing the relevant Application Form.

The Company does not accept a completed Application Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or it has reason to believe that the Application Form has been altered or tampered with in any way.

An Application Form is an irrevocable acceptance of the Offer.

9.11 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- › agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- › acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- › declared that all details and statements in their Application Form are complete and accurate;
- › declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- › acknowledged that, once the Company or Share Registry receives an Application Form, it may not be withdrawn;
- › applied for the number of New Shares at the Australian dollar amount shown on the front of the Application Form;
- › agreed to being allocated and issued the number of New Shares applied for (or a lower number allocated in a way described in this Prospectus), or no New Shares at all;
- › authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for New Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- › acknowledged that, the Company may not pay dividends, or that any dividends paid may not be franked;
- › acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- › declared that the Applicant(s) is/are a resident of Australia;
- › acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- › acknowledged and agreed that if completion of the Offer does not occur for any reason, the Offer will not proceed.



9.12 Withdrawal

The Company reserves the right to withdraw the Offer, at any time before the allotment of Shares. If the Offer does not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded as a result of the withdrawal of the Offer.

9.13 Taxation considerations

The following Section provides a general summary of the Australian tax issues for Australian tax resident investors who acquire Shares under this Prospectus, and hold their shares on capital account for Australian income tax purposes.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the tax issues for non-Australian tax resident investors, or Australian tax resident investors who are insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the tax issues for Australian tax resident investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia in force at the date of this Prospectus. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of the investment in the Shares will depend upon each investor's specific circumstances.

Investors should obtain their own independent advice on the taxation implications of acquiring, holding or disposing of Shares, taking into account their specific circumstances. The Company, and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provisions of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

› Australian Income Tax Implications of Payment of Dividends

The Company may attach 'franking credits' to such dividends it pays. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

› Individuals and complying superannuation entities

Where dividends on a Share are paid, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they receive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a qualified person or where the investor receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income in an income year, such investors may receive a tax refund.

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing marginal tax rate on the dividend received with no tax offset.

Furthermore, a portion of an unfranked dividend might be declared to be conduit foreign income (CFI) in accordance with the Australian CFI regime (broadly, this regime enables certain foreign income and gains to flow through the Australian tax system free of dividend withholding tax in certain circumstances).

9. Details of the Offer and How to Apply

› Corporate investors

Australian tax resident corporate investors are required to include both the dividend and associated franking credit in their assessable income subject to being a qualified person. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund of income tax, but may be able to be converted into carry forward revenue losses.

› Trusts and partnerships

Australian tax resident investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a qualified person, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

› Shares held at risk

The benefit of franking credits can be denied where an investor is not a qualified person, in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule and the related payment rule.

The holding period rule requires an investor to hold the Shares 'at risk' for a continuous period of not less than forty-five (45) days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within forty-five (45) days. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares at risk. This holding period rule is subject to certain exceptions, and will not apply where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the forty-fifth (45th) day before, and ending on the forty-fifth (45th) day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another party. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

Where these rules are not satisfied, the shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received.

Investors should obtain their own independent advice in respect of the impact of these rules having regard to their own personal circumstances.

› Australian Income Tax Implications of future share disposal

The disposal of a Share by an investor is generally taken to be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.



The CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

› Returns of Capital

If a return of capital is made by the Company, to the extent it is not treated as a dividend for income tax purposes, the cost base and reduced cost base of a Shareholder's Share for CGT purposes should be reduced by the amount of the return of capital, with any excess over the cost base resulting in a capital gain.

› Goods and services tax (GST)

Investors should not be liable for GST in respect of their acquisition of Shares. Investors may not be entitled to claim any input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors based on their facts and circumstances.

› Stamp duty

Investors should not be liable for stamp duty in respect of their acquisition of Shares, on the basis that Company (including its subsidiaries) is not a landholder in any Australian state or territory at the time the interest is acquired.

If the Company (including its subsidiaries) is a landholder, investors should not be liable for stamp duty unless they acquire, either alone with an associated/related person, an interest of 90% or more in XPON. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent disposal of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

› Australian tax file numbers (TFN)

A Shareholder is not required to quote their TFN to the Company. However, if a TFN or exemption details are not provided, then the Company may be required to deduct Australian tax from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus Medicare Levy.

A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number ("ABN") instead of their TFN.

9.14 ASX listing

An application will be made to ASX not later than seven days after the date of this Prospectus for the Company to be admitted to ASX, and for official quotation of the Shares. Acceptance of the application by ASX is not a representation by ASX about the merits of the Company or the Shares. Official quotation of Shares, if granted, commences as soon as practicable after the issue of initial shareholding statements to successful Applicants.

It is expected that trading of the Shares on ASX will commence on or about 16 December 2021 (see Section 1.2).

If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Money received is refunded without interest as soon as practicable under the requirements of the Corporations Act.

9. Details of the Offer and How to Apply

9.15 CHESS

The Company will apply for the Shares to participate in CHESS. Applicants who are issued Shares under this Offer will receive shareholding statements in lieu of share certificates. They set out the number of Shares issued to each successful Applicant.

The shareholding statement also provides details of the Shareholder's HIN (in the case of a holding on the CHESS sub-register) or SRN (in the case of a holding on the issuer sponsored subregister).

In future, Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the share registry. Further statements are given to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although the Company reserves the right to charge a fee for them.

9.16 Foreign selling restrictions

This Prospectus does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia.

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10.

Additional Information



10. Additional Information

10.1 Registration

XPON Technologies Group Limited was incorporated on 27 August 2019 (under the name Xponential Technologies Pty Ltd) as a proprietary company limited by shares and registered in Queensland. XPON became an unlisted public company limited by shares on 11 June 2021. A change of the Company's name from Xponential Technologies Limited to XPON Technologies Group Limited was approved by Shareholders on 5 November 2021.

