

20 December 2016

Letter from the CEO

Dear Shareholder,

This has been a transformational year for Velpic. I am delighted to announce that this year's hard work has resulted in a strong operational position and client growth and we will be finishing 2016 with over 50 enterprise clients.

Your Company has worked hard at building the foundations of sustained success and this year's client growth will result in meaningful revenue growth throughout 2017.

This year we have also seen our recurring revenue growth increase, a trend that we're focused on driving further next year.

- 50 enterprise clients milestone reached
- Velpic to sign off 2016 with 50+ clients signed to its eLearning platform, confirming strong client growth which precedes future revenue growth
- Average +22% quarter-on-quarter growth since December 2015 of recurring revenue from SaaS clients
- Expansion of sales team and offering in 2017 expected to further drive sales growth
- Platform innovation and exciting new projects and collaborations expected to go live in 2017

Since December last year, we have seen our SaaS recurring revenue increase at an average of +22% quarter-on-quarter. This clearly demonstrates the growing demand among corporates for our simple and effective Learning Management System (LMS).

Over the year, we have built the foundations from which to accelerate client acquisition and we will soon be announcing some exceptional new hires in our sales team. The expanded team's objective will be to further scale our client growth and ultimately our recurring revenues in 2017.

As a Company, we have proven we can deliver sustained customer growth momentum and have in place a strong presence across the East and West coast of Australia. We're now focused on replicating this success in international markets, beginning with New Zealand, UK and the USA with further strategic partnerships to be established in 2017.

The global growth of the LMS market has shown no signs of slowing down and this year it has been predicted to be worth USD 5.22 billion. It is growing at a CAGR of nearly 25% that will make it a substantial USD 15.72 billion by 2021. Over the past 24 months of monitoring this international growth in the global LMS marketplace, it has continued to be adjusted up, making this a perfect storm for us to take the lead and market share. We're already making great progress, having been ranked globally in the top 20 LMS' on a number of criteria, and our flexible and scalable solution has given us a significant competitive edge. We're confident of our ability to continue to innovate in the sector and to attract new customers domestically and internationally.

Furthermore, we will continue to focus on enhancing the product and are in the midst of planning some incredibly exciting projects and collaborations that we believe will cause much excitement among the eLearning market and take our product to the next level.

We're particularly excited about the continued emergence of technology trends such as Virtual Reality, Artificial Intelligence & Machine Learning, Augmented Reality and the overall Gamification of digital learning. Interactive learning methods are becoming increasingly popular and are more effective than traditional learning techniques, and it is this shift that continues to drive our product strategy in 2017. Velpic still maintains a global first mover advantage by incorporating video content creation into a single, simple, engaging platform with other LMS features but our competitive advantage will be further enhanced in 2017 with our exciting product development road map.

On behalf of the Board, I would like to thank our shareholders, customers and our hard-working team for their support and contribution to the business this year and I look forward to continuing our strong momentum in 2017 as we transition from “building a business” to “doing business”.

Yours Sincerely,

Russell Francis

Chief Executive Officer

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About the Velpic Group

The Velpic Group consists of two related entities: Velpic, a cloud-based video e-Learning platform, and Dash Digital, a brand technology agency.

Velpic has developed a unique online platform that provides a scalable, cloud-based training, induction and education solution for businesses. The platform allows businesses to create their own training lessons and distribute them to staff and contractors, who can access the Velpic Platform on all devices including mobile phones and tablets.

The cloud-based platform has global potential and is set to disrupt the traditional Learning Management System (LMS) marketplace, and Velpic already has an extensive list of ASX 200 clients using the platform.

Dash Digital is a full service digital branding, marketing, web and app development organisation that seamlessly blends creative and development talents across all disciplines – visual design, print graphics, websites, software development and online marketing.