Serious Internet

30th April 2018

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 31 MARCH 2018

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

P 1300 007 001
F 1300 887 813
www.spirit.com.au

BOARD OF DIRECTORS

Mr James Joughin (Chairman)

Mr Terry Gray (Director)

Mr Geoff Neate (Managing Director)

Mr Luke Waldren (Director)

ISSUED CAPITAL

Fully paid ordinary shares:	243,759,208
ST1O Listed Options:	28,732,583
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 31 March 2018.

Highlights:

- Receipts from customers reached $4,498k, representing a 6% increase on Q2 and 34% increase on Q3'17
- 11 consecutive quarters of growth in both Commercial/Residential cash receipts
- On-Net Building[1] Revenue grew by 25% on Q3'17, with continued growth in both Commercial (+35%) and Residential (+12%) revenues over Q3'17
- Number of On-Net buildings grew by 8% from Q2'18 to 476 (37 net adds)
- Number of connected apartments grew by 2% to 21,777
- Capex per building averaged $8,100 YTD – 30% lower than FY17 average
- Finished the period with $398k of net debt. An improvement of $1.87m on Q2'18
- Year to Date net operating cash flow is $1.386M, an increase of $1.124M, or 529% over the same period last year
- Normalised operating cash flow YTD is $2.1m taking in to account previously reported excess creditor payments and one-of acquisition payments

Summary of Activities:

- Net operating cash flow for the quarter was $670k, up 23% from $543k in Q2 – marking the 7th consecutive quarter of cash flow positivity for the Company
- Normalised net operating cash flow of $820k in Q3, up 22% from Q2 – operating expenses during the quarter included a statutory payment of $150k made in Q3 relating to Q2 items
- $2.14m (before costs) raised through the early exercise of approximately 10.9m listed options (ST1O)
- Subsequent to the Quarter end a further $990k was raised through the early exercise of approximately 5m listed options (ST1O), placing the company in a net cash position

1. On-net buildings are those connected to Spirit's network

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 25% on Q3'17, with continued quarter-on-quarter growth in both Commercial (+2%) and Residential (+3%) revenues (Figure 1). Residential (non-student) revenues grew by 4% from Q2'18. Number of Connected Apartment numbers grew Q2'18 to 21,777, while average residential penetration held at 19%.

While the Company enjoyed growth in all high margin, non-legacy revenue streams during Q3, the stronger than anticipated run off in lower margin legacy products during the Quarter led to a modest decline (2%) in overall group revenues. This legacy run-off is expected to continue, although each quarter legacy revenues account for a smaller proportion of overall revenues as higher margin revenue products continue to grow.

World Without Wires continues to exhibit strong growth under Spirit ownership, while Phone Names product line remains strong.

Figure 1: 11 Consecutive Qtrs of growth

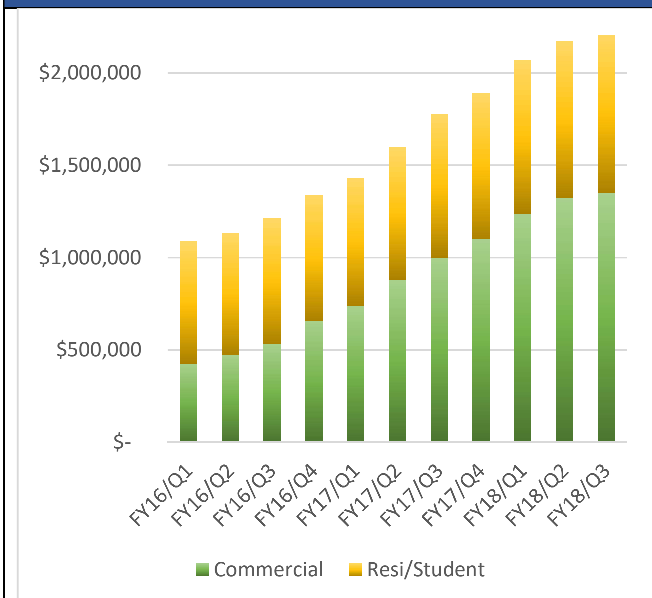
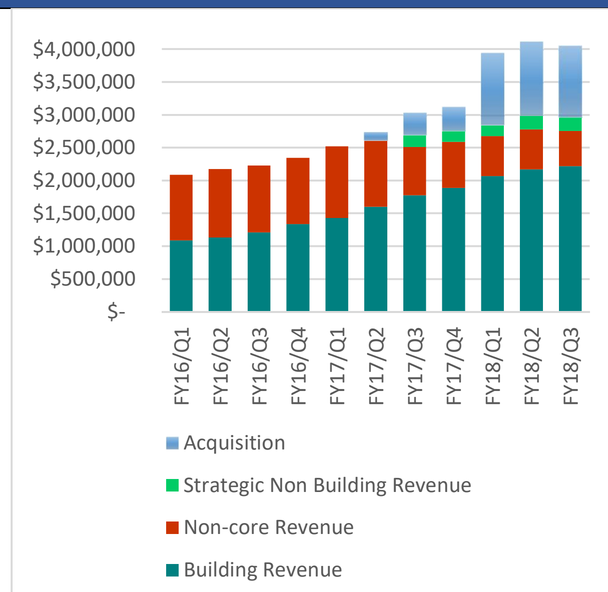


