

Appendix 4D

28 February 2017

Half year reporting period ending 31 December 2016

The following information is provided to ASX under listing rule 4.2A.3.

1. Reporting period

- a. Current Period: 6 months ended 31 December 2016
- b. Prior Period: 6 months ended 31 December 2015

2. Results for announcement to the market

	Item	31 December 2016 \$	31 December 2015 \$	Change %
Revenue from ordinary activities	2.1	\$168,162	\$516,767	(67%)
Profit/(Loss) after tax attributable to members	2.2	(\$699,244)	(\$7,095,726)	90%
Net Profit/(Loss) attributable to members	2.3	(\$699,244)	(\$7,095,726)	90%
Dividend	2.4	ZipTel Limited did not declare a dividend during the current reporting or corresponding previous reporting period.		
The record date for determining entitlements to the dividend	2.5	Not applicable		
Explanatory information	2.6	<p>Overview</p> <p>For the Half Year Ended 31 December 2016, ZipTel Limited ("ZipTel" or the 'Company') the Company was focused on:</p> <ul style="list-style-type: none"> - Generating a greater proportionate return on marketing spend relating to its mobile communications application "Zipt"; - Launching the Enterprise brand "Zipt Systems" and in particular "ZiFi": the Site based, reliable VoIP and Messaging Platform; and - Reviewing operational activities with the focus on minimising cash outlay. <p>During the half year, ZipTel announced that Zipt had been selected by Samsung to be ported to, and feature on, Samsung's Tizen Platform. On 28 December 2016, ZipTel announced that Zipt Tizen Version 1, was completed and launched on the Tizen store. Since the launch of Zipt Tizen Version 1, more than 27,000 users have installed the application to date.</p> <p>The Company announced Memorandums of Understanding with:</p> <ul style="list-style-type: none"> - Australian grain farmer Glenvar to provide a rich communications and information sharing solution i.e. ZiFi agriculture module, to users on the Glenvar Property in remote Western Australia; and - Myanmar company Yandayar Trading Co. Ltd to distribute ZiFi solutions in that country. <p>Lastly, the Company invested in the development of Zipt and the related ZiFi platforms.</p> <p>Revenue</p> <p>Revenue from the sale of goods and services (\$168,162) was down on the prior period (2015: \$516,767) mainly as a result of the Company focusing on achieving a net return on its marketing spend. With this strategy, the Company only expended \$289,803 on marketing and distribution versus \$2.19M in the prior period. In addition, AussieSim contributed \$51,999, down from \$132,969 in the prior period as the Company continues to focus on Zipt, ZiFi and minimising expenditures, in particular marketing.</p>		

<p><i>Explanation of loss</i></p> <p>During the period, the Company:</p> <ul style="list-style-type: none"> - Issued equity incentives to the value of \$481,068 which was significantly lower (80%) than the prior period (2015: \$2,377,610). These grants were made to employees and consultants in settlement of obligations which would otherwise be cash outlays; - Incurred marketing and distribution costs of \$289,804 significantly lower (87%) than the prior period (2015: \$2,190,833) as it relied on organic channels for new Zipt users; - Incurred research and development expenses of \$254,919 significantly lower (72%) than the prior period (2015: \$917,471) as products were finalised; - The Company banked an Australian Government research and development tax incentive totalling \$1.36M, reflected as other income.
<p><i>Outlook</i></p> <p>ZipTel is reviewing its operations with the focus on maintaining and ultimately building its cash balance. The Company intends to continue its focus on the Consumer model as well as push for delivery of Version 2 of Zipt Tizen in the Consumer Segment.</p> <p>The Company will look to develop its current Enterprise opportunities and deliver them mindful of the Company's current lean structure objectives.</p>

3. Net tangible assets per security

	31 December 2016	31 December 2015
Net tangible asset per share (cents per share)	0.55 cents	1.78 cents

4. Details of entities over which control has been gained or lost during the period

There were no entities over which control has been gained or lost during the period.

5. Details of individual and total dividends or distributions and dividends or distribution payments

Not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities

Not applicable.

