

ASX AND MEDIA RELEASE

7 July 2020

Update on ZipTel's acquisition of Dough

ZipTel Limited (ASX: ZIP, "the Company") refers to its previous announcements of 20 March 2020 and 30 March 2020 and is pleased to provide an update on the progress of the acquisition of Dough Ltd (DOU) ("Transaction" or "Acquisition").

The Company has received certain regulatory approvals and waivers from the ASX to enable the Company to proceed to put the acquisition to shareholders for approval. Following the receipt of shareholder approval, if obtained, the Company will apply to relist on the ASX – currently anticipated for late August 2020.

Transaction details

Following discussion with the ASX, terms of the Transaction have changed as set out below:

1. ZIP will seek shareholder approval to undertake a 1.1 for 2 consolidation of its capital (**Consolidation**) based on its previous 20 day trading low of 1.1 cents;

(previously this was a consolidation of 7.15 for every 10 shares)
2. ZIP will seek to raise a minimum of \$4.0 million through the issue of 133,333,333 Shares (and a maximum of \$6.0 million through the issue of 200,000,000 Shares) on a post-Consolidation basis at an issue price of 3 cents per Share; and

(previously this was a minimum raise of \$3.5 million and a maximum raise of \$5.0 million at an issue price of 2 cents per Share)
3. in consideration for the Acquisition, ZIP will issue the following (all on a post-Consolidation basis) amongst the current shareholders of DOU ("Vendors"):
 - i. 275,000,000 fully paid ordinary shares in ZIP (Consideration Shares);
 - ii. 75,000,000 performance shares (Performance Shares); and
 - iii. 75,000,000 unlisted options exercisable at 4 cents (DOU Options).

(previously this was 357,500,000 Consideration Shares, 357,500,000 Performance Shares and nil DOU Options on a post consolidation basis).

To the extent that the ASX Listing Rules, or ASX, does not impose escrow on the Consideration Shares, Performance Shares and DOU Options:

- a) founder and management Vendors of DOU will agree to a voluntary 24-month escrow period; and
- b) DOU will procure that the balance of the Vendors agree to a voluntary 12-month escrow period (this requirement may be waived by ZIP at its discretion).

The Company has agreed to issue the DOU Options on the basis that this will provide it with up to \$3.0 million in additional funds (in 2 to 4 years time, depending on if and when the Vendors exercise the DOU Options). The additional funds received from exercise of the DOU Options will be used to supplement the Company's activities.

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Indicative Timetable

Activity	Date
Dispatch of notice of meeting seeking ZIP shareholder approval	17 July 2020
Lodgement of Prospectus by ZIP	28 July 2020
Opening date of Prospectus Offer	4 August 2020
ZIP shareholder meeting to approve Transaction	18 August 2020
Closing date of Prospectus Offers	11 August 2020
Issue of Securities under the Prospectus	14 August 2020
Completion of Transaction	21 August 2020
Expected date for reinstatement to official quotation of ZIP on ASX	26 August 2020

The above table is an indication only and is subject to change. The Company's securities will continue to be suspended from the date of the general meeting of shareholders until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

Effect of the Transaction

The Company's indicative capital structure at minimum and maximum capital raise after the completion of the Transaction are detailed below:

	Shares Capital Raising Minimum Subscription (\$4 million)	Shares Capital Raising Maximum Subscription (\$6 million)	Options Capital Raising Minimum Subscription (\$4 million)	Options Capital Raising Maximum Subscription (\$6 million)	Performance Shares
Currently on issue	189,133,899	189,133,899	31,946,780 ¹	31,946,780 ¹	Nil
On issue upon completion of Consolidation	104,023,644	104,023,644	Nil	Nil	Nil
Capital Raising	133,333,333	200,000,000	Nil	Nil	Nil
Consideration issued to DOU Vendors for Acquisition of DOU	275,000,000	275,000,000	75,000,000 ²	75,000,000 ²	75,000,000
Issue to Advisers and Directors	13,750,000	13,750,000	Nil	Nil	Nil
Issue to Lead Manager (Canaccord) ³	Nil	Nil	20,000,000 ³	30,000,000 ³	Nil
Issue upon conversion of DOU convertible note ⁴	8,333,333	8,333,333	Nil	Nil	Nil
TOTAL ON COMPLETION OF TRANSACTION	534,440,310	601,106,977	95,000,000	105,000,000	75,000,000