10.2 Company tax status

XPON will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax. XPON will be subject to tax at the Australian corporate tax rate. The financial year of XPON ends on 30 June.

10.3 Recent transaction – Share Split

On 5 November 2021, Shareholders at the Company's annual general meeting approved a subdivision of the Shares in accordance with section 254H of the Corporations Act, such that each Share was subdivided into five (5) Shares (**Share Split**).

The Share Split constituted a reorganisation event under the terms of the Share Option Plan, and as a result each option on issue in the Company at the time of the Share Split was subdivided into five (5) options.

10.4 Recent transaction – Acquisition of Internetrix Holdings Pty Ltd

On 5 June 2021, XPON completed the acquisition of Internetrix Holdings Pty Ltd (**Internetrix**) and its wholly owned subsidiary, Internet Solutions Australia Pty Ltd (**Internetrix Acquisition**) from Rose Robert Pty Ltd, Michael David and Jacinta Cali (**Internetrix Vendors**). Cash consideration was paid by XPON for shares acquired from Michael David and Jacinta Cali, with a combination of cash and Shares in XPON paid to Rose Robert Pty Ltd (being 258,240 Shares, or 1,291,200 Shares following completion of the Share Split).

Earn out

The following earn outs have been paid or are payable by XPON to the Internetrix Vendors:

- › 604,059 Shares in XPON (3,020,295 Shares following completion of the Share Split) were issued to Rose Robert Pty Ltd on 19 October 2021 (based on a price of \$0.54 per Share) following satisfaction of the conditions for payment.
- › \$189,114 is payable to Rose Robert Pty Ltd within two (2) business days after quotation of the Company's Shares on ASX.
- › On the first anniversary of completion of the Internetrix Acquisition:
 - \$126,076 is payable to Michael David.
 - Up to \$63,038 is payable to Jacinta Cali, reduced by the amount calculated as 60% of the amount by which the total revenue of Internetrix and its controlled entities (as calculated in accordance with the sale agreement for the Internetrix Acquisition) received in the period of one year from completion of the Internetrix Acquisition is less than \$2,626,585.
- › On the second anniversary of completion of the Internetrix Acquisition:
 - Up to 1,459,215 Shares in XPON are payable to Rose Robert Pty Ltd, reduced by an amount equal to the aggregate dollar amount of any outstanding bona fide claims made under the sale agreement for the Internetrix Acquisition (based on a price of \$0.108 per Share).

10.5 Rights attaching to Shares

The rights attaching to Shares in XPON are set out in the constitution and summarised in Section 8.2 of this Prospectus.



10.6 Shareholding qualifications

Directors are not required under the constitution to hold any Shares.

10.7 Shareholding structure

Details of the ownership of Shares before and after completion of the Offer are set out in the table below.

Top 20 Existing Shareholders	Ownership pre-completion of the Offer		Shares held on completion of the Offer		
	Shares	%	Shares	Min. subscription %	Max. subscription %
Black Oak Ventures Pty Ltd	104,288,320	44.77%	104,288,320	35.82%	34.35%
Benjamin Patrick Fogarty	35,267,180	15.14%	35,267,180	12.11%	11.62%
Legal Toolbox Pty Ltd	7,024,245	3.02%	7,024,245	2.41%	2.31%
Marcus Winton Callon	4,409,270	1.89%	4,409,270	1.51%	1.45%
Rose Robert Pty Ltd	4,311,495	1.85%	4,311,495	1.48%	1.42%
Pacific Rim Marine Pty Ltd	3,948,835	1.70%	3,948,835	1.36%	1.30%
Microequities Asset Management Pty Ltd	3,461,540	1.49%	9,690,648	3.33%	3.19%
Christopher Michael Rozic	3,156,725	1.36%	3,156,725	1.08%	1.04%
Pegg One Pty Ltd	3,051,350	1.31%	3,051,350	1.05%	1.00%
Andker Pty Ltd	2,782,000	1.19%	2,782,000	0.96%	0.92%
DCC Investments Pty Ltd	2,759,890	1.19%	2,759,890	0.95%	0.91%
Rendral Pty Limited	2,756,525	1.18%	2,756,525	0.95%	0.91%
Gleva Pty Ltd	2,500,000	1.07%	2,500,000	0.86%	0.82%
Phillip Aris & Associates Pty Ltd	2,354,850	1.01%	2,354,850	0.81%	0.78%
Carcajou Holdings Pty Ltd	2,284,380	0.98%	2,284,380	0.78%	0.75%
Matthew Daniels	2,113,445	0.91%	2,113,445	0.73%	0.70%
Artboa Pty Ltd	2,025,755	0.87%	2,025,755	0.70%	0.67%
Bradley John Stewart	2,025,755	0.87%	2,025,755	0.70%	0.67%
Fylpane Pty Ltd	1,885,275	0.81%	1,885,275	0.69%	0.66%
Jim Roberts Locksmith Pty Ltd	1,574,415	0.68%	1,574,415	0.65%	0.62%

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10. Additional Information

	Pre-Offer		Post-Offer			
	Shares	%	Minimum subscription Shares	%	Maximum subscription Shares	%
Existing Shareholders ¹	74,802,300	32.05%	74,802,300	25.69%	74,802,300	24.64%
Directors and senior management	158,093,140	67.88%	158,093,140	54.30%	158,093,140	52.07%
Noteholders ²	–	–	8,231,321	2.83%	8,231,321	2.71%
New Shareholders under this Offer	–	–	50,000,000	17.17%	62,500,000	20.58%
Total Shares on issue	232,895,440	100%	291,126,761	100%	303,626,761	100%

Notes:

1. Assumes no Existing Shareholders will participate in the Offer.
2. Represents an approximate number of Shares to be issued to Noteholders based on conversion of the Convertible Notes occurring on or before 16 December 2021, factoring in accrued interest for the period from the date of issue (24 August 2021) to the date of conversion. See Section 10.10 for further information on the Convertible Notes.