8. For foreign entities, which set of accounting standards is used in compiling the report

The Company is not a foreign entity.

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The 2016 Half-Year report is based upon accounts that were reviewed by the Company's auditor are not subject to a modified opinion. The report does include an emphasis of matter regarding the going concern basis of preparation of the interim financial accounts.

Yours faithfully

ZipTel Limited



Bert Mondello
Co-Founder / CEO
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ACN 108 042 593

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016 and any announcements to the market during the half-year ended 31 December 2016.

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CORPORATE INFORMATION

ZIPTTEL LIMITED

ABN 41 108 042 593

DIRECTORS

Mr Joshua Hunt (Non-Executive Chairman)
Mr Umberto (Bert) Mondello (Chief Executive Officer and Executive Director)
Mr Keaton Wallace (Executive Director)
Mr Salvatore Vallelonga (Non-Executive Director)

COMPANY SECRETARY

Mr Derek Hall

PRINCIPAL PLACE OF BUSINESS

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DIRECTORS' REPORT

The directors of ZipTel Limited (the "Company") submit herewith the financial report of the Company and its controlled entities (the "Group") for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report as follows:

The names of the directors of the Company during or since the end of the half-year are:

DIRECTORS	PERIOD OF DIRECTORSHIP
Joshua Hunt (Non-executive Chairman)	Since 12 June 2014
Umberto (Bert) Mondello (Executive Director and Chief Executive Officer)	Since 12 June 2014
Keaton Wallace (Executive Director)	Since 12 June 2014
Salvatore Vallelonga (Non-executive Director)	Since 12 June 2014

REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

PRINCIPAL ACTIVITIES

ZipTel Limited (ASX:ZIP) ("ZipTel" and the "Company") is an Australian owned and operated telecommunications business focused on providing international roaming and calling solutions to the consumers and enterprise. ZipTel listed on the ASX in July 2014 with its core focus primarily on the distribution of communications products, both domestically and internationally.

During the half year ended 31 December 2016, ZipTel was focussed on:

- moving the Zipt Consumer Model to a recurring fee basis offering competitive international calling bundles that yield recurring revenues;
- Continuing to reduce marketing spend and concentrate on organic channels;
- Launching the Enterprise brand "Zipt Systems" and in particular "ZiFi": the Site based, reliable VoIP and Messaging Platform;
- Developing Enterprise Opportunities with companies in key industries which require low bandwidth and satellite, calling and messaging solutions i.e. agriculture, maritime, airlines and remote communications providers; and
- Reviewing operational activities with the focus on minimising cash outlay

The Company also has a secondary business line: AussieSim. AussieSim is an international pre-paid travel sim card provider offering consumers up to 95% savings on talk, text and data whilst travelling overseas across more than 180 countries.

ZIPT

Zipt is a mobile-based international communication App that enables consumers to send SMSs and make international calls for free between users. The App can also call any landline or mobile at some of the world's lowest call rates. Zipt delivers voice calls in lower bandwidth data environments and allows consumers to retain their existing phone number, service provider and SIM card, with no lock-in contracts. Zipt does not require a SIM card and can be installed on any smartphone or tablet on compatible platforms. Zipt uses less data than similar products already available on the market, and can be used over Wi-Fi or any mobile network.

Having achieved the target of 10 million installs of the Zipt application by users across the globe, well ahead of initial forecasts, the Company focussed on deploying an extensive list of calling credit bundles and subscription (automatically recurring bundles) offerings for customers. The Company has expanded its bundle offering from covering 20 countries to now over 150 bundles covering 120 countries.

DIRECTORS' REPORT

No further significant development works are planned, contributing to a substantial reduction in development expenses going forward.

In the prior period, the Company expended more than \$2.19M on marketing and distribution costs for Zipt. In the current period, the focus was to reduce marketing expenses and rely on organic channels.