Figure 2: Non-core revenue run off



Operational Cashflow commentary

Opex

Reported operating cash flow for the quarter was $670k (+23% on Q2'18), however taking into account statutory payments of $150k paid in Q3 relating to Q2, normalised cash flow would increase to $820k for the quarter (+22% on Q2'18). This does have the corresponding effect of reducing the previous quarter's normalised operating cash by the same amount however YTD has no impact on operating cash flow (see Figure 3). Normalised operating cashflow YTD is $2.1m taking into account previously reported excess creditor payments and one off acquisition costs.

Figure 3: Q2/18 Normalised Operating Cash[2]

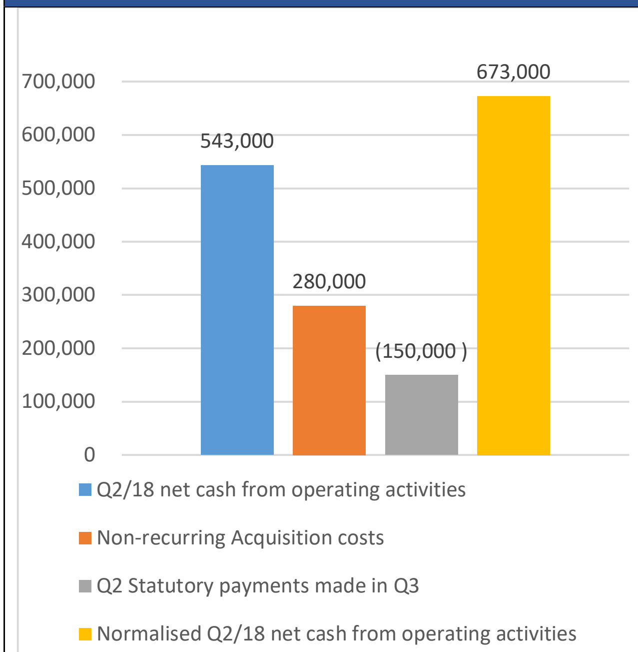
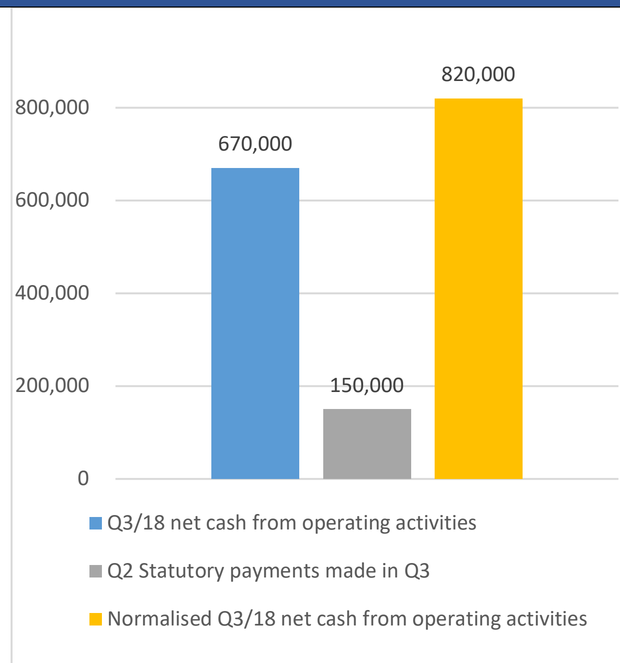


