

June 2018 Quarter Activities Report

Highlights

- Record FY 2018 annual revenues of \$2.5 million (FY 2017: \$1.3m)
- Cash receipts from customers for FY 2018 totaled \$2.68 million (FY 2017: \$1.3m).
- Total rental and recurring revenues for FY 2018 were \$795,000 an increase of 114% on the previous year (FY 2017: \$371,500) and now representing 32% of total revenue for the year.
- Combined sales and rentals of 723 camera units in FY2018 compared to 295 in 2017, an increase in 145% on the prior year.
- Record revenue for the June quarter of circa \$755,000 (June 2017: circa \$308,000).
- Reduced outgoing cash outflow by \$262,000 from the prior quarter, as fixed costs stabilise and revenues increase.
- Cash as at 30 June 2018 of \$3.5m.

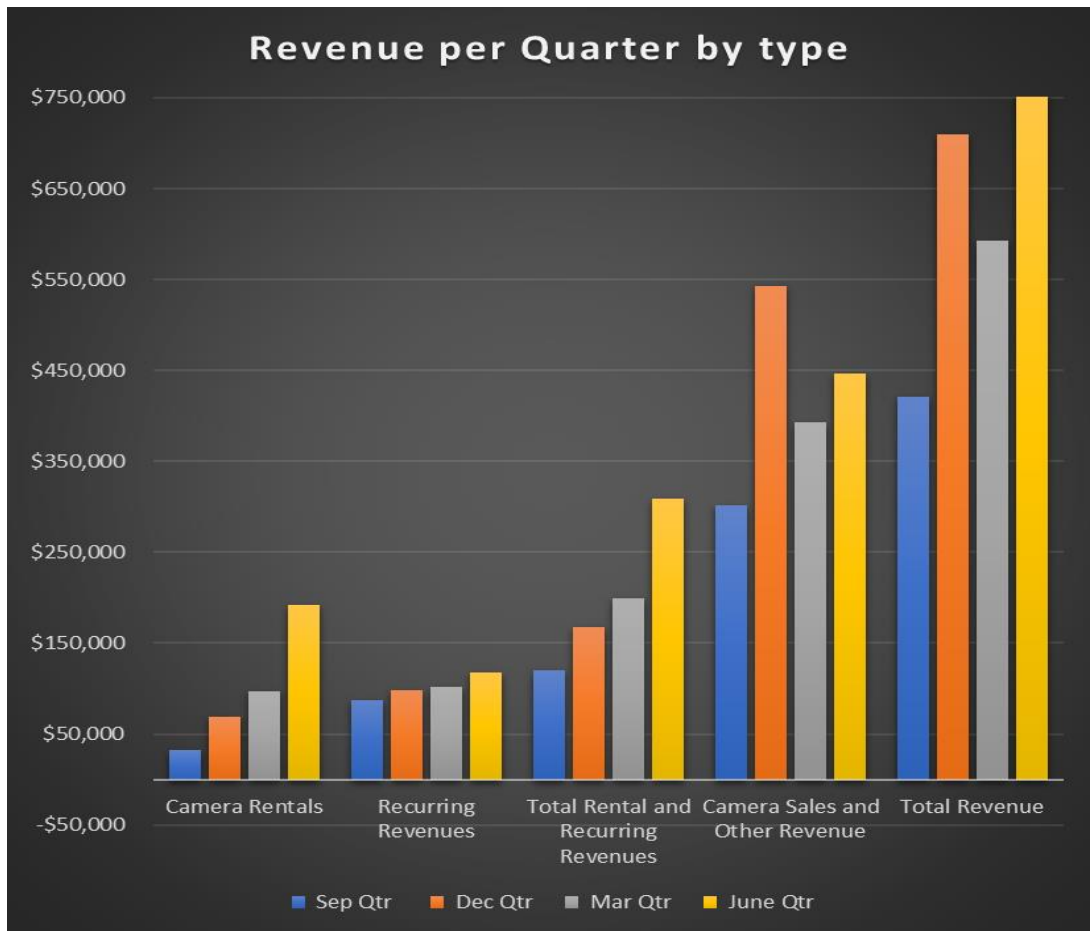
Spectur Limited (ASX:SP3, 'Spectur' or 'the Company') is pleased to provide an update for the quarter ended 30 June 2018, to accompany its quarterly cash flow report.