10.8 Substantial Shareholders

It is expected that the following Shareholders will have a substantial holding in XPON following completion of the Offer:

Shareholder	Shares	Percentage interest	
		Minimum subscription	Maximum subscription
Black Oak Ventures Pty Ltd	104,288,320	35.82%	34.35%
Benjamin Patrick Fogarty	35,267,180	12.11%	11.62%

Black Oak Ventures Pty Ltd is controlled by XPON Group Managing Director and CEO, Matt Forman.

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offer and prior to the Shares commencing trading on ASX.

10.9 Control implications of the Offer

At the date of this Prospectus, Black Oak Ventures Pty Ltd, an entity controlled by Matt Forman (XPON Group Managing Director and CEO), holds approximately 45.43% of XPON's issued share capital (see Section 10.7). On completion of the Offer, this holding is expected to decrease to approximately 35% (on a fully diluted basis and subject to subscriptions under the Offer, see Section 10.8). Matt Forman also holds 3,472,222 ordinary options and 500,000 performance options (see Sections 10.13). Shares in which Matt Forman holds a relevant interest through his control of Black Oak Ventures Pty Ltd are subject to a 24 month mandatory escrow period from the date of listing of XPON on ASX (see Section 8.8).

Subject to any voting exclusions under the Corporations Act or Listing Rules that may apply, Black Oak Ventures Pty Ltd will have the ability to block a special resolution requiring the approval of Shareholders in a general meeting, which includes, but is not limited to, any changes to the constitution of XPON and approval of a scheme under section 411 of the Corporations Act.

10.10 Convertible Notes

On 24 August 2021, XPON undertook a pre-IPO capital raising pursuant to which it issued unsecured notes convertible into Shares (**Convertible Notes**) to raise approximately \$1.1 million, excluding transaction costs.



The Convertible Notes were issued to institutional and sophisticated investors (**Noteholders**) pursuant to a convertible note deed poll made by XPON on 18 August 2021 and which is enforceable by holders of Convertible Notes (**Convertible Note Deed Poll**). Approximately 1,110,000 Convertible Notes were issued with a face value of \$1.00 per Convertible Note.

The number of Shares issued on conversion of the Convertible Notes is calculated based on the aggregate value of the Convertible Notes (as determined by the face value) and any accrued interest on each Convertible Note up to the date of conversion. If completion of the Offer proceeds in accordance with the important dates outlined Section 1.2, the Company anticipates that approximately 8,231,321 Shares will be issued on conversion of the Convertible Notes.

Shares that will be issued to Noteholders on conversion of the Convertible Notes are being offered under the Noteholder Offer set out in Section 9.3.

The material terms of the Convertible Notes are as follows:

Maturity Date	24 February 2023 (being that date that is 18 months from the date the Convertible Notes were issued).
Conversion	<p>A Convertible Note will automatically convert on the occurrence of any of the following events:</p> <ul style="list-style-type: none">› XPON lodges a prospectus with ASIC with respect to an IPO and receives conditional approval from ASX to list its Shares on ASX;› the sale of all or substantially all of either:<ul style="list-style-type: none">– the issued Shares of XPON including by way of takeover bid or members' scheme of arrangement; or– the business and assets of XPON;› the raising of in aggregate of \$10 million or more through the issue of ordinary or preferred Shares in once capital round; or› on the Maturity Date (except if the Note holder has issued a valid redemption notice in accordance with the Convertible Note Deed Poll, in which case the relevant Convertible Notes will be redeemed).
Conversion shares	The Convertible Notes will convert into fully paid ordinary shares of Xpon at the conversion price.
Conversion price	\$0.687 (being the price per Share equal to the agreed pre-money valuation of Xpon of \$32 million divided by the expected share capital of Xpon on the date of issue of the Convertible Notes (46,592,333 Shares) rounded to three decimal places).
Redemption	<p>Convertible Notes the subject of redemption are redeemable for the amount equal to their face value plus any accrued interest.</p> <p>Redeemable on the earliest of:</p> <ul style="list-style-type: none">› the occurrence of a Default Event (as defined in the Convertible Note Deed Poll) within 40 business days of the relevant event of insolvency occurring (or as soon as reasonably practical following the insolvency event if Xpon is prohibited by law from redeeming the Convertible Notes);› where a valid redemption notice is received, within 80 business days of the Maturity Date; and› unless the Convertible Note has been previously redeemed, converted, purchased or cancelled. Xpon and the noteholder may agreed to extend the term of the Convertible Note at any time if mutually agreed in writing.
Interest rate	6% per annum.

10.11 Lead Manager Options

XPON has agreed to issue between 7,278,169 and 7,590,669 unquoted options to the Lead Manager and/or its nominee(s) as a component of the fees payable to the Lead Manager in connection with the IPO (see Section 8.3).

Xpon and the Lead Manager have entered into a Lead Manager Options Deed which governs the terms of the options. Each option issued to the Lead Manager or its nominee(s) is convertible into one (1) Share on exercise.

