

31st OCTOBER 2017

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 30 SEPTEMBER 2017

ASX Symbol: ST1

REGISTERED OFFICE

Level 4, 100 Albert Road
South Melbourne VIC AUS 3205

PRINCIPAL PLACE OF BUSINESS

Level 2
19-25 Raglan Street
South Melbourne VIC 3250

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)
Mr Luke Waldren (Director – as of today)

ISSUED CAPITAL

Fully paid ordinary shares:	207,837,268
ST1O Listed Options:	44,654,523
ST1AC Unlisted Options:	2,500,000
ST1AB Performance Rights:	1,970,600

Spirit Telecom Limited (ASX ST1) ("Spirit") is pleased to provide shareholders with the quarterly activities report and Appendix 4C for the quarter ended 30 September 2017.

Highlights:

- Record cash receipts of \$4.2M, representing 27% quarter-on-quarter growth on Q4'17 and 56% year-on-year growth on Q1'17.
- Driven by continued strong organic growth in the core Spirit business (+10% on Q4'17) and a full period contribution from recently acquired World Without Wires (WWW) business.
- On-Net Building Revenue grew by 10% on Q4'17, with continued quarter-on-quarter growth in both Commercial (+13%) and Residential (+6%) revenues
- 9 consecutive quarters of growth in both Commercial/Residential cash receipts
- Number of On-Net Buildings grew by 14% from Q4'17 to 398 (49 net adds up from 43 in Q4'17)
- Capex per building averaged \$9,600 during Q1'18 – down 43% on Q4'17 and down 17% from FY17 average
- Completed the World Without Wires Acquisition – adding incremental \$1.1M EBITDA in FY18 and growing
- Strengthening of Exec, with the addition of Chief Financial Officer, Sales Director and Chief Infrastructure Officer
- Finished the period with \$5m of net debt, implying a trailing FY17 net debt/EBITDA ratio of 1.6x and the Company remains well within its banking covenants

Summary of Activities:

- Underlying net operating cash flow was \$629k for the quarter, up 660% on Q1'17 – marking the 5th consecutive quarter of cash flow positivity for the Company. Operating expenses during the quarter included a number of one-off non-recurring items relating to prepayments costs (\$77k) and an accrued payable of \$380k paid in Q1 relating to services provided during Q3/Q4 due to a timing issue. As a result, actual net operating cash flow was \$172k for the quarter.
- Underlying operating cash expenditure totalled \$3.54m in Q1, and is expected to grow modestly in Q2 due to the increased executive and sales personnel added during Q1 to support future growth. Non-recurring acquisition costs of \$280k will also be incurred during Q2.

Revenue Commentary

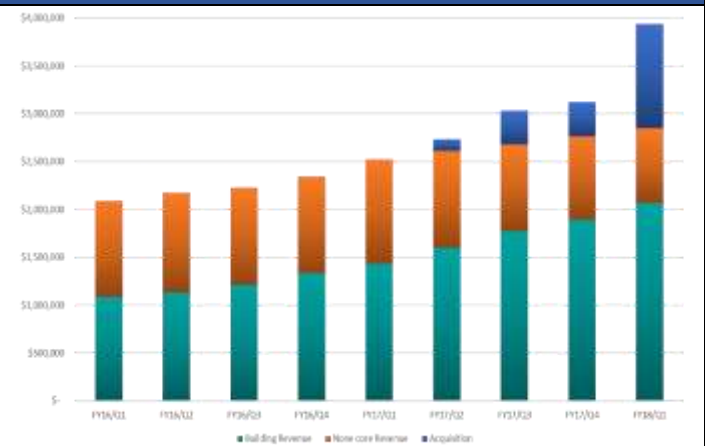
High margin building revenues continue to be the key growth driver for the Company, and each quarter account for an increasing proportion of overall revenue. On-Net Building Revenue grew by 10% on Q4'17, with continued quarter-on-quarter growth in both Commercial (+13%) and Residential (+6%) revenues (Figure 1). Number of Connected Apartment numbers grew by 10% from Q4'17 to 20,786, while average residential penetration improved to 19% from 18% in the two preceding quarters.

Positively also, the Phone Names business EBITDA is ahead of earlier expectations and World Without Wires is showing encouraging early signs of growth since being acquired in July 2017.