Figure 4: Q3/18 Normalised Operating Cash

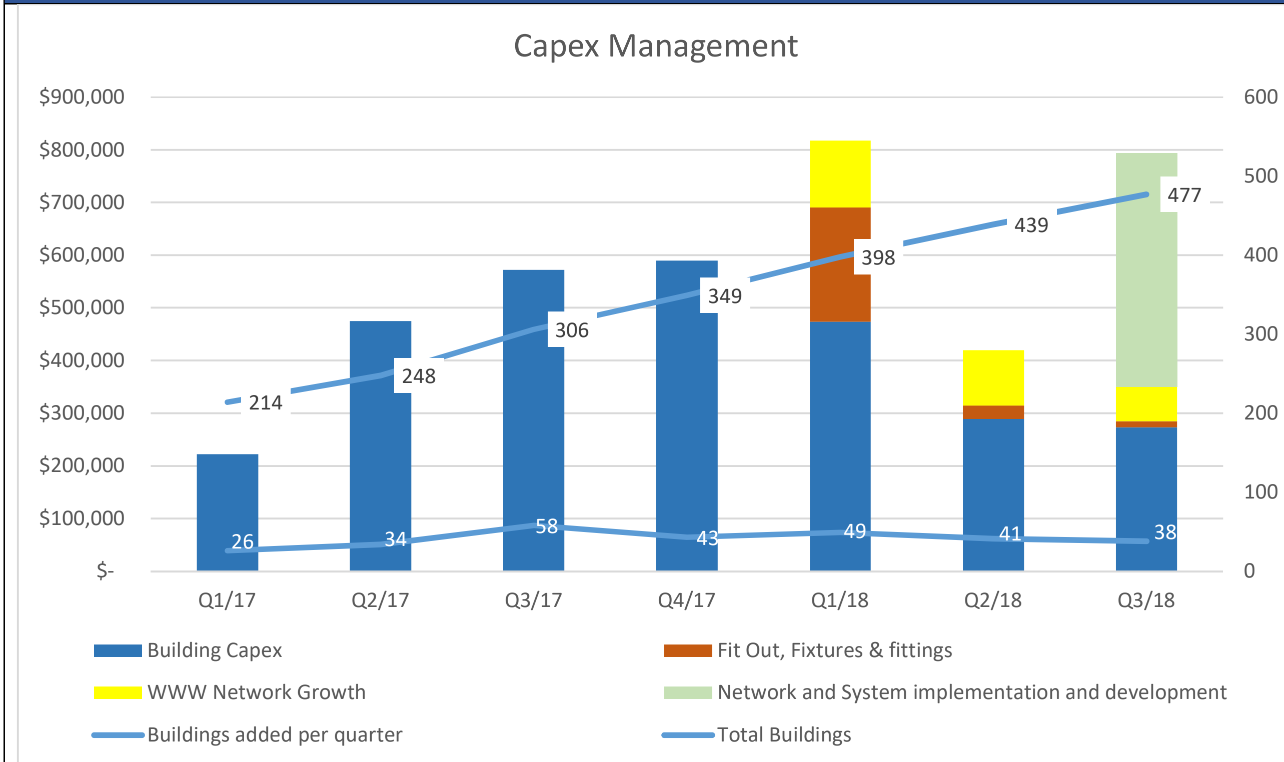


[2] Q2 chart has been amended and differs from that previously provided

Capex

Total capex for the quarter totalled $794k, with on-net building related capex reducing slightly from Q2 to ~$275k, and the vast majority of the remainder being spent on accelerating network expansion activities and implementing robust financial systems, to capitalise on near term growth opportunities (Figure 5).