Revenues and Cash Receipts

Sales revenues (unaudited) for FY 2018 were circa \$2,479,000, (FY 2017: \$1,334,000) which represents an increase of 86% annual revenue growth compared to the previous year. Cash receipts from customers totaled \$2.68 million, which is greater than sales revenues due to cash received up front for some revenues which are recognised over a period of time.

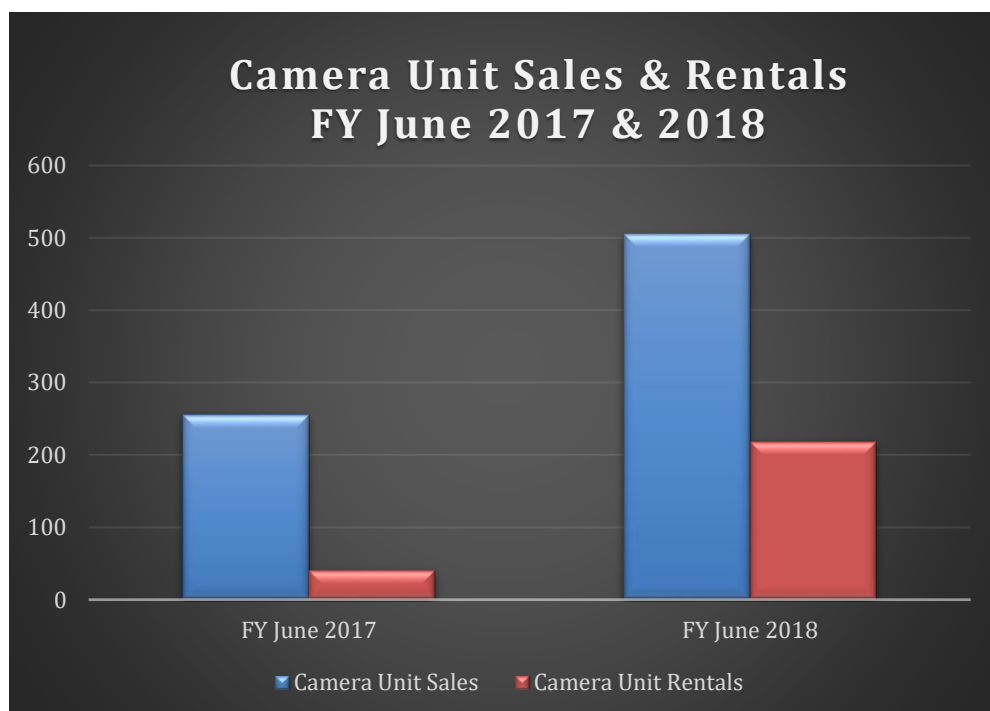
Total rental and recurring revenues for FY 2018 were \$795,000 an increase of 114% on the previous year (FY 2017: \$371,500) and now representing 32% of total revenue for the year. Rental and recurring revenues are providing a regular revenue stream for the Company to build on its growth strategy.

Spectur continues to experience strong quarterly revenue growth, with the June quarter revenues of circa \$755,000 (June 2017: circa 308,000), which was a record revenue for a quarter. Cash receipts for the June quarter were a record \$877,000, reflecting ongoing strength of pre-booked revenue.



Camera Unit Growth

The FY2018 achieved combined sales and rentals of 723 camera units, compared to 295 in FY 2017, an increase in 145% on the prior year.



Camera unit sales for the year have shown growth of around 98%, (2017FY: 255; 2018FY: 505) whilst rental deployment has increased by approximately 450% (2017FY: 40; 2018FY: 218).

Financial Commentary

Overall net entity cash outflows fell by \$262,000 from the prior quarter as fixed costs stabilised and revenues increased.

Net cash utilised in operating activities per the Appendix 4C was \$514,000 for the June quarter. A further \$283,000 was spent on product development and patent costs. These costs relate to the development of Spectur's Thermal Camera Surveillance Systems, the manufacturing of trailer mounted rental models as well as developments to the phone app, and other research and development activities.

Spectur changed its accounting policy in Q4 in line with industry norms to capitalise costs meeting the definition of "development expenditure" in accordance with Australian Accounting Standards. Product development and staff costs of \$682,000 were adjusted from "operating" to "investing activities" in the 3rd QTD of the cashflow and applied retrospectively to reflect this change. Please refer to Appendix 1 of the 4C.

