

28<sup>th</sup> April 2017

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 31 MARCH 2017

### ASX Symbol: ST1

### REGISTERED OFFICE

Level 4, 100 Albert Road  
South Melbourne VIC AUS 3205

### PRINCIPAL PLACE OF BUSINESS

Level 2  
240 Chapel Street Prahran  
VIC AUS 3181

### CONTACT

P 1300 007 001  
F 1300 887 813  
[www.spirit.com.au](http://www.spirit.com.au)

### BOARD OF DIRECTORS

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

### ISSUED CAPITAL

Fully paid ordinary shares:	184,050,420
ST10 Listed Options:	44,654,523
ST1AC Unlisted Options:	2,500,000
ST1AB Performance Rights:	2,570,000

Spirit is pleased to provide its Quarterly Activity report to our shareholders.

### Highlights:

- Receipts from customers increases 12% over the December quarter, to \$3,355,000
- Net cash from operating activities increased 90% for the quarter, to \$101,000
- Total Buildings connected to Spirit's network increased by 58, for the YTD total of 118 buildings. This brings Spirit's total on-network ("on-net") buildings to 306.
- Debt paydown of \$210,000 off the principle Bank debt facility
- Closing cash balance for the quarter was \$1.07 Million

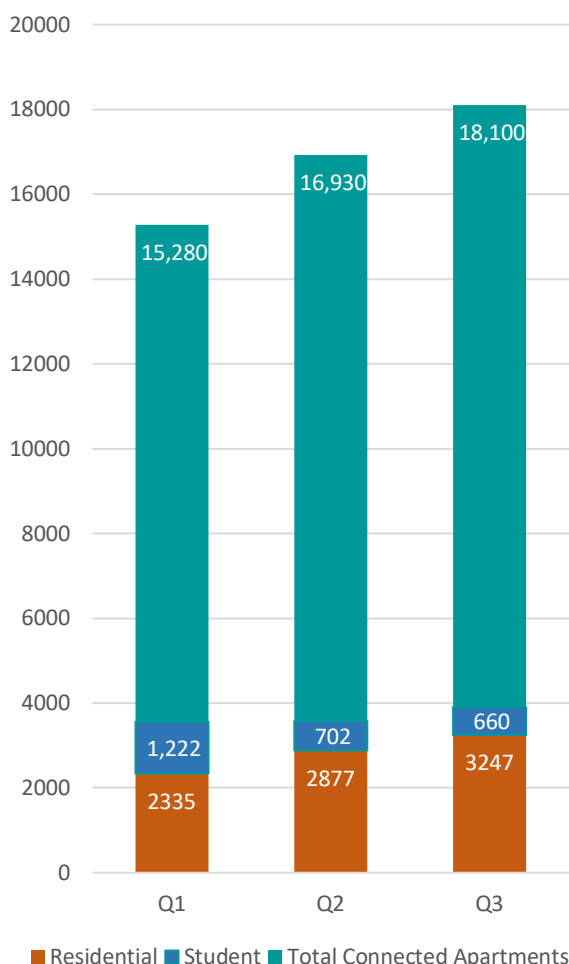
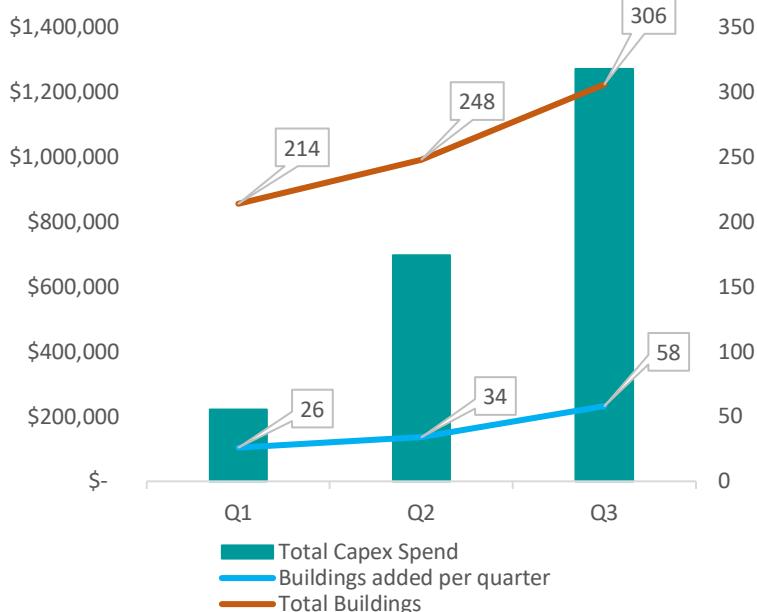
Spirit Telecom Limited (ASX: ST1) ("Spirit") is pleased to provide shareholders with the 3<sup>rd</sup> quarterly activities report and Appendix 4C for the quarter ended 31 March 2017.