The material terms of the Lead Manager Options are as follows:

Allotment Date	The date that is three (3) business days after the date on which XPON receives unconditional approval from ASX for the admission of the XPON to the Official List and quotation of the Shares on ASX.
Exercise Price	\$0.30 per option, representing a 50% premium to the IPO offer price.
Exercise Period	Commencing from the date of the Lead Manager Options Deed and ending at 4:30pm (Sydney Time) on the date that is 48 months from the date on which the Company is admitted to the Official List. The options will expire if not exercised during the Exercise Period.
Adjustments	<ul style="list-style-type: none"> › If XPON makes a Pro Rata Issue, there will be no adjustment to the Exercise Price of an option. › In the event of a Bonus Issue, the number of Shares issued on exercise of each option will be increased in accordance with Rule 6.22.3 of the Listing Rules. No change will be made to the Exercise Price of an option. › If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of XPON, the rights of the option holder in respect of any unexercised Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

10.12 Omnibus Plan

XPON has adopted a long-term incentive plan in connection with its admission to the ASX, the Omnibus Incentive Plan (**Omnibus Plan**).

Key employees identified by the Board will be offered participation under the Omnibus Plan in the form of Shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

The vesting of the Shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive Shares or vested options or rights which are exercisable over Shares.

Awards of fully paid ordinary shares, options, performance rights and share appreciation rights can be made under the Omnibus Plan.

Shares can be granted to eligible employees under a free grant (receiving an allocation of shares for no consideration) or salary contribution agreement.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

A performance right confers an entitlement to be issued, transferred or allocated one share after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions, and any other requirements contained in the offer.

A share appreciation right confers an entitlement to be issued, transferred or allocated the number of shares calculated under the terms of the Omnibus Plan after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions and any other requirement contained in the offer. The Board may decide, in its absolute discretion to substitute the issue, transfer or allocation of these shares for the payment of a cash amount.



No securities have yet been issued under the Omnibus Plan. The maximum number of securities proposed to be issued under the Omnibus Plan within the three-year period from completion of the Offer is 14,676,325 (which represents approximately 5% of XPON's share capital on completion of the Offer, on a fully diluted basis). This number is not intended to be a prediction of the actual number of securities to be issued by the Company, simply a ceiling for the purposes of ASX Listing Rule 7.2 (Exception 13(a)).

10.13 Share Option Plan

XPON adopted a share option plan in June 2020 (updated in November 2021) (**Share Option Plan**), under which Directors and key employees identified by the Board were offered participation under the Share Option Plan in the form of options.

The vesting of the options are subject to the satisfaction of service-based conditions and/or performance hurdles which, when satisfied, will allow participants to receive Shares or vested options or rights which are exercisable over Shares.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

Persons issued options under the Share Option Plan may not dispose of an option or Share issued on exercise of an option until the earlier of three (3) years after the issue of the option or the employee resigns or is made redundant.

XPON also operates a sub-plan to the Share Option Plan for the purposes of issuing Enterprise Management Incentive (**EMI**) share options to XPON Group employees resident in the United Kingdom (**UK Sub-Plan**).

Any options not capable of being exercised by the holder of the option on the date that the relevant employee or director ceases to be employed with XPON Group or resigns/vacates from the Board (as applicable) will automatically lapse.

At the date of this prospectus, XPON has issued 27,630,375 ordinary options and 2,693,300 performance incentive options under the Share Option Plan and UK Sub-Plan (which represents approximately 9% of XPON's share capital on completion of the Offer, on a fully diluted basis). XPON will not apply for quotation of the options on ASX.

No further options will be issued under the Share Option Plan (or UK Sub-Plan) following completion of the Offer.

Ordinary options

Participant	Options	Issue date	Exercise price	Vesting date	Expiry date
Ben Fogarty	3,605,770	30 September 2021	\$0.11	1 July 2023	1 October 2031
Matt Forman	3,472,220	1 July 2021	\$0.11	1 July 2023	2 July 2031
Leanne Wolski	3,170,970	30 June 2020	\$0.11	1 July 2023	1 July 2030
Simon Pereira	2,500,000	30 June 2020	\$0.11	1 July 2023	1 July 2030
Marcus Callon	2,500,000	30 June 2020	\$0.11	1 July 2023	1 July 2030
Daniel Rowan	2,500,000	13 October 2021	\$0.11	1 July 2024	14 October 2031
Chris Rozic	2,083,335	30 June 2020	\$0.11	1 July 2023	1 July 2030
Matthew Daniels	2,083,335	30 June 2020	\$0.11	1 July 2023	1 July 2030
Jennifer Killian	1,500,000	27 September 2021	\$0.20	12 October 2024	28 September 2031
Brent Lupton	1,944,445	30 June 2020	\$0.11	1 July 2023	1 July 2030
Phil Aris	972,220	30 June 2020	\$0.11	1 July 2023	1 July 2030
Anthea Middleton	461,540	31 May 2021	\$0.13	31 May 2024	1 June 2031
Rebecca Kennedy	461,540	12 June 2021	\$0.13	1 July 2024	13 June 2031
Tim Ebbeck	375,000	8 November 2021	\$0.20	8 November 2024	9 November 2031

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Performance incentive options

Participant	Options	Issue date	Exercise price	Expiry date
Matt Forman	500,000	1 July 2021	\$0.11	2 July 2031
Ben Fogarty	1,318,300	30 September 2021	\$0.11	1 October 2031
Marcus Callon	250,000	30 June 2020	\$0.11	1 July 2030
Chris Rozic	250,000	30 June 2020	\$0.11	1 July 2030
Simon Pereira	250,000	30 June 2020	\$0.11	1 July 2030
Matthew Daniels	125,000	30 June 2020	\$0.11	1 July 2030

The vesting conditions for the performance incentive options are:

