

ASX AND MEDIA RELEASE
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Convo App Update

Major development complete with ramp up of marketing efforts to commence

- **Space Digital Media (SDM) and ZipTel have completed the first phase of development of the Convo Mobile Application (Convo App);**
- **Supported launches are now planned;**
- **The Convo App uses the underlying Zipt technology as per the terms of the Revenue share agreement as announced to the ASX on 18 August 2017;**
- **Under the terms of the agreement with SDM, ZipTel will obtain a royalty of between 10% and 20% of Net Revenue generated by the Convo App.**

ZipTel Limited ("ZipTel" or "the Company") (ASX: ZIP) provides the following update on the progress of its agreement with London-based Space Digital Media Limited (SDM) to launch a new ZipT technology based mobile application aimed at becoming a globally significant content driven communication/ social platform; the Convo App.

Convo App

The Convo App (the "App") has had significant development over the past few months incorporating learnings from global soft launches on both the iOS and Android platforms (refer to the announcements of 9 and 16 October 2017 respectively). The App now has:

- a content section where publishers can be followed by users;
- a personalised content feed where users can like, share and comment on content;
- chat functionality; and
- App to App free calling

Completion of these items represents the first and major phase of the App's development. The App now has a strong foundation for supported launches into the marketplace as well as secondary development phases.

Launch Strategy

SDM's initial aim in the next quarter is to roll out the App via social ambassadors and digital marketing activities such as Google/Facebook advertisements. SDM is targeting to build a new user base of 100,000 which it can leverage to: refine any user experience or other issues in real time; monitor user behaviour patterns to further optimise the App and its content; and gauge which marketing activities are the most effective. SDM's initial primary target audience will be located in London, UK and Mumbai, India.

Upon achieving this initial new user base and implementing its feedback, SDM will look to fully roll out efforts to target a mass user base of at least 1 million users by end of calendar 2018, with a view to scale to larger levels in 2019.

Further Development

Over the next quarter, SDM will be conducting further feature upgrades and integrations. The core of this work will be:

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- Advertising tracking (so SDM can accurately reward publishers);
- YouTube integration;
- Cyberbullying technology (pick up key words and phrases that may be harmful to fellow users); and
- Further improvements to the user experience.

Publishers

SDM now will target onboarding publishers into the App, plus other identified influencers/publishers to increase reach and visibility on social media daily.

In addition, the App will also be targeting global content publishers (global broadcasters, news corporations, etc.) with the intent of becoming a prominent third-party publisher.

It is intended that these influencers/publishers will provide rich content as well as strong co-marketing opportunities to scale the user base, positioning the Convo App to enter into significant advertisement and marketing deals. SDM's initial goal in this regard is to bring 200 high quality engaging publishers into the App.

Revenues

SDM will initially focus on building revenue via advertisement and branded content.

The Convo App will have its own 'in app' advertisement engine for publishers to generate advertisement revenue and gain more visibility. It is intended that this feature will allow the Convo App to generate revenue from its publishers, whilst giving publishers value for money in terms of additional reach and followers. This functionality will be a key in development phase two.

In addition, the App will look to generate revenue from traditional "in app" advertisement placements and banner ads placed between content or on user interaction. The App is intended to enable publishers to drive traffic to their webpages and benefit from ongoing advertisement revenue splits.

ZipTel and SDM next steps

ZipTel's responsibilities are complete subject to board approval by both ZipTel and SDM. ZipTel will assist if needed in the initial phase of handover, introducing relevant personal who have experience with the current technology to ensure a smooth transition.

SDM and ZipTel look forward to building on the foundation of the Zipt platform and helping to make the App commercially successful.

ZipTel to share in potential revenue

Under the Ziptel/SDM agreement, ZipTel granted a license to certain IP rights to the Zipt technology to SDM and assisted in the development of the App in return for royalty payments of between 10% and 20% of Net Revenue received in relation to the App.

SDM must pay ZipTel a royalty, calculated on the basis of net revenue (meaning gross revenue less any direct cost, namely all bank charges, transaction charges, brokerage fees, taxes and arm's length revenue shares).

Gross revenue is the gross amount of revenue received by SDM from independent third parties in relation to the App, less any goods and services or value added taxes paid by SDM and are separately identified on invoices. The rate of the royalty is:

- where the total gross revenue in the aggregate is less than £10 million, 20% of net revenue; or

- where the gross revenue in the aggregate is £10 million or more, 10% of net revenue.

The royalty is payable on a quarterly basis and ZipTel has standard rights of inspection and audit in relation to the royalty statements received.

-Ends-

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About ZipTel

ZipTel is an Australian owned and operated telecommunications business focused on providing international roaming and calling solutions to consumers and businesses, using state of the art technologies developed and wholly owned by ZipTel Limited.

About Space Digital Media

Space Digital Media creates 'Convo', a product that will deliver calling/messaging, local and relevant content. The Convo App is a content driven communication/social platform. Convo will use world class low bandwidth technology which retains quality even in areas with slower Internet speeds.

The Convo App is a cross-platform mobile messaging application which allows users to call, send messages, share photographs, documents and audio recordings at no cost and with only a basic data connection. No 3G or Wi-Fi connectivity is required to utilise the Convo App. The Convo App is a communication platform which features content on a wide array of subjects and allows users to share and comment on that content.

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