As announced on 20 July 2016, the Company was selected by Samsung to be ported to, and feature on, Samsung's Tizen Platform. On 28 December 2016, ZipTel announced that Zipt Tizen Version 1, was completed and launched on the Tizen store. Since the launch of Zipt Tizen Version 1, more than 27,000 users have installed the application to date. Version 1 introduced Zipt's proprietary rich messaging platform with Version 2 shortly to follow with revenue generative full calling and video capabilities. Version 2 will again be delivered by Tizen developers, under the direction of Samsung, at no cost to ZipTel.

The Company will endeavour to grow its revenues and user base organically and focus on implementing bundles, without relying on marketing spend and broadening its reach across the Tizen platform (at no cost).

ZIFI

In November 2016, the Company launched the Zipt Systems Enterprise suite which included the Site-based, reliable VOIP and Messaging Platform - Zifi. A significant part of the development is completed which will contribute to the substantial reduction in this expense line item going forward.

Since launch of these products, the Company has sought to develop relationships with companies in key industries which require low bandwidth, calling and messaging solutions i.e. agriculture, maritime, airlines and remote communications providers.

On 28 November 2016, the Company announced the execution of a Memorandum of Understanding (MOU) with Australian grain farmer Glenvar to provide a rich communications and information sharing solution i.e. Zifi agriculture module, to users on the Glenvar Property in remote Western Australia. The Company will continue to explore similar opportunities which will allow it to enter into the agriculture sector and provide rich communications in remote areas.

On 19 December 2016, the Company announced the execution of a distribution agreement with Myanmar company Yandayar Trading Co. Ltd. This agreement gives ZipTel access to a significant distribution channel within a country that has communication infrastructure challenges which could be addressed with a Zifi solution.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

During the half year ended 31 December 2016, the Company posted a net loss after tax of \$699,244 (2015: loss of \$7,095,726). Of this current period expenses totalling \$2.26M, \$481,068 relates to non-cash share-based payments to directors, employees and consultants. The Company posted total income of \$1,663,114 (2015: \$566,805) of which \$116,563 was contributed by Zipt and AussieSim \$51,599 with the majority of the balance (\$1.36M) relating to an Australian Government Research and Development Grant. Revenue from the sale of goods and services (\$168,162) was down on the prior period (2015: \$516,767) mainly as a result of the Company focusing on achieving a net return on its marketing spend. With this strategy, the Company only expended \$289,804 on marketing and distribution versus \$2.19M in the prior period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the consolidated entity during the financial half-year.

DIRECTORS' REPORT

OUTLOOK FOR 2017

ZipTel is reviewing its operations with the focus on maintaining and ultimately building its cash balance. The Company intends to continue its focus on the Consumer model as well as push for delivery of Version 2 of Zipt Tizen in the Consumer Segment.

The Company will look to develop its current Enterprise opportunities and deliver them mindful of the Company's current lean structure objectives.

SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 31 December 2016.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided on page 6 of this report.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the Corporations Act 2001.



Umberto Mondello
Chief Executive Officer

28 February 2017

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ZIPTTEL LIMITED

As lead auditor for the review of ZipTel Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ZipTel Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ZipTel Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ZipTel Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ZipTel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ZipTel Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ZipTel Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd



Dean Just
Director

Perth, 28 February 2017

DIRECTORS' DECLARATION

The Directors declare that:

- In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Umberto Mondello
Chief Executive Officer