Participant	Options	Vesting Conditions*
Matt Forman	250,000	Vests upon the XPON Technologies Group achieving a minimum ARR of AU\$10 million as at the end of each calendar month for a consecutive period of 12 months.
	250,000	Vests upon the XPON Technologies Group achieving a minimum ARR of AU\$15 million as at the end of each calendar month for a consecutive period of 12 months.
Ben Fogarty	125,000	Vests upon the Xpon Technologies United Kingdom and European business achieving a minimum ARR of AU\$5 million as at the end of each calendar month for a consecutive period of 12 months.
	125,000	Vests upon the Xpon Technologies United Kingdom and European business achieving a minimum ARR of AU\$7 million as at the end of each calendar month for a consecutive period of 12 months.
	1,068,300	Vests on 1 July 2023.
Marcus Callon	62,500	Vests upon the Xpon Technologies United Kingdom and European business achieving a minimum ARR of AU\$5 million as at the end of each calendar month for a consecutive period of 12 months.
	62,500	Vests upon the Xpon Technologies United Kingdom and European business achieving a minimum ARR of AU\$7 million as at the end of each calendar month for a consecutive period of 12 months.
	125,000	Vests on 30 June 2023.
Chris Rozic	125,000	Vests upon the Xpon Technologies Australia and New Zealand business achieving a minimum ARR of AU\$5 million as at the end of each calendar month for a consecutive period of 12 months.
	125,000	Vests upon the Xpon Technologies Australia and New Zealand business achieving a minimum ARR of AU\$7 million as at the end of each calendar month for a consecutive period of 12 months.
Simon Pereira	125,000	Vests upon Wondaris software licenses for the XPON Platforms business achieving a minimum ARR of AU\$2 million as at the end of each calendar month for a consecutive period of 12 months.
	125,000	Vests upon Wondaris software licenses for the XPON Platforms business achieving a minimum ARR of AU\$3 million as at the end of each calendar month for a consecutive period of 12 months.
Matthew Daniels	62,500	Vests upon Wondaris software licenses for the XPON Platforms business achieving a minimum ARR of AU\$2 million as at the end of each calendar month for a consecutive period of 12 months.
	62,500	Vests upon Wondaris software licenses for the XPON Platforms business achieving a minimum ARR of AU\$3 million as at the end of each calendar month for a consecutive period of 12 months.

* Refer to Sections 3.6 and 5.2.3 for how Annualised Recurring Revenue (ARR) is assessed by the Company.



10.14 ASX waivers

On 27 October 2021, XPON sought in-principle advice from ASX in relation to the options currently on issue in the Company (as set out in Section 10.13) and as at the date of this Prospectus was awaiting the outcome of that application.

10.15 Intellectual property of the XPON Group

XPON Group's proprietary platforms, Holoscribe® and Wondaris®, have been developed using open-source technology, and are owned, licenced to and/or authorised for resale by XPON Group entities. As at the date of this prospectus, XPON Group has not engaged any third parties as sub-licensors or resellers of the Holoscribe® and Wondaris® platforms.

All intellectual property rights of XPON Group in the Holoscribe® and Wondaris® platforms have been developed (and continue to be developed) by its executives, employees and independent contractors (**Personnel**), each of whom is employed or engaged pursuant to a written agreement or contract (**Engagement**). All Engagements entered into by XPON Group with Personnel contain standard terms for the assignment of any intellectual property rights arising from or developed by Personnel in connection with their employment or engagement. Engagements also include a positive obligation on Personnel to do all things required by XPON Group to ensure ownership in any intellectual property rights developed in the course of and relating to their employment or engagement are transferred to XPON Group.

10.16 Litigation and disputes

XPON Group may, from time to time, be party to disputes and legal proceedings incidental to the conduct of its business. These disputes may lead to legal and other proceedings, and may cause XPON Group to suffer additional costs.

Internet Solutions Australia Pty Ltd, an indirect wholly owned subsidiary of XPON, is the applicant in a civil proceeding commenced in the Supreme Court of New South Wales (**ISA Litigation**). The claim was initiated in June 2019, prior to XPON's acquisition of Internetrix Holdings Pty Ltd, the parent company of Internet Solutions Australia Pty Ltd (details of the transaction are set out in Section 10.4). Under the terms of the sale agreement for the Internetrix Acquisition, the Internetrix Vendors have the right to direct the conduct of the ISA Litigation and have agreed to indemnify XPON, Internetrix Holdings Pty Ltd and Internet Solutions Australia Pty Ltd for any costs, claims or liabilities incurred in respect of the ISA Litigation. Any amounts awarded to Internet Solutions Australia Pty Ltd under the ISA Litigation are payable to the Internetrix Vendors.

As far as the Directors are aware, there is no other current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which XPON Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of XPON Group.

10.17 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Sequoia Corporate Finance Pty Ltd has given, and has not withdrawn, its written consent to be named as Lead Manager to the Offer in the form and context in which it is named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

BDO Audit Pty Ltd has given, and has not withdrawn, its written consent to be named as Investigating Accountant, in the form and context in which it is named and for the inclusion of its Independent Limited Assurance Report in Section 6 of this Prospectus in the form and context in which it is included.

10. Additional Information

BDO Audit Pty Ltd has given, and not withdrawn, its consent to be named as Auditor in the form and context in which it is named.

Frost & Sullivan Pty Limited has given, and not withdrawn, its written consent to be named as the author of the independent market report in Section 2.

Automatic Pty Ltd has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

10.18 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of XPON; or
 - (ii) in property acquired or proposed to be acquired by XPON in connection with its formation or promotion; or
 - (iii) the Offer of the Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
 - (i) formation or promotion of XPON; or
 - (ii) the Offer of the Shares.

Sequoia Corporate Finance Pty Ltd has acted as Lead Manager to the Offer. Sequoia Corporate Finance Pty Ltd will be paid approximately \$780,000 and issued unquoted options in the Company for these services (subject to total proceeds raised under the Offer, see Sections 8.3 and 10.11).

McCullough Robertson has acted as legal adviser to the Company for the Offer and has undertaken due diligence enquiries and provided legal advice on the Offer. McCullough Robertson will be paid an amount of \$175,000 for these services. Further amounts may be paid to McCullough Robertson in accordance with their normal time-based charges.

