

28<sup>th</sup> October 2016

SEPTEMBER QUARTERLY ACTIVITIES REPORT 2016

ASX Symbol: **ST1**

**REGISTERED OFFICE**

Level 4, 100 Albert Road  
 South Melbourne VIC AUS 3205

**PRINCIPAL PLACE OF BUSINESS**

Level 2  
 240 Chapel Street  
 Prahran VIC AUS 3181

**CONTACT**

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 F 1300 887 813

[www.spirit.com.au](http://www.spirit.com.au)

**BOARD OF DIRECTORS**

Mr James Joughin (Chairman)  
 Mr Terry Gray (Director)  
 Mr Geoff Neate  
 (Managing Director)

**ISSUED CAPITAL**

Shares on Issue: 836,844,216

Spirit is pleased to provide its first Quarterly activity report to our shareholders.

- After re-listing on ASX on 26<sup>th</sup> June 2016 the Board and Managements focus has been to grow Spirit's core operation, whilst also seeking new acquisition opportunities. And, we continued to build out our corporate structure with the recruitment of Matthew Hobbs as Chief Operations Office and Catherine Bolch as Chief Marketing Officer.
- Spirit finished the quarter with a cash balance of \$2.1 million and a total debt of \$2.19 million, meaning a net debt position of \$90,000
- The Cash from operations finished the quarter up \$108,000. Capital expenditure of \$239,000 for the period was shared mainly across the 24 new commercial and residential buildings added for the period, as well as the commencement of fit outs for Q2 buildings. To that end significant progress has been made toward the expected launch of a number of major residential building sites expected to go live with Spirit across Quarter 2/ 3 this financial period. Such buildings will include Southport Central, in Coolangatta and Vogue apartments in South Yarra – both represent a large potential customer base.
- Spirit conducted a benchmark study for Net Promoter Score and received an encouraging rating of 21. This benchmark now forms part of every staff members Key Performance Indicator, from the Managing Director, down.

Throughout the quarter a significant level of industry, media and government discussion was held surrounding the margin impact experienced by Telco's pertaining reselling of the NBN. The following forms a summary of the key difference between Spirit's business model and that of re-selling NBN:

*Internet Service Providers (ISPs) pay a monthly 'Connectivity Virtual Circuit' (CVC) fee to connect their network to the NBN. Note CVC (sometimes known as AGVC) is usually payable when ISPs connect their networks to third party networks (such as the NBN) on a wholesale basis. The more subscribers an ISP has and the more data those subscribers consume; the more CVC capacity an ISP would need to buy.*

*NBN-based ISPs are left in a 'catch 22' situation, as too much oversubscription causes poor network performance and hence customer complaints. Too little oversubscription and the ISP's margin is severely eroded.*

*Spirits' main product offering is UFi (which stands for 'Ultra-Fast internet'). Spirit does not incur a CVC cost when offering UFi services, because the network is managed by Spirit end-to-end (as opposed by being managed by NBN and reseller). This allows for much higher margins than currently possible on the NBN. It also means Spirit can offer a much faster service!*

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Spirit Telecom Limited

**ABN**

73 089 224 402

**Quarter ended ("current quarter")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to Date (3 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,712	2,712
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(86)	(86)
(d) leased assets		
(e) staff costs	(366)	(366)
(f) administration and corporate costs	(2,121)	(2,121)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(35)	(35)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>108</b>	<b>108</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(239)	(239)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to Date (3 Months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(239)</b>	<b>(239)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(16)	(16)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(16)</b>	<b>(16)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,254	2,254
4.2 Net cash from / (used in) operating activities (item 1.9 above)	108	108
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(239)	(239)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(16)	(16)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to Date (3 Months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,107</b>	<b>2,107</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,357	1,504
5.2	Call deposits	750	750
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,107</b>	<b>2,254</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	25
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Our Chairman James Joughin receives remuneration of \$5,000 per month and Director Terry Gray \$2,500 per month.

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	8
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

7.1 – Total payments to Lodge Corporate Advisory services are \$8,250. Terry Gray is a consultant with Lodge and a Director of Spirit Telecom Ltd.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,734	1,614
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	575	575
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 – The Loan facility is with Bank West. The interest rate applied is the BBSW plus a 3% margin and it is secured.

8.3 – The Loans from Shareholders remain unchanged with those balances reported at June 30. The interest rate is based on the CBA published rate for Better Business Variable Rate Loan (Security other than residential) + 1.5% fixed margin. Interest on these loans has been accrued, and not paid in accordance with the contract prior to listing.

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(100)
9.4 Leased assets	-
9.5 Staff costs	(370)
9.6 Administration and corporate costs	(1,930)
9.7 Capex	(292)
<b>9.8 Total estimated cash outflows</b>	<b>(2,692)</b>

*\* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.*

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: 28 October 2016

Print name: .....MELANIE LEYDIN.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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