

27 April 2016

ZipTel Quarterly Review – Q3 FY2016

Zipt 2.0 global rollout completed with customers successfully migrating from Zipt 1.0, Ambassador Campaign launched & SpeedTalk delivered.

ACTIVITY HIGHLIGHTS

- The Company's focus during the quarter was:
 - Global rollout of **new Zipt 2.0** platform and migration of customers from Zipt 1.0;
 - Launch of the Zipt Ambassador Campaign;
 - Achieving 10 million Zipt installs, **completed 9 months ahead of schedule**; and
 - Delivery of the **SpeedTalk** Enterprise Application to our Enterprise Partner.
- Zipt 2.0 delivers:
 - **Improved user experience** over Zipt 1.0, through **enhanced quality, performance & reliability**;
 - Significant operating cost reductions over the Zipt 1.0 platform;
 - World first revenue generating **In-app Ambassador Portal**;
 - Scalable to 50 million MAU's with no increase in operating costs.
- As a result, Zipt 2.0 has improved user retention, top up conversion rates & longer session times versus Zipt 1.0.
- **Global Brand Ambassador Campaign** launched on 4 March 2016:
 - The launch of the Ambassador Campaign drove in excess of **2 million installs**;
 - Significant uplift in in-app activity noted - first month of data will enable in-app advertising in the **Ambassador Portal** to be optimised for revenue generation.
- **SpeedTalk**, the Zipt White Label Enterprise Application, was delivered in accordance with the terms of the commercial agreement. Deployment and commercialisation to commence May 2016.
- Zipt Research and Development ("R&D") tax incentive application was lodged and accepted by the Australian Taxation Office:
 - **A refund of \$1,102,622 will be banked** on or before 12 May 2016;
 - For the current financial year to date, **R&D eligible expenses of ~\$3.5M** (of which an estimated 45% can be claimed by way of a refund) have been identified. A claim in respect to these expenses will be lodged shortly after financial year end - 30 June 2016.
- Following receipt of the FY15 refund, ZipTel will have **~\$2M cash at bank**.
- With completion of the 10 million Zipt install target, the Company's focus is paying subscribers: both new and those Zipt customers who have not used the revenue generative functions of the app.
- With Zipt development capital expenditure now materially complete and minimal overhead costs, the Company is well placed to meet its obligations.

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 March 2016.

COMPANY FINANCIAL OVERVIEW

During the March 2016 quarter, the Company banked total net cash receipts of ~\$142,000 (Q2 FY2016: \$215,000). The Company's focus was the roll out of the new Zipt 2.0 platform

in tandem with the migration of existing users from the old platform. While the migration process was underway for the bulk of Zipt 1.0 users, advertising costs to attract new users was limited to \$294,000 (Q2 FY2016: \$579,000).

With installs growing via the Company's SEO (Search Engine Optimisation) and SRO (Search Research Optimisation) work in tandem with the successful launch of the Zipt Ambassador Campaign on 4 March 2016, the Company can operate organically i.e. as a fixed cost business. These initiatives have given the Company much more control over the main variable expense in the business – marketing.

In the previous quarter, Q2 FY2016, the Company incurred one-off research and development costs of \$919,000 in relation to Zipt 2.0. Further development costs of \$692,000 were incurred during the current quarter. Part of this cost was attributed to the development time relating to integration of the World first Zipt In-App Ambassador portal along with the revenue generative features built into the app and the finalisation of the Enterprise Platform to make it a unique 'plug and play' solution for other Enterprise Agreements which are currently in the pipeline.

The operating costs of Zipt 2.0 are significantly lower than the previous platform - in the order of 40%. These savings will flow through from next quarter.

ZIPT KEY OPERATING METRICS

Although the Company will continue to iterate and refine Zipt, large scale development tasks have now been completed. The current build of Zipt 2.0 (live on Android and pending Apple review on iOS) is stable with all key features operating satisfactorily. With no more ad-hoc updates required, the Company will look to implement future Zipt updates and improvements on a monthly basis.