28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Revenue			
Sale of goods and services	2	168,162	516,767
Other income	3	1,392,797	50,038
Expenses			
Cost of sales		(205,631)	(658,292)
Other expenses from ordinary activities			
Administration and Operating Expenses	4	(493,465)	(1,130,403)
Employee benefits	4	(532,668)	(387,730)
Share-based payments	4,6,7	(481,068)	(2,377,610)
Marketing and distribution		(289,804)	(2,190,833)
Research and development expenses		(254,919)	(917,471)
Finance costs		(3,007)	(2,586)
Exchange gain		359	2,394
Total expenses		(2,260,203)	(7,662,531)
Loss before income tax		(699,244)	(7,095,726)
Income tax expense		-	-
Loss for the period		(699,244)	(7,095,726)
Other comprehensive loss		-	-
Total comprehensive loss for the period		(699,244)	(7,095,726)
Loss attributable to owners of the Company		(699,244)	(7,095,726)
Total comprehensive loss attributable to owners of the Company		(699,244)	(7,095,726)
Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share)		(0.008)	(8.91)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and bank balances		1,122,025	1,353,070
Trade and other receivables		81,565	104,872
Prepayments		-	6,868
Inventories		21,299	20,988
Total current assets		<u>1,224,889</u>	<u>1,485,798</u>
Non-current assets			
Receivables		-	24,001
Plant and equipment		963	6,566
Intangible assets		111,515	124,856
Total non-current assets		<u>112,478</u>	<u>155,423</u>
Total assets		<u>1,337,367</u>	<u>1,641,221</u>
Current liabilities			
Trade and other payables		574,195	718,583
Provision for advance billings		4,985	13,882
Total current liabilities		<u>579,180</u>	<u>732,465</u>
Non-current liabilities			
Provisions		171,043	103,437
Total non-current liabilities		<u>171,043</u>	<u>103,437</u>
Total liabilities		<u>750,223</u>	<u>835,901</u>
Net assets		<u>587,144</u>	<u>805,320</u>
Equity			
Issued capital	5	12,402,899	12,402,899
Reserves	5	11,949,725	11,468,657
Accumulated losses		(23,765,480)	(23,066,236)
Capital and reserves attributable to owners of the Company		<u>587,144</u>	<u>805,320</u>
Total equity		<u>587,144</u>	<u>805,320</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Attributable to Owners of the Company			Total \$
		Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	
Balance at 1 July 2015		12,130,765	2,989,266	(9,056,431)	6,063,600
Loss for the period		-	-	(7,095,726)	(7,095,726)
Total comprehensive loss for the period		-	-	(7,095,726)	(7,095,726)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs		265,134	-	-	265,134
Recognition of share-based payments		-	1,246,610	-	1,246,610
Balance at 31 December 2015		12,395,899	4,235,876	(16,152,157)	479,618

	Notes	Attributable to Owners of the Company			Total
		Issued Capital	Share-based Payments Reserve	Accumulated Losses	
Balance at 1 July 2016		12,402,899	11,468,657	(23,066,236)	805,320
Loss for the period		-	-	(699,244)	(699,244)
Total comprehensive loss for the period		-	-	(699,244)	(699,244)
Transactions with owners in their capacity as owners					
Recognition of share-based payments			481,068	-	481,068
Balance at 31 December 2016		12,402,899	11,949,725	(23,765,480)	587,144

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		155,303	530,996
Payments to suppliers and employees		(1,757,164)	(4,360,006)
Finance costs		-	-
Other income		1,370,458	51,129
Net cash used in operating activities		<u>(231,403)</u>	<u>(3,777,881)</u>
Cash flows from investing activities			
Acquisition of financial assets		-	-
Payments of intangible assets		-	-
Net cash used in/(provided by) investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	265,134
Share issue transaction costs		-	-
Repayment of borrowings		-	-
Net cash provided by financing activities		<u>-</u>	<u>265,134</u>
Net decrease in cash and cash equivalents		(231,403)	(3,512,747)
Cash and cash equivalents at the beginning of the period		1,353,070	6,278,031
Effects of exchange rate changes		359	2,394
Cash and cash equivalents at the end of the period		<u>1,122,025</u>	<u>2,767,678</u>

*The above Consolidated Statement of Cash Flows should be read
in conjunction with the accompanying notes*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

GOING CONCERN

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the review report for the half year ended 31 December 2016 the Group recorded a loss of \$699,244 and had net cash outflows from operating activities of \$231,403.

