

28 April 2017

ZipTel Quarterly Review – Q3 FY2017

ACTIVITY HIGHLIGHTS

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

- Progressing a review of the Company operations encompassing both the corporate structure and its developed technology stacks;
- Implementing the outcomes of the review with the focus on minimising cash outlay and evaluating commercial alternatives and outcomes;
- Developing Enterprise Opportunities with companies in key industries which require low bandwidth and satellite, calling and messaging solutions i.e. agriculture, maritime, property development, airlines and remote communications providers;
- The Company has targeted a net 'whole of Company cash burn' of ~\$30,000 per month.

COMPANY FINANCIAL OVERVIEW

During the March 2017 quarter, the Company banked total net cash receipts of ~\$21,000 (Q2 FY2017: \$60,000). The Company conducted no marketing activities and despite the fall in revenue, net cash outflow (\$501,000) was reduced by \$198,000 (or 28%) over the prior period (Q2 FY2017: \$699,000).

Financial headline	March Q3 FY2017	December Q2 FY2017	September Q1 FY2017	June Q4 FY2016	March Q3 FY2016
Receipts from customers	21,000	60,000	121,000	112,000	142,000
Research and development	(163,000)	(146,000)	(271,000)	(229,000)	(692,000)
Operating costs	(51,000)	(85,000)	(60,000)	*	*
Marketing	-	(6,000)	(174,000)	(183,000)	(294,000)
Staff costs	(97,000)	(190,000)	(219,000)	(225,000)	(211,000)
Admin and corporate costs	(216,000)	(333,000)	(296,000)	(346,000)	(619,000)
Net Cash outflow**	(501,000)	(699,000)	(896,000)	(871,000)	(1,673,000)

* Reporting change for new ASX Appendix 4C

** Without R&D tax refunds and other credits

One-off costs were incurred during the March 2017 quarter including finalisation of agreements with IT service providers as well as termination of staff and other administrative and operational agreements.

ZIPT OVERVIEW (B2C)

ZipT Development

Pursuant to the Company's review of its operational activities, it appointed an external IT consultant to report on the ZipT platform's capabilities and recommendations on alternative paths to commercialisation. The Company advises that has since received the external IT consultant's report.

The external IT consultant recommended key development projects which would improve the stability and call quality levels of the Zipt Platform, allowing it to be more competitive in the highly competitive and ever evolving communications solutions market.

Whilst the Company is excited about the potential of these recommendations, the development projects would require further substantial investment. At this time, the Board of Directors would only support such an investment if it was funded from other profitable revenue streams generated by the Company.

Until other profitable revenue streams are established, the Zipt Platform will be placed into a care and maintenance phase, incurring minimal costs to support and retain intellectual property, server and user information. This step will include removing the Zipt application from the various App stores such that no new users can download it and services will cease for existing users from 30 April 2017. ZipTel will explore commercial outcomes for this product in due course. 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”. A significant part of the development is completed which will contribute to the substantial reduction in this expense line item going forward.

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.

On 16 January 2017, the Company announced the execution of a Memorandum of Understanding (MOU) with leading communications Technology company BLUFI Wireless; a subsidiary of Brighton Technologies Group.

BLUFI Wireless provides specialised onsite communications for gaming, hospitality, retail and industrial customers. Under the MOU, ZipTel will license a Software Development Kit of ZiFi, to BLUFI Wireless' for use by its customers in key industries.

This MOU, along with existing the MOUs (as previously announced) will be considered and further business modelling will be undertaken to ensure the commercial viability of each proposal prior to commencement of the business activities. The Company will provide an update to market in due course of findings in this regard.

Notably, subsequent to period end, 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 March 2017 quarter, the Company's expenditure was ~\$527,000 – a \$234,000 or more than 30% reduction on the previous quarter (Q2 FY2017: ~\$761,000). This is even more impressive considering that the previous Q2 result was also a more than 25% reduction over the Q1 result.

The Company has no significant development plans in the next quarter while it refines its cost conscious focus. The lean structure will ensure the Company retains as much cash as possible.

The Company previously announced that it had lodged a Research and Development ("R&D") tax incentive application claim for FY2016 international expenditure. Approval from the relevant authority has since been received to the value of ~\$632,643 and these funds will be banked in due course. With receipt of these funds, the Company's cash balance would be ~\$1.2M.

OUTLOOK

ZipTel is reviewing its operations with the focus on maintaining and ultimately building its cash balance.

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

Keaton Wallace

Executive Director

T: +61 8 6252 4224

W: 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 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	21	202
1.2 Payments for		
(a) research and development	(163)	(580)
(b) product manufacturing and operating costs	(51)	(197)
(c) advertising and marketing	-	(180)
(d) leased assets	-	-
(e) staff costs	(97)	(506)
(f) administration and corporate costs	(216)	(847)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,365
1.8 Other (provide details if material)	4	4
1.9 Net cash from / (used in) operating activities	(501)	(731)
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 (9 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	1,122	1,353
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(501)	(731)
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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	(2)
4.6	Cash and cash equivalents at end of quarter	620	1,122

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	620	1,122
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)	620	1,122

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

Current quarter \$A'000
39
-

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

- 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

Current quarter \$A'000
-
-

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	(10)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(70)
9.6 Administration and corporate costs	(90)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(170)

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: 28 April 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.