

29 January 2016

ZipTel Quarterly Review – Q4 2015

Investment in Developing and Delivering Zipt Mark2 (Upgraded Quality, Reliability, Capability and Capacity) was Strategically Important

ACTIVITY HIGHLIGHTS

- The Company's focus during the quarter was:
 - the successful research, development and roll out of the upgraded operating platform "**Zipt Mark 2**"; and
 - acquiring the targeted 10 million installs, **currently 8 months ahead of schedule.**
- Zipt Mark 2 delivers:
 - **improved user experience** through **enhanced quality and reliability;**
 - capability and capacity enhancements that enable scalability on the consumer model **to over 50 million Monthly Active Users** (MAU's);
 - the product to support roll out of the **enterprise modular platform.**
- Zipt Mark 2 will also include the roll out of the fully integrated **Global In-app Ambassador Portal**, providing a further key point of difference to comparable products in the market.
 - Global Brand Ambassador Campaign commences week of 15 February 2016 **with no cash outlay by the Company, materially lowering Cost per Install (CPI).**
- Zipt Mark 2 research and development costs of \$919,000 were spent during the quarter and are now complete.
 - A Research and Development tax incentive application will be lodged with the view to claim the 45% tax incentive against the eligible one off costs in the 2016 year, including those costs from the September 2015 Quarter.
 - A Research and Development tax incentive application will also be lodged with respect to the costs between 1 July 2014 and 30 June 2015.
- Whilst user growth remains the focus, **Zipt** continued to **deliver revenue over expectations** with receipts of over **\$158,000** in the December quarter with minimal focus on monetisation.
- Key operating metric of **MAU's grew 42%** to 3.1 million during the quarter.

The Directors of ZipTel Limited ("**ZipTel**" or "the **Company**", ASX: ZIP) are pleased to report on the Company's performance for the quarter ended 31 December 2015.

COMPANY FINANCIAL OVERVIEW

During the December 2015 quarter, the Company banked total net cash receipts of \$215,000. Whilst the Company remains focused on user growth and not monetisation until achievement of its initial 10 million install target, this revenue is a bonus in the lead up to; the launch of the Global Brand Ambassador Campaign; inclusion of monetisation features in Zipt Mark 2; the SpeedCast white label; and other enterprise agreements stemming from the enterprise modular white label solution.

During the quarter, the Company trialled multiple pricing techniques with its calling and messaging rates on 'Zipt Out' (Zipt's low rate calling solution) to assist in determining optimum pricing points.

From this intelligence, ZipTel was able to gain insight and identify higher Average Revenue Per User (ARPU) regions which will be crucial once monetisation strategies are commenced from the launch of Zipt Mark 2 in the week commencing 15 February 2016.

The AussieSim business contributed \$57,000 in cash receipts during the quarter with minimal operating and marketing spend.

ZIPT KEY OPERATING METRICS

Metric	September Q3 CY2015	December Q4 CY2015	Percentage change %
MAU*	2,195,290	3,117,827	42%
DAU average**	96,879	116,537	20%
'Zipt to Zipt' hours	29,000	95,000	228%
'Zipt Out' hours	45,000	79,000	76%

* MAU: calculated as the number of unique users for a thirty day period

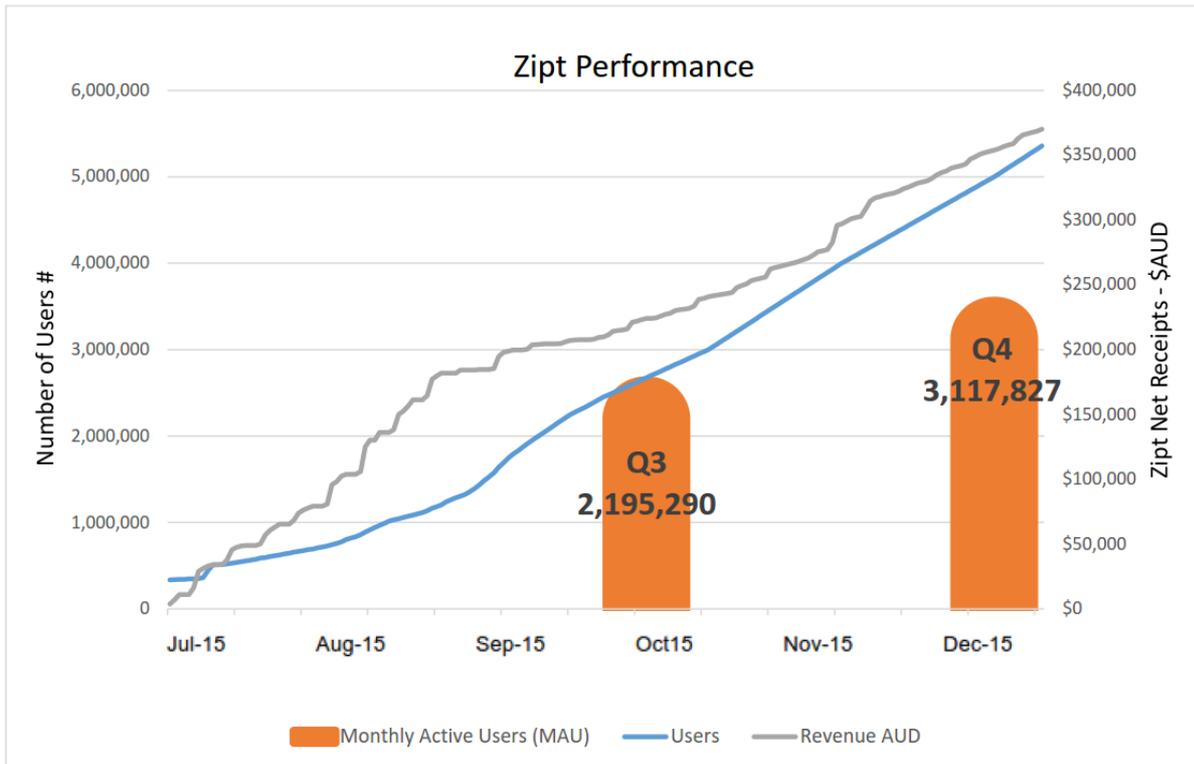
** Daily Active Users (DAU): average in calendar quarter. Note in Q3, DAU's were reported on a monthly basis, September figure above is an average over the quarter.