While the Group has cash on hand of \$1,122,025 at 31 December 2016, the Group's future cash flow forecast for the period ended 28 February 2018 reflects that the Group will require additional working capital through equity over that period in order to meet the Group's stated strategic objectives.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following matters:

- Lodgement in January 2017 and anticipated receipt in June 2017 of R&D Scheme claim for \$1.3M in relation to overseas spending, subject to approval;
- Active cost cutting measures have been undertaken and will continue as required;
- Ability to raise further capital based on historical success;
- Cash on hand of \$1,122,025 as at 31 December 2016;
- Net assets of \$587,144 as at 31 December 2016.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities at amounts that differ to those stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NEW AND REVISED ACCOUNTING STANDARDS

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of the adoption of new and revised accounting standards.

IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of accounting standards issued not yet effective.

NOTE 2: SEGMENT REPORTING

(1) DESCRIPTION OF SEGMENTS

An operating segment is identified as the component of the Group that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's executive directors examine the Group's performance from a core communications products perspective and have identified two reportable operating segments of its business, being prepaid travel sim card services (AussieSim) and mobile based VOIP communication services (Zipt).

(2) SEGMENT REVENUE AND RESULTS

	SEGMENT REVENUE		SEGMENT PROFIT	
	2016	2015	2016	2015
	\$	\$	\$	\$
CONTINUING OPERATIONS				
AussieSim	51,599	132,969	660	(1,806)
Zipt	116,563	383,798	(38,129)	(139,719)
	168,162	516,767	(37,469)	(141,525)
Other income	1,392,797	50,038	1,392,797	50,038
Corporate and administration	-	-	(2,032,623)	(6,973,497)
Depreciation and amortisation	-	-	(18,943)	(28,156)
Finance Costs	-	-	(3,006)	(2,586)
TOTAL LOSS BEFORE INCOME TAX	1,560,959	566,805	(699,244)	(7,095,726)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT REPORTING (CONT'D)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before tax earned by each segment without allocation of central corporate and administration costs, employee benefits, depreciation and amortisation, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(3) SEGMENT ASSETS AND LIABILITIES

	31 December 2016 \$	30 June 2016 \$
SEGMENT ASSETS		
AussieSim	54,167	208,112
Zipt	161,174	86,839
Total segment assets	215,342	294,951
Cash and corporate assets	1,122,025	1,346,270
TOTAL ASSETS	1,337,367	1,641,221
SEGMENT LIABILITIES		
AussieSim	147,615	333,458
Zipt	602,608	502,443
Total segment liabilities	750,223	835,901
Cash and corporate liabilities	-	-
TOTAL LIABILITIES	750,223	835,901

For the purposes of monitoring segment performance and allocating resources between segments:

- (i) all assets are allocated to reportable segments other than cash, GST receivables, office equipment, and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- (j) all liabilities are allocated to reportable segments other than bank overdraft, borrowings, and corporate creditors. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(4) INFORMATION ABOUT MAJOR CUSTOMERS

The Group has no external customers that represent more than 10% of total Group revenue. ZipTel Limited is not reliant on any of its major customers.

NOTE 3: OTHER INCOME

The following is an analysis of the Group's other income for the period.

	2016 \$	2015 \$
NON-OPERATING ACTIVITIES		
Interest	5,187	152,426
Research and development tax credit	1,365,321	-
Debt forgiveness (refer to Note 5)	22,289	-
TOTAL OTHER INCOME	1,392,797	152,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: RESULTS OF THE PERIOD

The following items are included in the Group's results for the period:

	2016 \$	2015 \$
EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS		
- Directors' fee and employee wages and salaries	532,668	387,730
- Share-based payments	481,068	2,377,610
TOTAL EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS	1,013,736	2,765,340
ADMINISTRATION AND OPERATING EXPENSES		
- Administration	306,844	705,779
- Consulting	133,807	375,489
- Depreciation of plant and equipment	5,602	9,174
- Amortisation of intangible assets	13,341	18,982
- Occupancy	33,871	20,979
TOTAL ADMINISTRATION AND OPERATING EXPENSES	493,465	1,130,403