The metrics reported below are predominantly for Zipt 2.0 which launched on Android on 19 February 2016 and on iOS on 26 February 2016. The migration of customers to Zipt 2.0 (from Zipt 1.0) commenced on 26 February 2016 and continued through March and into April 2016. Initially ~7 million push notifications were generated to Zipt 1.0 users and subsequently ~5 million branded emails were sent.

In terms of reporting, the migration program has carried over into the current quarter i.e. Q4 FY2016. As a result, the activity generated via migrations to Zipt 2.0 will largely be reflected in the next quarter.

Metric	September Q1 FY2016	December Q2 FY2016	March Q3 FY2016
MAU*	2,195,290	3,117,827	2,493,674
DAU average**	96,879	116,537	100,675
'Zipt Out' hours***	45,000	79,000	70,000

* **Monthly Active Users ("MAU"):** calculated as the number of unique users for a thirty day period. March Q3 FY2016 does not fully reflect the migration program activity which will largely be reflected next quarter.

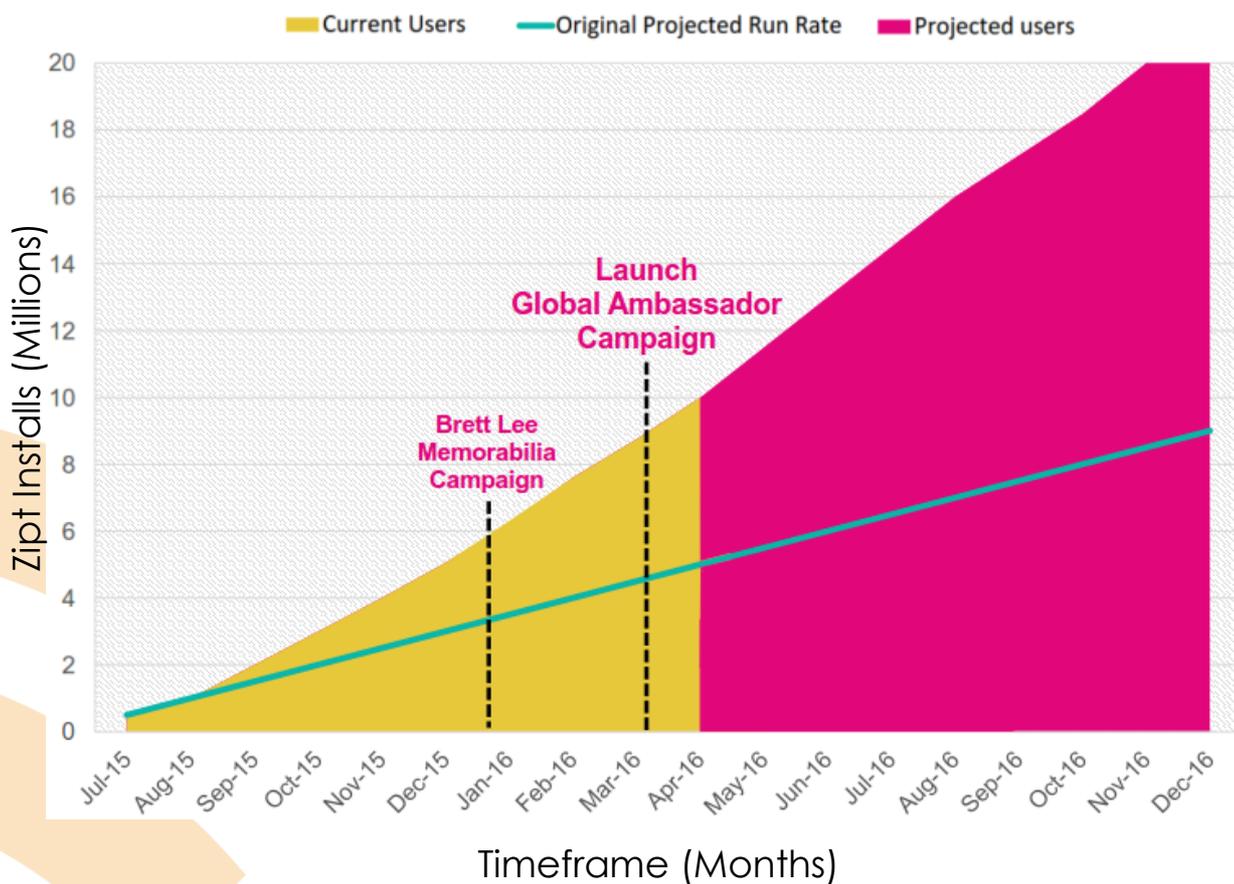
** **Daily Active Users ("DAU"):** average in calendar quarter. March Q3 FY2016 for Zipt 2.0.