During the quarter, Spirit's activities were focused on developing key strategic areas, considered important for Spirit's growth and development.

These include:

- Growing Spirit's network through the addition of buildings in the residential and commercial sectors
- Increasing the customer numbers within its on-net buildings
- Developing the sales and marketing resource, to enable a faster path to growing customer numbers
- Working with building owners to increase the number of connected apartments, for future growth and deployment.

Spirit is pleased with the growth of on-net buildings to 306. The deployment of 58 buildings, more than double that of Q1/17, shows the continued appetite the market has for Spirit's superfast Internet and voice services. The Capex used in these buildings, for the quarter is \$545K, or an average of \$9,396/building. The financial year to date in-building capex spend is \$1.27 million or \$10,846/building, across the 118 buildings added this financial year.



In the residential sector the number of connected apartments grew to 18,100 for the March quarter. Active customers within the residential and student apartments grew to 3,907, which is a growth of 9% over the December quarter.

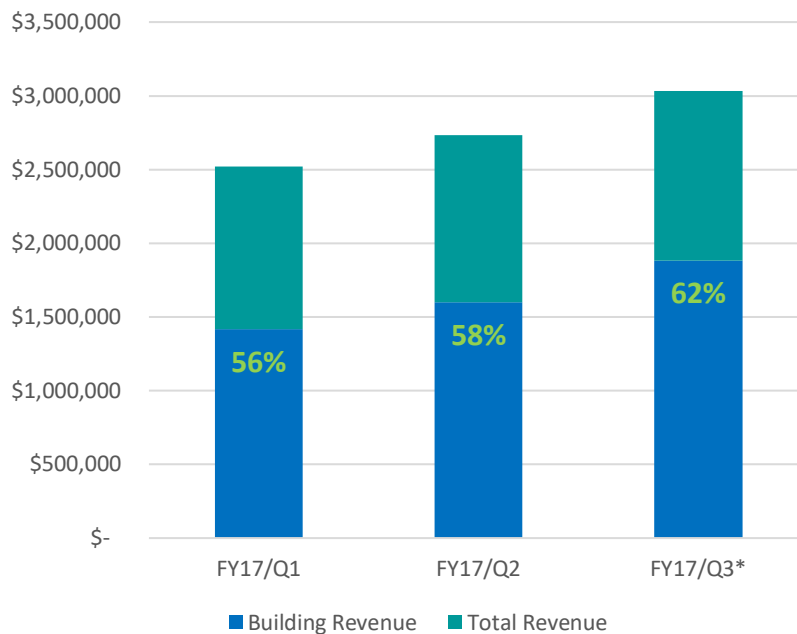
One of the more significant buildings was the addition of the Eureka Tower in Melbourne. Spirit entered the building more than a year after NBN and regardless of the 'first to market advantage' that NBN had, Spirit was able to gain nearly 20% of residents since activating Eureka Tower in late February 2017.