Product manufacturing and operating costs totaled \$435,000, an increase on the prior quarter due to additional inventory to support anticipated sales of Thermal and HD4 units.

The Company closed the year with \$3.5m in cash.

Research and Development

Research and Development activities during the quarter included:

- Continued attention on entering new markets during the quarter with a focus on large and highly regulated industries.
- Upgrades to overall software processes to facilitate more rapid development, testing and deployment.
- Concept development and design of new system enclosures to reduce production costs and to improve network communications.
- Implementation of AI capabilities to improve detection of security events and to reduce false alarms.
- Adoption of new Product LifeCycle Management tools to improve quality control.

Outlook

Other Business activities:

- Thermal camera system launched following the end of the quarter
- Business development activities
- Focus on managing costs with revenue growth

Following the end of the quarter, the Company announced that it had successfully commenced production of its new Thermal Camera systems as well as receiving initial thermal camera orders from multiple Tier 1 clients. The ramp up of production of the initial thermal camera systems is ongoing. The ongoing trials of thermal camera units continues to be well received by industry participants and existing customers as Spectur works towards satisfying the criteria to obtain supplier status for a number of its larger clients.

New business development activities are being conducted, which include the pursuit of larger contracted camera unit deployments, entry into new industries to drive camera sales and analysis of international expansion strategies.

Spectur is also analysing strategies to further improve cashflow through a combination of increased sales and reducing overhead and operating expenses. The Company is aiming to increase gross margins by implementing a program to further reduce the input costs of the standard HD4 camera unit as well as a continuing to focus on growing rental and recurring revenues which achieve a higher gross margin than standard unit sales.

Spectur Managing Director Mr Peter Holton stated *"The Company continues to experience strong growth in sales and trailing revenues and we are busy with strategic business development activities. We look forward to another year of solid growth in the 2019 FY and a move towards cost reduction and cash flow break even in the medium term from the Australian operations."*

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About Spectur Limited

Spectur Limited is an Australian-based company which designs, develops, manufactures and installs security and surveillance systems for powered and non-powered/remote locations. Spectur's core product is the HD4 security camera system and associated cloud based platform. The HD4 is a solar powered battery backup security system which is remotely accessed and connected via 3G/4G technology which is connected to the cloud based platform. Spectur has also added thermal camera surveillance as a stand-alone system to complement its existing product base. The Company is rapidly implementing a growth plan to firstly grow revenues and market share in the Australian security surveillance sector and, secondly to penetrate other key strategic markets.

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

SPECTUR LIMITED

ABN

79140151579

Quarter ended ("current quarter")

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	877	2,684
1.2 Payments for		
(a) research and development ^{Note a}	(28)	(123)
(b) product manufacturing and operating costs	(435)	(1,583)
(c) advertising and marketing	(68)	(307)
(d) leased assets	-	-
(e) staff costs ^{Note a}	(603)	(1,729)
(f) administration and corporate costs	(296)	(1,314)
1.3 Dividends received	-	-
1.4 Interest received	22	69
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	213
1.8 Other (GST Refund)	21	152
1.9 Net cash used in operating activities	(514)	(1,946)

Note a: Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards. Refer payments to acquire product development and patents under cash flows from investing activities

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(31)	(132)
(b) businesses (see item 10)	-	-
(c) investments	(6)	(19)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) rental equipment	(20)	(274)
	(f) product development & patents ^{Note b}	(283)	(963)
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	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(340)	(1,388)

^{Note b:} Comprising capitalised product development costs of \$283 000 (Ytd \$928 000) and capitalised patent expenditure of \$0 (Ytd \$36,000)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares & options	-	7,437
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	-	(735)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(7)	(17)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Monies for shares to be allotted)	-	-
3.10	Net cash (used in)/from financing activities	(7)	6,685

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	4,348	136
4.2	Net cash from used in operating activities (item 1.9 above)	(514)	(1,946)
4.3	Net cash used in investing activities (item 2.6 above)	(340)	(1,388)
4.4	Net cash (used in)/from financing activities (item 3.10 above)	(7)	6,685

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,487	3,487

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	432	307
5.2	Call deposits	3,055	4,041
5.3	Bank overdrafts	-	-
5.4	Other (monies for shares to be allotted)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,487	4,348

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**

161
-

The payments to directors or their associates in 6.1 include gross salaries, superannuation and fees and benefits to executive and non-executive directors.