NOTE 5: ISSUED CAPITAL

2016	Number of shares	\$
FULLY PAID ORDINARY SHARES		
Balance at 31 December 2015	82,343,521	12,395,899
Issue of shares on conversion of options	23,333	7,000
Issue of shares in return for service	1,425,000	-
Balance at 1 July 2016	83,791,854	12,402,899
Issue of shares in return for service – Ambassadors	2,000,000	-
Issue of shares in return for service – Director related entities	543,624	-
Issue of shares in return for service – Employees/contractors	435,000	-
Balance at 31 December 2016	86,770,478	12,402,899
	Number of Options	
	31 December 2016	30 June 2016
MOVEMENTS IN OPTIONS		
Balance at the beginning of the period	28,870,388	29,277,500
Issue of options as remuneration	850,000	500,000
Options exercised during the period	-	(907,112)
Options lapsed during the period	(29,720,388)	-
BALANCE AT THE END OF THE PERIOD	-	28,870,388

On 31 December 2016, 29,720,388 Options lapsed. These Options were exercisable on a 1:1 basis for the Company's ordinary shares with an exercisable price of \$0.30 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: ISSUED CAPITAL (CONT'D)

	Number of Rights	
	31 December 2016	30 June 2016
MOVEMENTS IN RIGHTS		
Balance at the beginning of the period	7,000,000	3,000,000
Issue of rights as remuneration	-	3,300,000
Rights vested during the year	(1,250,000)	(5,750,000)
Issue of rights in return for service	-	6,450,000
Rights waived during the year	(3,300,000)	-
Rights lapsed during the year	(1,200,000)	-
BALANCE AT THE END OF THE PERIOD	1,250,000	7,000,000

All rights on issue convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of performance milestones. During the period, the directors waived the grant of 3,300,000 Performance Rights which were subject to non-market conditions which had been met. Additionally a share grant was made to an employee under the employee share plan during the period of 425,000 shares and a further grant was made to a contractor of 10,000.

On 18 November 2015, 5,250,000 timed performance rights were granted to Zipt Brand Ambassadors. These timed performance rights convert to Ordinary Fully Paid Shares on a one for one basis in 4 tranches (1,450,000 on signing; 1,400,000 on launch of Ambassador Campaign; 1,200,000 90 days after launch date; and 1,200,000 180 days after launch date) over a period of 180 days with performance of specified services. During the period, 1,250,000 timed performance rights were converted to Ordinary Fully Paid Shares and a corresponding expense of \$209,916 was recognised based on the share price at grant date. There was also a separate grant to an Ambassador in return for services of 750,000 shares during the period and a corresponding expense of \$150,000 was recognised.

In addition, 1,200,000 install performance milestone rights granted during the previous period lapsed. These install performance milestone rights were to convert to Ordinary Fully Paid Shares on a one for one basis on the achievement of between 5M and 30M installs directly attributable to the Ambassador Campaign. This milestone was not achieved and these rights lapsed.

	31 December 2016 \$	30 June 2016 \$
Option Reserve	11,949,725	11,468,657
BALANCE AT THE BEGINNING OF THE PERIOD	11,468,657	2,989,266
Options granted during the year		
- Share-based payments	481,068	8,479,391
Balance at the end of the period	11,949,725	11,468,657

During the period, a total of 543,624 shares were granted to entities associated with Mr Josh Hunt and Mr Salvatore Vallelunga in lieu of professional legal and accounting services provided respectively. An expense of \$67,953 was recognised in respect of this grant. As value of the shares on the grant date was less than the value of the services provided, the difference of \$22,289 was recognised as debt forgiveness income.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

(1) SECURITIES GRANTED DURING PERIOD

Apart from the securities granted as outlined above made in lieu of professional fees foregone, no securities were granted to the directors or other key management personnel during the period.

(2) SECURITIES VESTED DURING PERIOD

On 20 October 2015, the Company granted a combined total of 3.3 million Performance Rights to the directors subject to certain performance conditions. These conditions were subsequently met however, as announced on 14 November 2016, the directors opted to waive these Performance Rights with no further obligation to the Group.

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

NOTE 8: CONTINGENCIES

There were no contingencies as at 31 December 2016.

NOTE 9: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 31 December 2016.