In terms of metrics, Zipt 2.0 has demonstrated superior retention and activity rates compared to Zipt 1.0. Approximately 4.0M users had installed or upgraded to Zipt 2.0 as at the end of March 2016. As a percentage of MAU to Zipt 2.0 Installs, this is ~65%, with the migration program activating the balance of users.

This metric compares favourably to the December figure for Zipt 1.0 of ~5.6M installs which, based on 3.1M MAU above yields a MAU percentage of 55%. Following completion of the Zipt 2.0 migration process, this percentage is anticipated to remain constant i.e. 4.0M Zipt 2.0 users generated 2.5M MAU when 5.6M Zipt 1.0 users generated 3.1M MAU. As the migration continues to Zipt 2.0, MAU will increase proportionately.

The Ambassador Portal has been excellent in generating traffic to Zipt. Since launch, there have been more than 2.3M unique entries by customers into the Ambassador Portal. The bulk of these (~70%) have pleasingly been via an iOS device. Iterations are continuing with respect to advertising placements and sources. As a result, the next round of Ambassador posts will show improved revenue generation over and above the early signs of monetisation announced post quarter end.

10 million Zipt installs achieved in ~9 months



As a result of the Ambassador Portal and the Ambassador Campaign, subsequent to quarter end, the number of global Zipt installs exceeded 10 million. This represents a significant uplift on the previous growth rate.

ZIPT OVERVIEW

Zipt 2.0

Zipt 2.0 went live on Android on 19 February 2016 and subsequently on iOS in all regions on 26 February 2016.

The new features available on Zipt 2.0 offer deeper engagement with its customer base and has resulted in improved retention rates and longer customer session times. In particular, significant development time was spent during the period refining the Ambassador Portal including integrating software development kits ("SDK's") for various advertising sources, as well as improving other revenue generative elements.

Zipt 2.0 Migration Program

The migration of customers from Zipt 1.0 to the Zipt 2.0 platform is an opportunity to re-engage with customers on a new platform with many more unique features.

Zipt 1.0 customers across the globe received a series of tailored communications (SMS, push notifications and branded email distributions) which announced the release of Zipt 2.0 and provided easy access to the new version, along with incentives to drive upgrading to the new app. The migration program is ongoing with the Zipt 1.0 platform decommissioned effective April 13, 2016, resulting in immediate cost savings to the Company.

Zipt Global Brand Ambassador Campaign

On 4 March 2016, the Zipt Global Brand Ambassador Campaign was launched, with the Ambassadors making their first Zipt posts across all social media channels.

ZipTel's social media partners have confirmed these posts significantly overachieved expectations in terms of reach and social media 'likes' by a factor of 8 times. Second social media posts with memorabilia competitions have since been made and well received, particularly compared to other brands. These posts included a call to action for customers to download Zipt and ask the Ambassadors a question via Zipt Ambassador Portal Q+A. Both the launch posts and memorabilia posts have been crucial in delivering a material uplift in unique Zipt downloads, as well as customers being served with revenue generating advertising.