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**

-
-

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	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (chattel mortgage)	178	163
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.		

The Company entered into a chattel mortgage lending facility with ANZ Banking Group Limited for a total of \$53,097 for the purchase of a Hyundai iLoad and a forklift during the quarter. The loans are for a period of 48 months for the iLoad and 36 months for the forklift respectively from the date of draw down at a rate of 5.52%. The lending is secured over the assets.

9. Estimated cash outflows for next quarter *	\$A'000
9.1 Research and development	(329)
9.2 Product manufacturing and operating costs ^{Note c}	(357)
9.3 Advertising and marketing	(75)
9.4 Leased assets	-
9.5 Staff costs ^{Note d}	(662)
9.6 Administration and corporate costs	(396)
9.7 Government grants and tax incentives	430
9.8 Other – GST Refund	20
9.8 Total estimated cash outflows	(1,369)

^{Note c:} Includes increased inventory for new product range.

^{Note d:} Excludes staff costs allocated to research & development as these are now included in 9.1.

* Estimated cash outflows for the next quarter do not include any sales revenue.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
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.

Sign here: .....
(Company Secretary)

Date: 31 July 2018.....

Print name: Suzie Foreman.....

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.

Appendix 1: Notes to the Ytd Consolidated Statement of Cash Flows

Adjustments to previous quarter

The Appendix 4C (consolidated statement of cash flows) for Quarter 3 (March 2018) did not account for the capitalisation of product development costs. Based upon a change of accounting policy, this has been adjusted retrospectively, and has resulted in Research & Development Costs of \$379 000 and Staff Costs of \$303 000 reallocated from cash utilised in operating activities to cash utilised in investing activities – a total of (\$682 000). Capitalisation of development costs is in accordance with prevailing Australian Accounting Standards.

Consolidated statement of cash flows		As Previously Stated - Year to date (9 months)	Adjustments	Revised - Year to date (9 months)
		\$A'000	\$A'000	\$A'000
1	Cash flows from operating activities			
1.1	Receipts from customers ^{Note}	1,808	-	1,808
1.2	Payments for			
	(a) research and development	(473)	379	(95)
	(b) product manufacturing and operating costs	(1,148)	-	(1,148)
	(c) advertising and marketing	(239)	-	(239)
	(d) leased assets	-	-	-
	(e) staff costs	(1,430)	303	(1,127)
	(f) administration and corporate costs	(1,018)	-	(1,018)
1.3	Dividends received	-	-	-
1.4	Interest received	46	-	46
1.5	Interest and other costs of finance paid	(4)	-	(4)
1.6	Income taxes paid	-	-	-
1.7	Government grants and tax incentives	213	-	213
1.8	Other (GST Refund)	130	-	130
1.9	Net cash used in operating activities	(2,115)	682	(1,433)
2	Cash flows from investing activities			
2.1	Payments to acquire:			
	(a) property, plant and equipment	(101)	-	(101)
	(b) businesses (see item 10)	-	-	-
	(c) investments	(12)	-	(12)
	(d) intellectual property	-	-	-
	(e) rental equipment	(253)	-	(253)
	(f) product development & patents	-	(682)	(682)
2.6	Net cash used in investing activities	(366)	(682)	(1,048)
3	Cash flows from financing activities			
3.1	Proceeds from issues of shares & options	7,437	-	7,437
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	(735)	-	(735)
3.5	Proceeds from borrowings	-	-	-
3.6	Repayment of borrowings	(9)	-	(9)
3.7	Transaction costs related to loans and borrowings	-	-	-
3.8	Dividends paid	-	-	-
3.9	Other (Monies for shares to be allotted)	-	-	-
3.1	Net cash (used in)/from financing activities	6,693	-	6,693
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	136	-	136
4.2	Net cash from used in operating activities (item 1.9 above)	(2,115)	682	(1,433)
4.3	Net cash used in investing activities (item 2.6 above)	(366)	(682)	(1,048)
4.4	Net cash (used in)/from financing activities (item 3.10 above)	6,693	-	6,693
4.5	Effect of movement in exchange rates on cash held	-	-	-
4.6	Cash and cash equivalents at end of quarter	4,348	-	4,348