Notes:

1. Quoted options exercisable at 5 cents on or before 6 July 2020. These options will have expired prior to the General Meeting and Consolidation taking place and accordingly are not relevant to the capital structure of the Company for the purposes of the Transaction.
2. Unquoted options exercisable at 4 cents each on or before 4 years from the date of issue.
3. Unquoted options exercisable at 4 cents each on or before 31 July 2024.
4. \$250,000 note convertible into ZIP Shares at Capital Raising issue price of 3 cents.

Performance Shares

The 75,000,000 Performance Shares will be issued in three equal tranches, with each Consideration Performance Share converting into one Shares subject to the achievement of the following milestones set out below:

Class A Performance Share

25,000,000 Class A Performance Shares will convert to Shares on a one-for-one basis on:

- a) the acquisition of 10,000 Customer Accounts; or
- b) the achievement of AUD\$100,000 in Monthly Recurring Revenue for three (3) consecutive calendar months.

whichever occurs first, within 3 years of the date on which the Company is re-instated to the Official List of ASX following completion of the Acquisition (Listing).

Class B Performance Share

25,000,000 Class B Performance Shares will convert to Shares on a one-for-one basis on:

- a) the acquisition of 12,500 Customer Accounts; or
- b) the achievement of AUD\$125,000 in Monthly Recurring Revenue for three (3) consecutive calendar months,

whichever occurs first, within 3 years of Listing.

Class C Performance Share

25,000,000 Class C Performance Shares will convert to Shares on a one-for-one basis on:

- a) the acquisition of 25,000 Customer Accounts; or
- b) the achievement of AUD\$250,000 in Monthly Recurring Revenue for three (3) consecutive calendar months,

whichever occurs first, within 3 years of Listing.

Where:

Customer Accounts means total Active Customer accounts live on the Company's platform; and

Active Customer means a directly registered, active customer with a live account on the Dough platform who has undertaken one of the following activities within a 90-day period:

- (a) activated their Dough debit card and used their Dough debit card to make a purchase; and/or
- (b) funded their Dough bank account (via a deposit by the customer or receipt of a cash transfer from a third party).

An "Active Customer" cannot be procured via the acquisition of another business.

Regulatory Approvals or Waivers

Subsequent to the new acquisition terms being agreed, ZIP sought and obtained from ASX the following approvals and waivers:

Waiver decision - listing rule 2.1 condition 2

ASX Listing Rule 2.12 condition 2 requires that the issue or sale price of all securities that an entity, at the time of its application for admission to the official list, seeks to have quoted must be at least 20 cents. The requirement demonstrates that the entity can raise funds at a price, or that its securities have a minimum value, suitable for a listed entity. **(20 cent rule)**. ASX has granted ZIP a waiver to the 20 cent rule on the basis that ZIP's shares traded at a price below \$0.02 in the 20 trading days prior to the suspension of its securities from quotation.

ZIP is proposing to undertake a consolidation of its securities at a 1.1:2 ratio to achieve a market value for its securities of not less than 2 cents each.