The scrip-only based agreements with the Ambassadors will ensure an uplift in Zipt downloads and activity with no cash outlay by the Company, materially lowering Cost per Install ("CPI").

Zipt White Label "SpeedTalk"

On 3 December 2015, the Company announced an Enterprise Agreement with leading global satellite communications service provider SpeedCast International Limited ("SpeedCast", ASX:SDA) 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".

Per the terms of the Enterprise Agreement, SpeedTalk was delivered to SpeedCast on 4 March 2016. The commercial roll out of the SpeedTalk app is imminent and is targeted for commencement during May 2016 across several SpeedCast locations. Tariffs (calling rates) have been agreed and with average margins in the order of 80%, SpeedTalk is anticipated to have a material impact on the Company's cash flows going forward.

Significant development time was spent ensuring that the modular platform would be ready to be customised for future Enterprise Agreements. ZipTel will provide more details in this regard in due course.

CASH POSITION

The Company begins the March 2016 quarter with a cash balance of \$1.11M. Further one-off research and development costs were incurred during the March 2016 quarter to refine the new platform and integrate the Zipt Ambassador Portal and its revenue generative features along with finalising the enterprise modular back end.

Zipt 2.0 will result in substantial reductions in the operating costs of the Zipt application. The Company's monthly cash burn is budgeted to be circa \$130k/month.

The Company has filed its Research and Development Tax Incentive Claim and a refund amount of \$1,102,622 has been approved by the Australian Tax Office and will be received on or before 12 May 2016. **Upon receipt of this refund, the Company will have ~\$2M cash at bank.**

With Zipt development capital expenditure materially complete and minimal overhead costs, the Company is well placed to meet its obligations until its monetisation initiatives ('Zipt Out', in-app advertising, 'SpeedTalk' and the Ambassadors Portal) are all contributing to ZipTel's operations.

For the current financial year to date, R&D eligible expenses of ~\$3.5M have been identified for Q1-Q3 FY2016. A claim in respect to these expenses, along with eligible expenses from Q4 FY2016, will be lodged as soon as practical after financial year end - 30 June 2016.

Due to the nature of ZipTel's operations, a significant portion of the Company's expenses will be credited back to the Company through this scheme on an ongoing basis.

OUTLOOK

On 4 April 2016, ZipTel confirmed that Zipt had met its install target of 10 million. This milestone marked a shift in the focus of the Company from customer base growth to monetisation.

A key directive for the Company going forward is marketing to the existing pool of Zipt customers and increasing the percentage conversion of non-paying customers to paying customers. Currently less than 1% of Zipt customers have used the revenue generative features of the application providing a significant growth opportunity for the Company.

The first month of a year long Ambassador Campaign has been very successful in driving traffic and interest to Zipt. The Company will look to package up the impressions and sell exclusive advertising opportunities to the Ambassador's large corporate sponsors in the first instance.

SpeedTalk, the Zipt white label Enterprise Solution, is scheduled for a roll out during May 2016. The vision is for SpeedTalk to complement SpeedCast's current VoIP offering and allow them to further penetrate the remote workplace communications market and accelerate the fastest growing segment of their business.

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

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 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (March 2016) \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	142	673
1.2 Payments for		
(a) staff costs	(210)	(533)
(b) advertising and marketing	(294)	(1,661)
(c) research and development	(692)	(1,639)
(d) leased assets	-	-
(e) other working capital	(619)	(2,320)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	42
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	(1,663)	(5,438)

+ 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)	(1,663)	(5,438)
	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	(1,663)	(5,438)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	7	272
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	7	272
	Net increase (decrease) in cash held	(1,656)	(5,166)
1.21	Cash at beginning of quarter/year to date	2,767	6,278
1.22	Exchange rate adjustments to item 1.20	-	(1)
1.23	Cash at end of quarter	1,111	1,111

+ 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	102
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	1,111	2,767
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,111	2,767

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: 27/04/2016
 (Director/Company secretary)
 Print name: Umberto Mondello

+ See chapter 19 for defined terms.

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 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.