

31st January 2017

DECEMBER QUARTERLY ACTIVITIES REPORT 2016

ASX Symbol: **ST1**

REGISTERED OFFICE

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South Melbourne VIC AUS 3205

PRINCIPAL PLACE OF BUSINESS

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Prahran VIC AUS 3181

CONTACT

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www.spirit.com.au

BOARD OF DIRECTORS

Mr James Joughin (Chairman)
Mr Terry Gray (Director)
Mr Geoff Neate
(Managing Director)

ISSUED CAPITAL

Shares on Issue: 920,251,253

Spirit is pleased to provide its December Quarterly activity report to our shareholders.

- The Spirit group finished our second quarter as a listed entity, with a cash balance of \$1.7m and a total debt of \$4.2m, resulting in a net debt position of \$2.5m.
- Cash generated from operations during the quarter totalled \$53,000. Significant cash items were incurred in the quarter relating to ongoing M&A activity (Legal, due diligence and corporate advisory) of \$235,000. In addition, we have made further investment in sales and marketing staff and customer service of approximately \$80k, as we pursue our revenue growth objectives.
- The 32 'on-net' buildings added during the December quarter took our half year total to 59. Spirit's 'land-grab' strategy of maximising on-net buildings will yield future revenue, as customer penetration levels increase. Investment into these building fit-outs reached \$475,000. This represents an increase of \$236,000 CAPEX on the prior period, due to the size and volume of larger building deployments.
- In line with our intention to make acquisitions that "...support and enhance the existing business", Spirit was pleased to finalise the acquisition of Phone Name Marketing Pty Ltd and Inbound Telecommunications Unit trust in Dec 2016. While its contribution to quarterly cash flows was minor, we are confident this acquisition will perform accordingly in the future. This was the third acquisition in Spirit's history and the first as a listed entity. As part of Spirit's ongoing strategy we continue to explore growth opportunities through acquisition.

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

Spirit Telecom Limited

ABN

73 089 224 402

Quarter ended ("current quarter")

31 December 2016

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to Date (6 Months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2,975 | 5,687 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | (77) | (163) |
| (d) leased assets | | |
| (e) staff costs | (690) | (1056) |
| (f) administration and corporate costs | (2,132) | (4,253) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 10 | 14 |
| 1.5 Interest and other costs of finance paid | (33) | (68) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | 53 | 161 |

| | | |
|--|---------|---------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (475) | (714) |
| (b) businesses (see item 10) | (4,400) | (4,400) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to Date (6 Months) \$A'000 |
|---|------------------------------------|--|
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | (136) | (136) |
| 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 (Cash acquired on acquisition) | 310 | 310 |
| 2.6 Net cash from / (used in) investing activities | (4,701) | (4,940) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 2,252 | 2,252 |
| 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 | (81) | (81) |
| 3.5 Proceeds from borrowings | 4,200 | 4,200 |
| 3.6 Repayment of borrowings | (2,097) | (2,113) |
| 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 | 4,274 | 4,258 |

| | | |
|---|---------|---------|
| 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 | 2,107 | 2,254 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 53 | 161 |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (4,701) | (4,940) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to Date (6 Months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,274 | 4,258 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 1,733 | 1,733 |

| 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 | 1,733 | 1,357 |
| 5.2 | Call deposits | - | 750 |
| 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) | 1,733 | 2,107 |

| 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 | 22 |
| 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 | |

Our Chairman James Joughin receives remuneration of \$5,000 per month and Director Terry Gray \$2,500 per month.

| 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 | 27 |
| 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 | |

7.1 – Total payments to Lodge Corporate Advisory services are \$27,305. Terry Gray is a consultant with Lodge and a Director of Spirit Telecom Ltd.

| 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 | 4,200,000 | 4,200,000 |
| 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. | | |

The Loan facility has been provided by Bank West. The interest rate applied is the BBSY plus a margin of 3%. The facility is secured.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Research and development | - |
| 9.2 Repayment of Borrowings ** | (210) |
| 9.3 Advertising and marketing | (100) |
| 9.4 Leased assets | - |
| 9.5 Staff costs | (725) |
| 9.6 Administration and corporate costs | (2,150) |
| 9.7 Capex | (450) |
| 9.8 Total estimated cash outflows | (3,635) |

* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

**9.2 The principal of the Advance provided by Bank West is to be repaid by Scheduled Repayments of \$210,000 per quarter each payable at the end of each Interest Period commencing on 31 March 2017.

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|-------------------------------|-----------|
| 10.1 Name of entity | Phone Names Marketing Pty Ltd | N/A |
| 10.2 Place of incorporation or registration | Australia | N/A |
| 10.3 Consideration for acquisition or disposal | \$4,400,000 | N/A |
| 10.4 Total net assets | \$1,100,000 | N/A |
| 10.5 Nature of business | Telecommunications | N/A |

*Current estimated goodwill is approximately \$3.3million for the acquisition.

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: 
(Company secretary)

Date: 31 January 2017

Print name:MELANIE LEYDIN.....

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.