

31 July 2017

ZipTel Quarterly Review – Q4 FY2017

ACTIVITY HIGHLIGHTS

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

- Continuing a review of the Company operations encompassing both the corporate structure and its developed technology stacks;
- Implementing a lean cost structure to preserve the cash balance;
- Developing Enterprise Opportunities for the Zifi platform with companies in key industries which require low bandwidth calling and messaging solutions;
- Launching and closing a pro rata rights issue offer to shareholders to fund the development, management, maintenance and delivery of the Zifi and Zipt platforms and for assessment and development of other opportunities.

COMPANY FINANCIAL OVERVIEW

During the June 2017 quarter, the Company banked total net cash receipts of ~\$35,000 (Q3 FY2017: \$21,000). Net cash outflow from operating activities was ~\$282,000. During the period, the Company received \$698,000 from the Australian Government's Research and Development (R&D) Tax Incentive Program for international R&D activities completed during FY2016. The Company also received an export management development grant totalling \$99,000 resulting in an overall increase in cash of \$536,000 for the quarter.

The Company's overall cash burn continues to reduce as flagged.

Financial headline	June Q4 FY2017	March Q3 FY2017	December Q2 FY2017	September Q1 FY2017	June Q4 FY2016
Receipts from customers	35,000	21,000	60,000	121,000	112,000
Research and development	(104,000)	(163,000)	(146,000)	(271,000)	(229,000)
Operating costs	(20,000)	(51,000)	(85,000)	(60,000)	*
Marketing	(83,000)	-	(6,000)	(174,000)	(183,000)
Staff costs	(50,000)	(97,000)	(190,000)	(219,000)	(225,000)
Admin and corporate costs	(62,000)	(216,000)	(333,000)	(296,000)	(346,000)
Net Cash outflow**	(282,000)	(501,000)	(699,000)	(896,000)	(871,000)

* Reporting change for new ASX Appendix 4C

** Without government grants and tax incentives

One-off costs were incurred during the June 2017 quarter included finalisation of IT service and advertising agreements and payout of employee entitlements.

ZIPT OVERVIEW (B2C)

Zipt Development

Pursuant to the Company's review of its operational activities, the Zipt Platform was placed into a care and maintenance phase, incurring minimal costs to support and retain intellectual property, server and user information. This step included removing the Zipt application from the various App stores such that no new users can download it; services ceased for existing users from 30 April 2017. ZipTel is exploring commercial outcomes for this product. This initiative does not impact on the Company's other platforms which are currently under review.

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.

The Company announced that its agreement with SpeedCast to develop and deploy the Company's satellite optimised, mobile communications Enterprise Solution “SpeedTalk”, ceased effective 24 April 2017.

CASH POSITION

During the June 2017 quarter, the Company's expenditure was ~\$319,000 – a \$208,000 reduction on the previous quarter (Q3 FY2017: ~\$527,000). The Company has no significant development plans in the next quarter while it continues its cost-conscious focus. As part of the Company's review of operations and adoption of a lean cost structure, Keaton Wallace has stepped down as an executive director. Mr Wallace will remain on the ZipTel board as a non-executive director. The lean structure will ensure the Company retains as much cash as possible.

The Company receipted the proceeds from its R&D tax incentive application claim for FY2016 international expenditure to the value of \$698,000.

Subsequent to period end, the Company successfully closed an underwritten pro rata rights issue raising ~\$1,198,000 before costs via the issuance of 59,893,560 shares and 29,946,780 listed options at an issue price of 2.0 cents per share subscribed for. The free attaching listed options, issued on the basis of 1 for every 2 new shares subscribed for, have an exercise price of 5.0 cents and an expiry date of 6 July 2020.

OUTLOOK

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

-Ends-

For more information please contact:

ZipTel Limited

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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.

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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	35	237
1.2 Payments for		
(a) research and development	(104)	(684)
(b) product manufacturing and operating costs	(20)	(217)
(c) advertising and marketing	(83)	(263)
(d) leased assets	-	-
(e) staff costs	(50)	(556)
(f) administration and corporate costs	(62)	(909)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	797	2,162
1.8 Other (provide details if material)	21	25
1.9 Net cash from / (used in) operating activities	536	(195)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	-	-
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	-	-
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	-	-

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	620	1,353
4.2 Net cash from / (used in) operating activities (item 1.9 above)	536	(195)
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)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	(2)
4.6	Cash and cash equivalents at end of quarter	1,156	1,156

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	1,156	620
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)	1,156	620

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	11
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	

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

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

n/a

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	(185)
9.6 Administration and corporate costs	(150)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(350)

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	-	-

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: 31 July 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.