

30 October 2017

ZipTel Quarterly Review – Q1 FY2018

ACTIVITY HIGHLIGHTS

ZipTel Limited's ("ZipTel" or "the Company", ASX: ZIP) focus during the quarter was:

- Completion of the rights issue capital raising which resulting in final proceeds to the Company of \$1,197,871 before costs;
- Developing opportunities for the Company's platforms which during the period resulted in the execution of an agreement with Space Digital Media Limited (SDM) whereby ZipT IP would be integrated into a new global content/social platform – the Convo Mobile Application ("Convo App");
- Working with SDM to ready the Convo App for launch in key markets.

COMPANY FINANCIAL OVERVIEW

During the September 2017 quarter, the Company banked total net cash receipts of ~\$18,000 (Q3 FY2017: \$35,000) from its AussieSim business. Net cash outflow from operating activities was ~\$580,000. The Company successfully raised \$1,197,871 before costs via the issue of 59,893,560 shares at an issue price of 2.0 cents per share together with 1 free attaching listed option for every 2 new shares subscribed for, resulting in 29,946,780 listed options.

The Company is currently preparing its FY2017 claim under the Australian Government's Research and Development (R&D) Tax Incentive Program.

The Company's quarterly financial performance is summarised below:

Financial headline	September Q1 FY2018	June Q4 FY2017	March Q3 FY2017	December Q2 FY2017	September Q1 FY2017
Receipts from customers	18,000	35,000	21,000	60,000	121,000
Research and development	(110,000)	(104,000)	(163,000)	(146,000)	(271,000)
Operating costs	(16,000)	(20,000)	(51,000)	(85,000)	(60,000)
Marketing	-	(83,000)	-	(6,000)	(174,000)
Staff costs	(381,000)	(50,000)	(97,000)	(190,000)	(219,000)
Admin and corporate costs	(93,000)	(62,000)	(216,000)	(333,000)	(296,000)
Operating Cash outflow*	(580,000)	(282,000)	(501,000)	(699,000)	(896,000)

* Without government grants and tax incentives or capital raisings

One-off costs were incurred during the September 2017 quarter included the payout of severance payments and statutory payments as per the terms of the executive contracts and unpaid directors' fees accrued over several months. On 8 September 2017, Keaton Wallace stepped down as a director of the Company. The Board now consists of 3 non-executive directors.

ZIPT OVERVIEW (B2C)

ZipT Development

Since placing the ZipT application into a care and maintenance phase from 30 April, the Company had been exploring commercial outcomes for this product.

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This initiative resulted in the execution of an agreement (“Agreement”) with London-based Space Digital Media Limited (SDM) to have certain ZipT technology integrated into the Convo App and to assist with development of the Convo App. The Convo App is aiming to become a globally significant content driven communication/ social platform that boasts a well credentialed executive team.

Under the Agreement ZipTel has granted a license to certain IP rights to the ZipT technology to SDM and will assist in the development of the Convo App in return for royalty payments of between 10% and 20% of Net Revenue received in relation to the Convo App. SDM has advised that they intend to focus on building revenue in three core areas initially - advertisement, branded content and E-Commerce. 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 has been added to allow the Convo App to generate revenue from its publishers, whilst giving publishers value for money in terms of additional reach and followers. In addition, SDM’s model contemplates that the Convo App is to generate revenue from traditional “in app” advertisement placements and banner ads placed between content or on user interaction. The Convo App is intended to enable publishers to drive traffic to their pages and benefit from ongoing advertisement revenue splits. Refer to the announcement of 18 August 2017 for further details.

Since executing the Agreement, the Convo App has had soft launches on both the iOS and Android platforms.

ENTERPRISE SOLUTIONS OVERVIEW (B2B)

ZipT Systems – Zifi

In November 2016, the Company launched the ZipT Systems Enterprise suite which included the Site-based, Reliable VOIP and Messaging Platform – “Zifi”. The development of Zifi is ongoing.

Zifi Agreements

Since launch of these products, the Company has sought to develop relationships with companies in key industries which require low bandwidth, calling and messaging solutions i.e. agriculture, maritime, airlines and remote communications providers.

These business development activities are ongoing and the Company will provide an update to the market in due course in this regard.

CASH POSITION

During the September 2017 quarter, the Company’s expenditure was ~\$600,000 (Q4 FY2017: ~\$319,000). As detailed above, the Company incurred one off salary and director fee costs. The Company also incurred development costs in relation to integrating the Convo App with ZipT IP. With soft launch on both iOS and Android completed, no further expenditure is planned in this regard.

As detailed above, the Company successfully raised \$1,197,871 via its rights issue. The proceeds from the capital raising will be used to fund the development, management, maintenance and delivery of the Zifi and ZipT platforms and for assessment and development of other opportunities. The Company is also lodging a claim for FY2017 R&D. As at 30 September 2017, the Company had \$1.65M cash at bank.

OUTLOOK

ZipTel is reviewing its operations with the focus on establishing a cash flow positive business. The Company will look to develop opportunities for its current platforms as well as potential opportunities and deliver them mindful of the Company’s current lean structure objectives. The Company will also continue to review other opportunities with a view to increasing shareholder value.

-Ends-

For more information please contact:

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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.

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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

ZIPTTEL LIMITED

ABN

41 108 042 593

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18	18
1.2 Payments for		
(a) research and development	(111)	(111)
(b) product manufacturing and operating costs	(16)	(16)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(381)	(381)
(f) administration and corporate costs	(93)	(93)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	6	6
1.9 Net cash from / (used in) operating activities	(574)	(574)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(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	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,198	1,198
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	(133)	(133)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,065	1,065

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,156	1,156
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(574)	(574)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,065	1,065

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,647	1,647

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,647	1,156
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,647	1,156

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
367
-

Directors' fees and salaries paid to executive and non-executive directors. All payments are on normal commercial terms. Payments during the current quarter included back payment of accrued salaries for all directors (\$134k) and severance and statutory entitlement payouts (\$213k) for the executive directors whose contracts ceased. The bulk of these funds were used by the directors to take up their respective entitlements in the Company's Rights Issue capital raising.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
-
-

Payments of ~\$32k made to Hunt and Humphry for legal fees related to the Rights Issue capital raising are included in item 3.4 'Transaction costs related to issues of shares, convertible notes or options'

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8. Financing facilities available <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	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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.		

n/a


9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(15)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(25)
9.6 Administration and corporate costs	(80)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(120)

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

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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:  Date: 30 October 2017
(Company secretary)

Print name: Derek Hall
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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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