

27 April 2018

## ZipTel Quarterly Review – Q3 FY2018

### ACTIVITY HIGHLIGHTS

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

- Developing opportunities for the Company's platforms in particular the agreement with Space Digital Media Limited (SDM) whereby ZipT IP is being 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;
- Reviewing other opportunities in the technology sector.

### COMPANY FINANCIAL OVERVIEW

During the March 2018 quarter, the Company banked total net cash receipts of ~\$4,000 (Q2 FY2018: \$8,000) from its AussieSim business. Net cash outflow from the Company's operating activities was ~\$115,000.

The Company is currently finalising 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	March Q3 FY2018	December Q2 FY2018	September Q1 FY2018	June Q4 FY2017	March Q3 FY2017
Receipts from customers	4,000	8,000	18,000	35,000	21,000
Research and development	(4,000)	-	(110,000)	(104,000)	(163,000)
Operating costs	(5,000)	(14,000)	(16,000)	(20,000)	(51,000)
Marketing	-	-	-	(83,000)	-
Staff costs	(55,000)	(53,000)	(381,000)	(50,000)	(97,000)
Admin and corporate costs	(62,000)	(173,000)	(93,000)	(62,000)	(216,000)
Operating Cash outflow*	(115,000)	(224,000)	(580,000)	(282,000)	(501,000)

\* Without government grants and tax incentives or capital raisings

Minimal costs were incurred during the quarter as the Company achieved its target cash usage rate of \$30,000 to \$40,000 per month.

### ZIPT OVERVIEW (B2C)

#### Zipt Development

Since placing the Zipt application into a care and maintenance phase from 30 April 2017, the Company had been exploring commercial outcomes for this product.

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.

For personal use only

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. The Company continues to work with SDM to refine the Convo App prior to its global launch. The app development is materially complete and the Company expects to update the market on the launch of the Convo App imminently.

### **ENTERPRISE SOLUTIONS OVERVIEW (B2B)**

The Company has sought to develop relationships with companies in key industries which require low bandwidth, calling and messaging solutions. These business development activities are ongoing and the Company will provide an update to the market in due course.

### **CASH POSITION**

During the March 2018 quarter, the Company's expenditure was ~\$126,000 (Q2 FY2018: ~\$240,000). The Company effectively cleared all of its creditors in the previous quarter leaving it with a very cost effective, lean structure.

The Company did incur minor costs in assisting the SDM team with their Convo App integration. With the soft launch on both iOS and Android completed, no further expenditure is planned in this regard however the Company will assist SDM if minor involvement will expedite the upcoming global launch.

The Company is also lodging a claim for FY2017 R&D and has registered its activities for this period. As at 31 March 2018, the Company had \$1.32M 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 Board are committed to assessing other opportunities presented to them in an efficient and cost-effective manner.

**-Ends-**

For more information please contact:

**ZipTel Limited**

T: +61 8 6252 4224

W: [www.ziptel.com.au](http://www.ziptel.com.au)

### **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.

## 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")**

31 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4	30
1.2 Payments for		
(a) research and development	(4)	(115)
(b) product manufacturing and operating costs	(5)	(35)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(55)	(489)
(f) administration and corporate costs	(62)	(328)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	18
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)	-	17
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(115)</b>	<b>(902)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	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)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	<b>1,065</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	1,434	1,156
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(115)	(902)
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

For personal use only

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>1,319</b>	<b>1,319</b>

<b>5. 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	313	434
5.2 Call deposits	1,006	1,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,319</b>	<b>1,434</b>

**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

<b>Current quarter \$A'000</b>
46
-

Directors' fees and salaries paid to non-executive directors. All payments are on normal commercial terms.

**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

<b>Current quarter \$A'000</b>
-
-

n/a

For personal use only

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(10)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(30)
9.6 Administration and corporate costs	(100)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(140)</b>

<b>10. 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	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

For personal use only

**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: 27 April 2018  
(Company secretary)

Print name: Derek Hall  
.....

**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.

For personal use only