

31 January 2017

ASX ANNOUNCEMENT

**APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR
THE QUARTER ENDED 31 DECEMBER 2016**

HIGHLIGHTS:

- Strong Monthly Recurring Revenue growth - up 16% in Q2 on Q1 FY 17; 32% up on Q2 FY 16
- 28 new enterprise customer contracts signed in Q2 – 14 new customers and 14 existing customers with additional services.
- Launched 'FirstCloud' service offer to address SME market.

SYDNEY, Australia, 31 January 2017 – FirstWave Cloud Technology Limited (FCT: **ASX**) ("**FirstWave**" or "**Company**"), an Australian cloud technology company servicing the burgeoning cloud based IT managed security services market, has prepared the attached Appendix 4C, a quarterly report of cash flows, for the quarter ended 31 December 2016 for lodgement with the Australian Securities Exchange.

Operating Activities

FirstWave reported a cash balance of \$3.3 million at 31 December 2016. Subsequent to the period end, the Company's cash balance also reflected \$0.6 million received in relation to research and development tax incentives.

Gross customer cash receipts for the quarter were \$1.4 million. This follows the high seasonal cash receipts in the first quarter (\$2.1 million in Q1 FY 2017), as noted in the Company's previous Appendix 4C commentary, due to the common practice of customers prepaying contracted revenue in the first quarter of the new financial year. Management expects this annual weighting to continue in future years due to strong seasonal sales performance in Q4.

Monthly Recurring Revenue

The monthly recurring revenue for Q2 (\$1.3 million) is up 16% from Q1 and 32% on the comparative prior calendar period.

Over the past 12 months, monthly recurring revenues represents 70% of the total revenue.

Estimated cash flows for Q3 FY 2017

The total expected outflow from operations of \$3.8m includes \$1.1m relating to, among other things, the prepayment of long term licences from suppliers. The prepayments will be offset by increases in collections above the normal levels due to back to back agreements with those specific customers requiring them to prepay their contracts.

Outlook

The Company expects customer receipts to increase from \$1.4 million in Q2 FY 2017 to \$2.5 million in Q3 FY2017 resulting in a forecasted cash balance of \$2.6 million.

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

FirstWave Cloud Technology Limited [FCT.ASX]

ABN

35 144 733 595

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		1,412.9	3,543.0
1.2 Payments for			
(a) research and development		-	
(b) product manufacturing and operating costs		(463.6)	(975.1)
(c) advertising and marketing		(41.9)	(68.7)
(d) leased assets		(55.3)	(110.6)
(e) staff costs		(1,447.9)	(3,236.8)
(f) administration and corporate costs		(545.1)	(749.0)
1.3 Dividends received (see note 3)		-	
1.4 Interest received		49.4	51.3
1.5 Interest and other costs of finance paid		(0.1)	(2.3)
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		(1,091.8)	(1,548.2)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(6.2)	(382.8)
(b) businesses (see item 10)			
(c) investments			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property (capitalised development costs)	(221.2)	(510.3)
	(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	(227.4)	(893.1)

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	(161.9)	(161.9)
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	(161.9)	(161.9)

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	4,774.9	5,894.6
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,091.7)	(1,545.7)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(227.4)	(893.2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(161.9)	(161.99)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	8.9	8.9
4.6	Cash and cash equivalents at end of quarter	3,302.6	4,774.9

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	418.8	94.8
5.2	Call deposits	2,750.0	4,500.0
5.3	Bank overdrafts		-
5.4	Other (deposits backing bank guarantees)	133.8	180.1
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,302.6	4,774.9

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**

148.0

-

6.1 above is comprised of director fees paid to 5 directors, and remuneration paid to the Managing Director for the period Oct – Dec 2016.

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	300.0	224.4
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.		

8.1 above comprises of a lease facility with NAB to finance purchases of office equipment, plant and machinery.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(1,618)
9.3 Advertising and marketing	(60)
9.4 Leased assets	(53)
9.5 Staff costs	(1,577)
9.6 Administration and corporate costs	(530)
9.7 Other (provide details if material)	0
9.8 Total estimated cash outflows <i>(cash receipts not included, operating cash outflows only)</i>	(3,838)

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	N/A
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.
- 3 Other cash flows in 9.7 above represents expected outlay on property, plant and equipment and intangible assets.

Sign here:


(Director/Company secretary)

Date: 31 January 2017

Print name: Steve O'Brien

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.