Figure 5:Capex Management



Average capex per building continues to improve and YTD is now $8,100 (↓30% FY17 average). Improved capital efficiency remains a key focus for Spirit in conjunction with the network expansion efforts which are expected to create substantial market opportunities.

Outlook

Notwithstanding the stronger than anticipated run off of lower margin, non-core revenue streams during Q3, the Company has enjoyed continued strong organic growth in both of the high-margin Commercial and Residential segments, and we expect this trend to continue.

In continuing with Spirit's evolution, the leadership team has recently been strengthened with the addition of Michaila Stanton, as People & Culture manager and Sol Lukatsky, as Chief Marketing Officer. Both executives bring another level of experience in their respective fields and have already commenced planning for FY2019.

Commenting on the outlook, Managing Director Geoff Neate stated, "On completing our 3 year strategic plan, our short term focus has been to set up Spirit for long term growth, while continuing to grow all core revenue streams In doing this we have developed our sales and marketing capabilities and are in the midst of strengthening our financial systems platform and expanding our network infrastructure. We have reached many positive milestones this quarter and see the work that the team has put in will be built on throughout the coming years."

+Rule 4.7B

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	Quarter ended ("current quarter")
73 089 224 402	31 March 2018

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		4,498	12,985
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	-	-
	(c)	advertising and marketing	(183)	(499)
	(d)	leased assets		
	(e)	staff costs*	(1,071)	(2,487)
	(f)	administration and corporate costs	(2,515)	(8,430)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		11	11
1.5	Interest and other costs of finance paid		(95)	(219)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (provide details if material)		25	25
1.9	**Net cash from / (used in) operating activities**		**670**	**1,386**

** Staff costs for the quarter include statutory payments and entitlements related to Q2 which had the effect of understating staff costs in Q2 and overstating in Q3. The change in payment timing came about as a result of the creation of a Spirit GST consolidated group.*

Consolidated statement of cash flows		Current quarter $A'000	Year to Date (9 Months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment*	(755)	(1,993)
	(b) businesses (see item 10)	-	(3,152)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets*	(185)	(395)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	4	24
	(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)	-	2
2.6	**Net cash from / (used in) investing activities**	**(936)**	**(5,514)**

* Includes appropriately capitalised wages

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	2,144	6,644
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	-	(270)
3.5	Proceeds from borrowings	-	6,000
3.6	Repayment of borrowings	(900)	(5,056)
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**	**1,244**	**7,318**

Consolidated statement of cash flows		Current quarter $A'000	Year to Date (9 Months) $A'000
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	3,424	1,212
4.2	Net cash from / (used in) operating activities (item 1.9 above)	670	1,386
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(936)	(5,514)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,244	7,318
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**4,402**	**4,402**

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	2,391	1,424
5.2	Call deposits	2,011	2,000
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)**	**4,402**	**3,424**

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	50
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

Director's fees and salaries paid to directors during the March 2018 quarter.

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	-
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

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	4,800	4,800
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 made in December 2017. The facility is secured. Additional debt has been amortised in March on account of cash proceeds raised from the option exercise process announced to the ASX on 28 March.

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	(100)
9.4	Leased assets	-
9.5	Staff costs	(900)
9.6	Administration and corporate costs	(3,000)
9.7	Other – Investing activities – Capital Expenditure**	(1,000)
	Other – Financing activities - Repayment of borrowings **	(300)
9.8	**Total estimated cash outflows**	**(5,300)**

** 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 previously advised capex including network expansion and system implementations. Timing could vary subject to project progress.*

*** The principal of the loan provided by Bank of Melbourne is to be repaid by Scheduled Repayments of $300,000 per quarter.*

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	N/A
10.2	Place of incorporation or registration	-	N/A
10.3	Consideration for acquisition or disposal	-	N/A
10.4	Total net assets	-	N/A
10.5	Nature of business	-	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: .... Date: 30 April 2018
(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.