MAU's increased 42% on last quarter, reaching 3.12 million for the December quarter, while DAU's were up 20% quarter on quarter. Zipt operating metrics continued to be strong with users clearly buying into free 'Zipt to Zipt' app calling with 'Zipt to Zipt' calling hours up 228% on the prior quarter, demonstrating Zipt's clear competitive advantage in comparison to incumbents. Pleasingly, 'Zipt Out' (Zipt's low rate calling solution) hours were up 76% on the September quarter.

The calling hours logged indicate that call duration was up significantly; reflecting increased call stability and quality KPIs and further that the users are doing more than just test calls. There was also a clear trend of Zipt users moved to In-app 'Zipt to Zipt' messaging illustrating a level of virality.

In tandem with the Company's iterations with 'Zipt Out' rates, the take up of subscriptions and bundles resulted in higher 'Zipt Out' hours albeit at lower rates.

Overall, these metrics are encouraging as with app usage spreading, there will be further opportunities for monetisation including 'Zipt Out', the In-app Ambassador Portal, MoneySend and the roll out of the enterprise model.



ZIPT OVERVIEW

Zipt Mark 2

During the December 2015 quarter, the Company was focused on development of its upgraded Zipt Mark 2 platform. A large proportion of expenditure during the period related to this development process. The importance of Zipt Mark 2 cannot be underestimated – it underpins both the Global Brand Ambassador Campaign and the Company's Enterprise Strategy. Zipt Mark 2 offers superior call quality and app enhancements which result in greater user engagement and overall experience. Critically, it delivers the capability to cater for over 50 Million MAU's, without further costs or upgrades to the system.

Global Brand Ambassador Campaign

On 17 November 2015, ZipTel announced it had signed a core group of Global Ambassadors and leading digital media agency Sport Digital Limited, to drive and accelerate further downloads and user engagement of Zipt.

The scrip only based agreements will ensure an uplift in Zipt downloads and activity with **no cash outlay** by the Company, **materially lowering CPI**;

The agreements with Sport Digital and the Ambassadors provides ZipTel with access to the following eight high profile sports stars:

- Gareth Bale, Real Madrid and Wales Football team
- Virat Kohli, Captain of the Indian Cricket team
- Rohit Sharma, Indian Opening Batsman
- Juan Cuadrado, Juventus F.C. and Colombia Football team
- Luke Shaw, Manchester United F.C. and England Football team
- David Ospina, Arsenal F.C. and Colombia Football team
- Nicolas Hamilton, BTCC Racing Driver
- Anthony Joshua, Olympic Heavyweight Gold Medallist Boxer

Given the success to date from the appointment of Brett Lee as a Zipt ambassador with over 4 million followers, these agreements are a significant opportunity for ZipTel to reach a global audience of over 110 million people.

Through the success of the Brett Lee appointment, ZipTel has identified the noticeable impact this has had on driving targeted installs in key geographic regions such as India and the Subcontinent. This has also provided sustained evidence of a reduction in CPI and has facilitated organic growth of the Zipt app.

The marketing strategy with the Ambassadors will be a multi-platform approach with promotional activities, banners and artwork distributed across the Ambassadors' social media platforms and news feeds. Signed memorabilia will also be provided to ZipTel in order to deliver promotional competitions to Zipt users and further drive user engagement within the Zipt app.

The In-app Ambassador Portal delivered as part of Zipt Mark 2, includes several features and capabilities to drive in-app revenue and further open up monetisation opportunities. Zipt users will be able to interact with Ambassadors, which may be monetised through in-app payments or sponsored by brands and premium advertisers. Users will be able to ask questions directly to their idols through the Zipt app and Ambassadors will have access to a platform that engages users through chat, voice and video communication.

Zipt White Label "SpeedTalk"

On 3 December 2015, the Company announced an Enterprise Agreement with leading global satellite communications service provider SpeedCast to white label the Zipt application and provide a calling and messaging solution to remote satellite locations and sea vessels under the product name "SpeedTalk".