BDO Audit Pty Ltd has acted as Investigating Accountant to the Offer and has prepared the Independent Limited Assurance Report in Section 6 and performed work on financial, tax and superannuation due diligence enquiries. BDO Audit Pty Ltd will be paid an estimated fee of \$61,500 for these services. Further amounts may be paid to BDO Audit Pty Ltd in accordance with their normal time-based charges.

BDO Audit Pty Ltd has acted as Independent Auditor to the Company. BDO Audit Pty Ltd will be paid an estimated fee of \$127,500 (GST exclusive) for the audit of the financial reports for the years ended 30 June 2019, 2020 and 2021. Further amounts may be paid to BDO Audit Pty Ltd in accordance with their normal time-based charges.

BDO Services Pty Ltd has provided taxation advisory services in respect of the Offer. BDO Services Pty Ltd will be paid an estimate fee of \$55,000 (GST exclusive) for these services. Further amounts may be paid to BDO Services Pty Ltd in accordance with their normal time-based charges.

Frost & Sullivan Pty Limited is the author of the independent market report included at Section 2 of this Prospectus. Frost & Sullivan Pty Limited was paid \$28,000 (GST exclusive) for producing the report.

10.19 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of XPON has, or has had in the two years before lodgement of this Prospectus, any interest in:
 - (i) the formation or promotion of XPON; or
 - (ii) the Offer of Shares; or
 - (iii) any property proposed to be acquired by XPON in connection with the formation or promotion of the Offer of the Shares; and



- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of XPON either:
- (i) to induce him or her to become, or to qualify him or her as a Director; or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of XPON or the Offer of Shares.

Security Holdings of Directors

The Directors or their associates have a beneficial interest in the following Shares and options in the Company at the date of this Prospectus:

Director	Shareholding entity	Shares held on completion	Shareholding % on completion of the Offer		Options upon completion of the Offer
			Min. subscription	Max. subscription	
Matt Forman	Black Oak Ventures Pty Ltd	104,288,320	35.82%	34.35%	3,972,222
	Legal Toolbox Pty Ltd as trustee for the Smidge Digital Unit Trust*	7,024,245	2.41%	2.31%	–
Phillip Aris	Phillip Aris & Associates Pty Ltd	2,354,850	0.81%	0.78%	972,222
Tim Ebbeck	Ebbeck Holdings Pty Ltd	–	–	–	375,000

* The trustee of the Black Oak Super Fund (of which Matt Forman is a beneficiary) holds an interest in 2.78% of the units in the Smidge Digital Unit Trust (the trustee of which is Legal Toolbox Pty Ltd), and therefore has an indirect interest in Shares held by the trustee of the Smidge Digital Unit Trust. Matt Forman does not hold an interest in Legal Toolbox Pty Ltd (the trustee entity) and does not control the investment decisions of Legal Toolbox Pty Ltd with respect to the Smidge Digital Unit Trust.

The Directors reserve the right to apply for Shares under the Offer.

Appointment letters

The Company has entered into a letter of appointment with each of Phil Aris and Tim Ebbeck with respect to their services as non-executive directors of the Company.

The letters of appointment contain standard terms for engagements of that nature, including commitments in respect of time, powers and duties (as directors), reimbursement of corporate expense, right of coverage under the Company's directors and officers insurance policy, right to access independent professional advice at the Company's expense, access to the Company's books, records and corporate governance materials, agreement to provide information to ASX and government authorities, and confidentiality obligations.

In addition to the above terms, Phil Aris has further responsibilities as chairman of the Board, which include, but are not limited to, leading the Board and chairing meetings, setting values and standards for the Company, monitoring the performance of executive management, and taking leadership in respect of the Company's corporate governance.

The Company has agreed to pay Phil Aris \$90,000 per annum for his services as non-executive chairman and \$55,000 per annum to Tim Ebbeck for his services as a non-executive director; amounts are inclusive of superannuation. Non-executive directors are also eligible to participate in the Company's long-term incentive plan.

Payments to Directors

The constitution of XPON provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree.

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10. Additional Information

The maximum aggregate amount which has been approved by the Shareholders for payment to the Directors is \$300,000 per annum. The total fees currently payable per annum by the Company to non-executive directors is \$145,000. The Directors consider the current pool available for payment of fees to non-executive directors to be reasonable and appropriate and provides the Company with the flexibility to attract appropriately qualified Directors.

10.20 Transactions with related parties

There are no material related party transactions other than the following:

- (a) letters of appointment for non-executive Directors (see Section 10.19);
- (b) executive director employment agreement with Matt Forman (see Section 8.6); and
- (c) deeds of access, insurance and indemnity with all Directors (see Section 8.7).

10.21 Expenses of the Offer

The total estimated expenses of the Offer payable by the Company including ASX and ASIC fees, fees to the Lead Manager, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be, subject to amount raised under the Offer, approximately \$1,651,587 to \$1,801,587.

10.22 Electronic Prospectus

This Prospectus is available in electronic form at www.xpon.ai. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by XPON free of charge until the Closing Date.

Applications must be made by completing a paper copy of the Application Form or by applying online in accordance with the instructions on the Application Form.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

XPON will not accept an Application or completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While XPON believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be altered in any way, XPON can not give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from XPON or a financial adviser.

10.23 Privacy

When applying for Shares in the Company, Applicants will be asked to provide personal information to XPON directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the share registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). Incomplete applications may not be processed. Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by or on behalf of the Company by contacting the share registry.



10.24 Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgement of the Prospectus with ASIC.

Dated 15 November 2021

Phillip Aris
Independent Non-Executive Chairman

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11.