The waiver to the 20 cent rule permits ZIP to undertake the Capital Raising at an issue price less than \$0.02 per share, provided the following conditions are met:

- (a) the issue price of the shares issue pursuant to the Capital Raising (**Capital Raising Shares**) is not less than \$0.02 per share;
- (b) the terms of this waiver are disclosed to the market and, along with the terms and conditions of the Capital Raising Shares, are clearly disclosed in the notice of meeting pursuant to which the Company will seek the approval required under Listing Rule 11.1.2 for the Acquisition and in the prospectus to be issued in respect of the Capital Raising;
- (c) ZIP's shareholders approve the issue price of the Capital Raising Shares in conjunction with the approval obtained under Listing Rule 11.1.2 in respect of the Acquisition; and
- (d) ZIP completes a consolidation of its capital structure in conjunction with the Acquisition such that its securities are consolidated at a ratio that will be sufficient, based on the lowest price at which ZIP's securities traded over the 20 trading days preceding the date of the suspension of the ZIP's securities from official quotation, to achieve a market value for its securities of not less than two cents each.

Waiver decision – Listing Rule 1.1 Condition 12

ASX Listing Rule 1.1 Condition 12 provides that for an entity to be admitted to the official list of ASX, the exercise price for any options on issue in the entity must be at least 20 cents in cash. ASX has granted ZIP a waiver to Listing Rule 1.1 Condition 12 on the basis that the proposed exercise price for the options to be granted to the Lead Manager and Dough as part of the Transaction is not less than 2 cents each and the issue of the Options will be specifically approved by shareholders. The Company's proposed capital structure following the Acquisition will be suitable for a listed entity.

The waiver of Listing Rule 1.1 Condition 12 permits the exercise price of the Canaccord Options and the DOU Options (together, the "Waiver Options") to not be at least 20 cents and has been granted on the following conditions:

- (a) the exercise price of the Waiver Options is not less than \$0.02 each;
- (b) the terms of this waiver are disclosed to the market and, along with the terms and conditions of the Waiver Options, are clearly disclosed in the notice of meeting pursuant to which ZIP will seek the approval required under listing rule 11.1.2 for the Acquisition and in the prospectus to be issued in respect of the Capital Raising; and
- (c) ZIP's shareholders approve the exercise price of the Waiver Options in conjunction with the approval obtained under listing rule 11.1.2 for the Acquisition.

Confirmation Decision – Listing Rule 6.1

Listing Rule 6.1 provides that the terms of equity securities must be appropriate and equitable in order to protect the interests of investors and the integrity of the market.

ASX has confirmed that the terms of the Performance Shares to be issued by ZIP to Dough Vendors are appropriate and equitable on the basis that the milestones attached to the Performance Shares fall within the parameters set out in Guidance Note 19. The terms and structure of the Performance Shares comply with sections 6 and 7 of Guidance Note 19.

Terms of the Performance Shares will be included in ZIP's notice of meeting.

2. **Waiver Decision – Listing Rule 10.3.5**

Listing Rule 10.3.5 provides that, in relation to shareholder approvals for the issue of shares to related parties for the purpose of ASX Listing Rule 10.11, the securities are to be issued no more than one month after the date of the meeting. The underlying policy of ASX Listing Rule 10.13.5 is to provide certainty to security holders and ensure that securities are issued before the approval is “stale” or vitiated by a change in the entity's circumstances. ASX has granted ZIP a waiver from ASX Listing Rule 10.13.5 to permit the issue of the following shares to related parties later than one month after the date of the general meeting of Shareholders:

- (a) up to 3,850,000 fully paid ordinary shares to director Joshua Hunt;
- (b) up to 3,850,000 fully paid ordinary shares to director Umberto (Bert) Mondello; and
- (c) up to 3,850,000 fully paid ordinary shares to director Salvatore Valleslonga.

Full terms of this waiver will be clearly disclosed in the Notice for the General Meeting and in the prospectus to be issued in respect of the Capital Raising.

ZipTel is in compliance with its continuous disclosure obligations under Listing Rule 3.1 and the Board of ZIP will continue to provide shareholders with updates regarding the Transaction in accordance with the Listing Rules. ASX takes no responsibility for the contents of this announcement.

ASX release authorised by the Board of Directors of ZipTel Limited

-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.