Spirit's Managing Director Geoff Neate commented:

*"This quarter's growth in buildings and Connected apartments has been encouraging. It shows what we are capable of and is a credit to the team's ability to compete against much bigger players in the industry. Our biggest test was to give NBN such a head start and we exceeded our expectations in a very short time"*



The overall growth of Spirit has been healthy, with revenues increasing in all categories. As is illustrated in the chart below, the growth in building revenue, relative to total, is continuing to increase. In addition, non-building revenue has grown, providing an overall healthy increase in total revenue.



**Factors affecting Australian Telco sector**

- Gross margin reduction experienced by NBN resellers, brought about by the NBN’s pricing structure:

Spirit deploys and manages a totally separate network to the NBN. Because Spirit deploys ‘switched Ethernet’ in its buildings it does not resell NBN and is therefore does not experience the same negative margin impact being experienced by NBN resellers (see below).

- Competitor’s plan to build an alternative mobile network

Spirit’s network development is focused on providing superfast internet and ancillary services, such as voice, to the commercial and residential sector. The entry of another mobile network is not expected to impair Spirit from achieving its growth objectives.



A single end user on a 25/5Mbps NBN service requires a \$27 access fee and \$15.25 of CVC2, compared to Spirit’s less than \$10 for 25/25Mbps

1. Based on a 25/5 Mbps service  
 2. Based on industry average of 1Mbps/user

## 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 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to Date (9 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,355	9,042
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(81)	(244)
(d) leased assets		
(e) staff costs	(659)	(1,715)
(f) administration and corporate costs	(2,419)	(6,639)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	16
1.5 Interest and other costs of finance paid	(58)	(126)
1.6 Income taxes paid+	(39)	(72)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>101</b>	<b>262</b>

+ A reclassification has been made between the Year to Date income taxes paid and administration costs in relation to \$33,000 of income taxes paid in the December 2016 quarter.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(545)	(1,269)
(b) businesses (see item 10)	-	(4,400)

+ See chapter 19 for defined terms  
1 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to Date (9 Months) \$A'000</b>
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	(136)
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	10
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (Cash acquired on acquisition)</b>	-	310
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(545)</b>	<b>(5,485)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	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)
3.5 Proceeds from borrowings	-	4,200
3.6 Repayment of borrowings	(218)	(2,331)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(218)</b>	<b>4,040</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,733	2,254
4.2 Net cash from / (used in) operating activities (item 1.9 above)	101	262
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(545)	(5,485)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(218)	4,040

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to Date (9 Months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,071</b>	<b>1,071</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,071	1,733
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,071</b>	<b>1,733</b>

**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

<b>Current quarter \$A'000</b>
98
-

Director's fees and salaries paid to directors during the March 2017 quarter.

**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

<b>Current quarter \$A'000</b>
25
-

7.1 – Total payments to Lodge Corporate Advisory services are \$24,750. Terence Gray is a consultant with Lodge and a Director of Spirit Telecom Ltd.

8. <b>Financing facilities available</b> <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	3,990,000	3,990,000
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.		

An initial loan facility of \$4,200,000 (disclosed at Section 3.5) has been provided by Bank West. The interest rate applied is the BBSY plus a margin of 3%. The scheduled principal repayments to Bank West are \$210,000 per quarter, each payable at the end of each interest period commencing on 31 March 2017. The facility is secured.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
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 Other – Investing activities – Capital Expenditure	(615)
Other – Financing activities - Repayment of borrowings **	(210)
<b>9.8 Total estimated cash outflows</b>	<b>(3,800)</b>

\* 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.

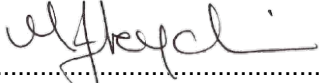
\*\* The principal of the loan provided by Bank West is to be repaid by Scheduled Repayments of \$210,000 per quarter, each payable at the end of each Interest Period commencing on 31 March 2017.

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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	\$1,327,000	N/A
10.5 Nature of business	Telecommunications	N/A

\*Current estimated goodwill is approximately \$3.1million 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:  ..... Date: 28 April 2017  
(Company secretary)

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.