Glossary





11. Glossary

In this document:

AdTech	means advertising technology: SaaS technologies that enable brands to target, deliver, and analyse their digital advertising.
AI	means Artificial Intelligence: Computer systems able to perform tasks normally requiring human intelligence.
Applicant	means a person or entity who submits an Application Form.
Application Form	means an application form attached to this Prospectus.
Application Money	means the money received by the Company under the Offer, being the Offer Price multiplied by the number of Shares applied for.
ARPC	means average revenue per customer.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Settlement	means ASX Settlement Pty Ltd ACN 008 504 532.
ASX Settlement Operating Rules	means the ASX Settlement Operating Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act.
Australian Privacy Act or Privacy Act	means the <i>Privacy Act 1988</i> (Cth).
BDA	means Big Data Analytics: Ways to analyse, systematically extract information from, or otherwise deal with data sets that are too large or complex to be dealt with by traditional data-processing application software.
Board	means the board of directors of the Company.
CDP	means Customer Data Platform.
CHES	means Clearing House Electronic Subregister System, operated by ASX Settlement.
Closing Date	means the date on which the Offer closes, being 7 December 2021, or another date nominated by the Company in consultation with the Lead Manager.
CMS	means Content Management System.
Company or XPON	means XPON Technologies Group Limited ACN 635 810 258, and XPON Group or Group means XPON Technologies Group Limited and its subsidiaries.
Convertible Note Deed Poll	has the meaning given in Section 10.10.
Convertible Notes	has the meaning given in Section 10.10.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
CPRA	means the California Privacy Rights Act of 2020.
CRM	means Customer Relationship Management.
CX	means Customer Experience.
Directors	means the directors of the Company.

11. Glossary

EBIT	means earnings before interest and income tax.
EBITDA	means earnings before interest, income tax, depreciation and amortisation.
Existing Shareholders	means the holders of Shares before the date of this Prospectus.
GDPR	means the General Data Protection Regulation (EU) 2016/679.
Lead Manager	means Sequoia Corporate Finance Pty Ltd ACN 602 219 072.
Listing Rules	means the listing rules of ASX.
MarTech	means marketing technology: SaaS technologies that are used to run and manage marketing activities.
ML	means Machine Learning: Computer systems that are able to learn and adapt without following explicit instructions, by using algorithms and statistical models to analyse and draw inferences from patterns in data.
New Shares	means Share issued pursuant to the Offer.
Noteholder	means a holder of Convertible Notes.
Noteholder Offer	means the offer of Shares to Noteholders made under this Prospectus on conversion of the Convertible Notes, described in Section 9.3.
NPAT	means net profit after tax.
NPBT	means net profit before tax.
Offer	means the offer of Shares under this Prospectus.
Offer Price	means \$0.20 per Share.
Personnel	means employees and professional services contractors of XPON.
PII	means Personally Identifiable Information.
Prospectus	means this prospectus.
SaaS	means Software-as-a-Service.
Settlement Facility	has the meaning specified in the ASX Settlement Operating Rules.
Shareholders	means Holders of shares in XPON.
Share Split	has the meaning given to it in Section 10.3.
Shares	means fully paid ordinary shares in XPON.
Us or we	means the Company.
VR	means Virtual Reality: Computer-generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way by a person using special electronic equipment.
XR	means Extended Reality: An umbrella term that covers Virtual Reality, Augmented Reality and Mixed Reality.
You	means the investors under this Prospectus.

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APPENDIX 1

Summary of Significant Accounting Policies

Appendix 1: Summary of Significant Accounting Policies

Set out below are a number of significant accounting policies and other material accounting matters that have been used in the preparation of the Historical Financial Information in Section 5 of this Prospectus.

Basis for preparation

The financial accounts on which the Historical Financial Information is based have been prepared under the historical cost convention, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Revenue from contracts with customers

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The principal revenue streams of the Group are:

Licenses – typically provide the customer with a right of access to IP and the performance obligation is satisfied over time.

Managed or Project services – Managed or project services provide customers with design, implementation and support services. Revenue is recognised over time where the Group is entitled to payment for its performance to date throughout the contract period.

Usage Fees – Revenue is recognised in the amount to which the Group has a right to invoice based on either actual usage or sales. The Group acts as an agent in these transactions and only recognises revenue on a net basis.

Other Income

Other income is recognised on an accruals basis when the Group is entitled to it.

Income Tax

The Group is in a tax loss position in FY19, FY20 and FY21, no income tax has been brought to account. When profitable the income tax expense will comprise current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable tax rates enacted, as at the relevant reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that no adverse change will occur in income tax legislation, that the Company will derive sufficient future assessable income to enable the benefit to be realised and that the Company will continue to comply with the condition of deductibility imposed by the Law.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Property, plant and equipment, is depreciated on a straight line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Computer Equipment	20 – 50%
Furniture, Fixtures and Fittings	20 – 50%
Office Equipment	5 – 20%
Leasehold improvements	2.5%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- › amortised cost
- › fair value through profit or loss FVTPL
- › fair value through other comprehensive income equity instrument (FVOCI equity)
- › fair value through other comprehensive income debt investments (FVOCI debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- › the business model is to hold assets to collect contractual cash flows; and
- › the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- › financial assets measured at amortised cost
- › debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- › the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- › the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach permitted by AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.



Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Intangible assets

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- › the consideration transferred;
- › any non controlling interest; and
- › the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non controlling interest. The Group can elect to measure the non controlling interest in the acquiree either at fair value ('full goodwill method') or at the non controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 5 years.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between three and five years.

Customer contracts

The customer contracts were acquired as part of a business combination (see note 6 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight line based on the timing of projected cash flows of the contracts over their estimated useful lives. Customer contracts have an estimated useful life of between three and five years.

Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term highly liquid deposits with a maturity of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Leases

At inception of a contract, the Group assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- › The contract involves the use of an identified asset this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- › The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- › The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right of use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right of use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right of use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of non financial assets accounting policy.



The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right of use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short term leases (i.e. leases with a term of less than or equal to 12 months without an option to extend) and leases of low value assets. The Group recognises the payments associated with these leases as an expense on a straight line basis over the lease term.

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Share based payments

The fair value of options granted under the Groups Employee Option Plan is recognised as a share based payment expense (within employee benefits) with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- › including any market performance conditions (e.g. the group's share price);
- › excluding the impact of any service and non market performance vesting conditions (e.g. profitability, sale growth targets and remaining an employee of the group over a specified time period); and
- › including the impact of any non vesting conditions (e.g. requirements for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the group revises its estimates of the number of options that are expected to vest based on the non market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Foreign currency transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- › Foreign currency monetary items are translated using the closing rate;
- › Non monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- › Non monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- › assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- › income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- › retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income related to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustment to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

The Group adopted the amendments to AASB 3 *Business Combinations* which clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered and applied for the business combination entered into by the Group during the financial year.

New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Group.

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APPENDIX 2

Summary of Financial Risk Management Framework

Appendix 2: Summary of Financial Risk Management Framework

XPON's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), liquidity risk, and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance XPON. XPON uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks as well as ageing analysis for credit risk.

The Board has overall responsibility for the determination of XPON's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to management. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- › Liquidity risk
- › Credit risk
- › Market risk currency risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- › Trade receivables
- › Cash at bank
- › Trade and other payables
- › Lease liabilities
- › Borrowings

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day to day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:



Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30 day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in day to day business.

Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and a 360 day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia and the United Kingdom given the location of its operations in those regions.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Pounds.

Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non Australian Dollar currencies and expected cash reserves in that currency.

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CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for fully paid ordinary Shares in XPON Technologies Group Limited ACN 635 810 258 (**Company**) made under the terms set out in the Prospectus dated 15 November 2021.

Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

- Shares Applied For & Payment Amount** - Enter the number of Shares & the amount of the application monies payable you wish to apply for. Applications must be for a minimum of 10,000 Shares at \$0.20 per Share (i.e. for a minimum subscription amount of \$2,000). A larger number of Shares may be applied for in multiples of 2,500 Shares.
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESSE Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESSE subregister, enter your CHESSE HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for Applications made using a paper Application Form can only be made by cheque. Your cheque must be made payable to "XPON Technologies Group Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Completed Application Forms and accompanying cheques must be received before 5:00pm (AEDT) on the Closing Date by being delivered or mailed to the address set out in the instructions below.

Applicants wishing to pay by BPAY® or EFT should complete the online Application, which can be accessed by following the web address provided on the front of the Application Form. Please ensure that payments are received by 5:00pm (AEDT) on the Closing Date. Do not forward cash with this Application Form as it will not be accepted.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus; and
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company.
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of age;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens on 23 November 2021 and is expected to close on 7 December 2021. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and payments must be submitted as follows:

Paper Application and Cheque

By Post: or
XPON Technologies Group Limited
C/- Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001

By Hand Delivery:
XPON Technologies Group Limited
C/- Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Online Applications and BPAY® or EFT Payments

Online: <https://investor.automic.com.au/#/ipo/XPONtechnologies>

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



PHONE:
1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia



LIVE WEBCHAT:
Go to www.automicgroup.com.au



EMAIL:
corporate.actions@automicgroup.com.au



CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
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- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESSE Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESSE subregister, enter your CHESSE HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for Applications made using a paper Application Form can only be made by cheque. Your cheque must be made payable to "XPON Technologies Group Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Completed Application Forms and accompanying cheques must be received before 5:00pm (AEDT) on the Closing Date by being delivered or mailed to the address set out in the instructions below.

Applicants wishing to pay by BPAY® or EFT should complete the online Application, which can be accessed by following the web address provided on the front of the Application Form. Please ensure that payments are received by 5:00pm (AEDT) on the Closing Date. Do not forward cash with this Application Form as it will not be accepted.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus; and
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company.
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of age;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens on 23 November 2021 and is expected to close on 7 December 2021. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and payments must be submitted as follows:

Paper Application and Cheque

By Post: or
XPON Technologies Group Limited
C/- Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001

By Hand Delivery:
XPON Technologies Group Limited
C/- Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Online Applications and BPAY® or EFT Payments

Online: <https://investor.automic.com.au/#/ipo/XPONtechnologies>

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



PHONE:
1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia



LIVE WEBCHAT:
Go to www.automicgroup.com.au



EMAIL:
corporate.actions@automicgroup.com.au



Corporate Directory



Company

XPON Technologies Group Limited

Level 2, 33 Longland Street
Newstead QLD 4006

www.xpon.ai

Directors

Phillip Aris – Independent Non-Executive Chairman

Tim Ebbeck – Independent Non-Executive Director

Matt Forman – Group Managing Director and CEO

Company Secretary

Mark Licciardo

Mertons Corporate Services Pty Ltd

Level 7, 330 Collins Street
Melbourne VIC 3000

www.mertons.com.au

Share Registry

Automic Group

Level 5, 126 Phillip Street
Sydney NSW 2000

www.automicgroup.com.au

Lead Manager

Sequoia Corporate Finance Pty Ltd

Level 7, 7 Macquarie Place
Sydney NSW 2000

www.sequoia.com.au

Auditor and Investigating Accountant

BDO Audit Pty Ltd

Level 10, 12 Creek Street
Brisbane QLD 4000

www.bdo.com.au

Lawyers to the Offer

McCullough Robertson

Level 11, 66 Eagle Street
Brisbane QLD 4000

www.mccullough.com.au

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