The SpeedTalk Application will be introduced into SpeedCast's fastest growing revenue segment, Wholesale Voice Over Internet Protocol ("VOIP"). Successful delivery of the White Label Application will not only provide an immediate revenue stream upon launch, but is a significant third party endorsement of the Zipt technology. SpeedTalk will be deployed in February and March 2016 and provides a near term substantial revenue generation opportunity for the Company.

SpeedTalk has been built on the Zipt Mark 2 platform and opens up further opportunities for additional agreements in the Enterprise market as, customisable, modular solutions. Zipt Mark 2 can easily be deployed into private clouds to deliver enterprise communication solutions to third parties, which can be packaged into an Internet application via any smartphone or web browser.

User base growth accelerates

During the December 2015 quarter, Zipt user growth continued to accelerate with 5 million installations reached during the quarter.

Post the quarter end, Zipt reached 6 million users, representing rapid take-up of the technology, with a run rate higher than 1 million new users per month. At the current run rate, Zipt should exceed 10 million users in April 2016, 8 months ahead of forecast.

The improving month on month growth in installs during the December 2015 quarter was achieved with a lower marketing spend than the September 2015 quarter. This indicates a growing organic virality component within the install numbers.

Zipt's industry leading call compression technology allows the application to work in remote 2G network locations as well as 3G, 4G and Wi-Fi environments. This competitive advantage has translated into significant market traction in 2G prevalent, emerging markets such as the Indian Subcontinent, South America, the Middle East and throughout South East Asia. With global data bandwidth requirements exceeding current availability, the ability of Zipt to deliver superior quality calls while using up to 80% less data than other calling/messaging products demonstrates another clear competitive advantage.

CASH POSITION

The Company begins the March 2016 quarter with a cash balance of \$2.75M. Significant one-off research and development costs were incurred during the December 2015 quarter to complete Zipt Mark 2.

Zipt Mark 2 will result in substantial reductions in the operating costs of the Zipt application in the order of 40%. In tandem, the Company maintains a lean structure with administrative overheads costs budgeted to be ~\$150k / per month.

The Company is currently reviewing its position with regard to a research and development tax incentive claim for the 2014, 2015 and 2016 income tax years. As above, the Company has invested a substantial amount in research and development in creating its globally innovative telecommunications application and intends to claim the 45% R&D tax incentive for all eligible expenditures.

OUTLOOK

With the target for a critical mass of users imminent, ZipTel's focus shifts to monetisation. The key to unlocking the value of Zipt is the new Zipt Mark 2 Platform.

Delivery of Zipt Mark 2 enables the Company to launch its Global Brand Ambassador Campaign. This Campaign will drive installs and Zipt needed to be positioned for scale and to incorporate key monetisation features. Zipt Mark 2 brings scalability to Zipt and in respect of the Ambassador Campaign, the Zipt In-app Ambassador Portal. The Ambassador Campaign will not only drive user base growth and revenues, but do so without cash outlay by ZipTel. The Ambassador Campaign launches in the week commencing 15 February 2016.

Delivery of Zipt Mark 2 also forms the basis for development of the Zipt Enterprise white label application. The white label will first be delivered to SpeedCast and deployed during February and March 2016. The company is actively seeking interest in providing its white label application to additional 3rd parties.

The Company is confident of substantial user growth in 2016 with the short term objective of establishing cash flow positive operations and subsequently augmenting and scaling up profits.

-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 the consumer, using state of the art technologies developed and wholly owned by ZipTel Limited. ZipTel listed on the ASX in July 2014 with its core focus the Zipt mobile based communications application.

About Zipt

Zipt is a mobile based international communication application that allows consumers to SMS and make international calls for free, App to App. The application is able to call any landline or mobile at some of the world's lowest rates. Zipt has the ability to deliver crystal clear sound quality in lower bandwidth data environments and allows consumers to retain their existing phone number, service provider and SIM card, with no lock-in contracts. For more information please visit www.zipt.com.au.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

ZIPTTEL LIMITED

ABN

41 108 042 593

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (December 2015) \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	215	531
1.2 Payments for		
(a) staff costs	(183)	(323)
(b) advertising and marketing	(579)	(1,367)
(c) research and development	(919)	(947)
(d) leased assets	-	-
(e) other working capital	(746)	(1,701)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(2,196)	(3,775)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter (September 2015) \$A'000	Year to date (3 months) \$A'000	
1.8	Net operating cash flows (carried forward)	(2,196)	(3,775)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.14	Total operating and investing cash flows	(2,196)	(3,775)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	213	265
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (Capital raising costs)	-	-
	Net financing cash flows	213	265
	Net increase (decrease) in cash held	(1,983)	(3,510)
1.21	Cash at beginning of quarter/year to date	4,751	6,278
1.22	Exchange rate adjustments to item 1.20	(1)	(1)
1.23	Cash at end of quarter	2,767	2,767

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	73
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees and salaries paid to executive and non-executive directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,767	4,751
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	2,767	4,751

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29/01/2016
 (Director/Company secretary) Date:

Print name: Umberto Mondello

Notes

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.