Figure 1: 9 Consecutive Qtrs of growth



Figure 2: Consistent Revenue growth



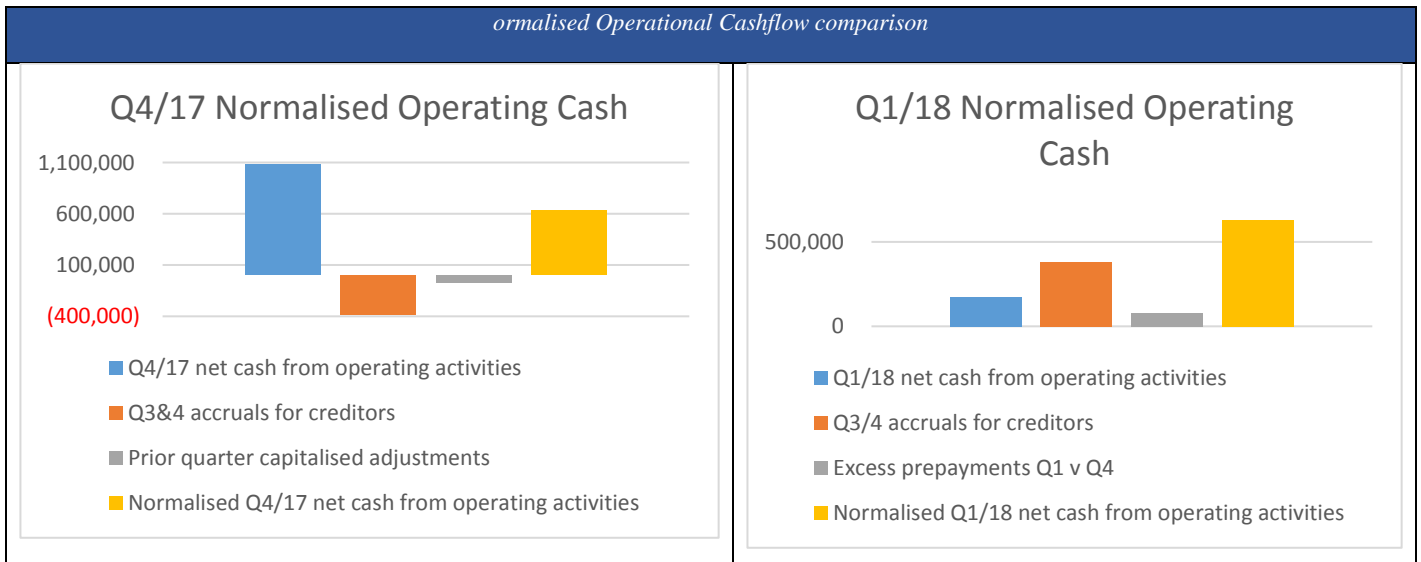
Normalised Operational Cashflow commentary

Opex

As already noted, Operating expenses during the quarter included a number of one-off non-recurring items relating to net pre-paid expenses over Q4 (\$77k) and an accrued payable of \$380k paid in Q1 relating to services provided during Q3/Q4 due to a timing issue. As a result, actual net operating cash flow was \$172k for the quarter. Underlying Operating net cashflow for Q4/17 was \$632k.

Underlying operating cash expenditure totalled \$3.54M in Q1, and is expected to grow modestly in Q2 due to the increased executive and sales personnel added during Q1 to support future growth. Non-recurring acquisition costs of \$280k will also be incurred during Q2.

Normalised Operational Cashflow comparison



Capex

Capex totalled \$818k during the quarter, which included office fit out and fittings (\$217k) and World Without Wires (WWW) network and customer growth (\$127k).

Capex per building reduced substantially to \$9,600 during Q1 (↓43% Q4'17, ↓17% FY17 average), highlighting improved capital efficiency and the Company's continued strategic focus on accelerating Commercial deployments. Going forward, we anticipate that building related capex will continue to reduce as Commercial buildings form an increasing proportion of overall buildings connected, driving the company closer to generating free cash flows on an ongoing basis.

Outlook

The company has enjoyed positive momentum early in Q2 and anticipates continued quarter-on-quarter growth in overall revenues. Commenting on the outlook, Managing Director Geoff Neate stated, "Following 9 consecutive quarters of organic revenue growth and the additional capabilities we have brought on through the World Without Wires acquisition and strengthening of the executive team, we believe the company is well positioned to continue capitalising on high demand for our superfast internet services."

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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to Date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,245	4,245
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(123)	(123)
(d) leased assets		
(e) staff costs	(775)	(775)
(f) administration and corporate costs	(3,112)	(3,112)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(63)	(63)
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	172	172

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(818)	(818)
(b) businesses (see item 10)	(3,152)	(3,152)

Consolidated statement of cash flows	Current quarter \$A'000	Year to Date (3 Months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(80)	(80)
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)	86	86
2.6 Net cash from / (used in) investing activities	(3,964)	(3,964)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,500	1,500
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	(90)	(90)
3.5 Proceeds from borrowings	6,000	6,000
3.6 Repayment of borrowings	(3,856)	(3,856)
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	3,554	3,554

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	1,212	1,212
4.2 Net cash from / (used in) operating activities (item 1.9 above)	172	172
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,964)	(3,964)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,554	3,554

Consolidated statement of cash flows		Current quarter \$A'000	Year to Date (3 Months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	974	974

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	974	1,212
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)	974	1,212

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
111
-

Director's fees and salaries paid to directors during the September 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

Current quarter \$A'000
90
-

7.1 – Total payments to Lodge Corporate Advisory Services are \$90,000 for acquisition and capital raising success fees. Terence 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	6,000	6,000
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 or are proposed to be entered into after quarter end, include details of those facilities as well.		

An initial loan facility of \$6,000,000 (disclosed at Section 3.5) has been provided by Bank of Melbourne. The interest rate applied is BBSY plus a margin of 3.5%. The scheduled principal repayments to Bank of Melbourne are \$300,000 per quarter with the first payment being due in December 2017. The facility is secured.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(120)
9.4 Leased assets	-
9.5 Staff costs	(800)
9.6 Administration and corporate costs**	(3,100)
9.7 Other – Investing activities – Capital Expenditure	(600)
Other – Financing activities - Repayment of borrowings ***	(300)
9.8 Total estimated cash outflows	(4,920)

* 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.

** Includes \$280,000 of acquisition costs

*** The principal of the loan provided by Bank of Melbourne is to be repaid by Scheduled Repayments of \$300,000 per quarter with the first payment due in December 2017.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	World Without Wires Pty Ltd	N/A
10.2 Place of incorporation or registration	Australia	N/A
10.3 Consideration for acquisition or disposal	\$4,600,000	N/A
10.4 Total net assets	TBA	N/A
10.5 Nature of business	Telecommunications	N/A

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 October 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.