



**CLEVER COMMUNICATIONS AUSTRALIA LIMITED**  
**ANNUAL GENERAL MEETING**  
**23<sup>RD</sup> NOVEMBER 2009, 9.30 AM**

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**Chairman's Address**

The full year result for the financial year ended 30 June 2009 was a net profit after tax of \$325,000. This is a significant turnaround from the \$3.5 million loss for the 2008 financial year. The good news is that Clever is profitable, cash flow positive, highly focussed on growing its core business and ready to take on corporate opportunities.

Unfortunately, the financial turnaround of the Company has yet to be reflected in the share price. This time last year our share price was circa 3.5 cents. While it closed at 6 cents on Friday last, we are conscious that we are trading on a multiple below that of our peers. Additionally, the surplus asset that is the Company's 14% stake in BigAir appears to have been attributed no value by the market.

While solid growth can be obtained from the wireless business year-on-year, we have concluded that even the best outcomes cannot make Clever into a (say) \$100m market cap. company in the next two or three years. Therefore, a significant focus of the Board must be on corporate and consolidation opportunities.

We have been actively pursuing value enhancing consolidation opportunities. In August 2008, Clever acquired the business and assets of Dedach, a Sydney-based managed data communications provider. In October 2008, the Company launched a one-for-one scrip offer to acquire BigAir Group Ltd. The offer closed on 24<sup>th</sup> December 2008 with Clever gaining a 13.7% stake in Big Air. This is a start, but not enough and shareholders can expect more corporate activity in the medium term or earlier.

I now ask our Managing Director, Scott Carter, to make some comments on the year just passed and the prospects for the year ahead.

**Information about Clever Communications Australia Limited**

Clever Communications Australia Limited (Clever) is one of Australia's largest fixed wireless broadband carriers and provider of managed communications solutions. Clever owns and operates one of Australia's largest fixed wireless networks across Melbourne, Sydney, Brisbane and Adelaide.

Clever provides high speed data and voice solutions to support Internet, Virtual Private Networks, Voice over IP, Redundancy, Short-term deployment and mission-critical business applications. Clever sells its products and services both directly to businesses and indirectly through a national network of partners.

Clever operates a carrier-diverse, high-availability Internet protocol (IP) network that interconnects with Australia's major telecommunication carriers under wholesale supply agreements to deliver tailored data and voice solutions across the business, education and health sectors.



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Address by the Managing Director: Mr Scott Carter

Thank you David.

As David mentioned, 2009 has been a pivotal year for Clever.

Our focus has been to return the Company to profitability. To achieve this we further reduced operating costs and continued to increase high margin sales on our low cost fixed wireless network. We are pleased to report this is now translating into improved financial performance.

In 2009 we achieved the following financial results:

- Wireless revenue increase of 21%
- Operating expenses decrease of 15%
- EBITDA increase of 50% to \$1.69m
- NPAT of \$325k representing a significant turnaround from the \$3.5m net loss in FY08 and the first profit delivered by the Company it listed in 2004
- Operating cash flow increase of 27%.

The Company is also now in full compliance with all banking covenants.

Evidence of our relentless focus to leverage our network ownership advantage is that we now have 38% of revenues derived by utilising our own network compared to just 26% in 2008 and 12% in 2007. This has been the key driver of the increase in gross margin in FY09.

Whilst total revenue has declined, we have experienced 21% revenue growth on our high margin wireless products. This is due to a continued push by the Company to move away from the lower margin off-net revenues to the high margin on-net services combined with the full year impact of the loss of several major customers in 2007 as well as churn and some price erosion in low margin off-net products and services.

YTD FY10, whilst we are continuing to experience price erosion and churn in low margin resale voice products, both wireless and off net data product revenues are growing.

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With the Company now in full compliance with bank covenants and consistently generating profits we are in a position to invest in growth. With the tightening of capital budgets by the major carriers as they determine the scope and impact of the National Broadband Network (NBN) we are experiencing demand to design, deploy and operate our low cost network infrastructure in new markets throughout the country to meet the growing demand for high speed broadband. As a result I am pleased to announce today that we will be expanding our network coverage in the fast growing Perth and Brisbane markets during the second half of this financial year.

In addition to expanding our network infrastructure we are investing in further sales and marketing capacity to exploit the opportunities created through the expansion of our network coverage however we do not expect to see the full benefit of this activity until the first half of next financial year.

That said, we are confident our strategy is working and is the right one. Last week we announced a \$700,000 contract in the education sector. Even more pleasing is the number of other significant new sales opportunities in the pipeline that we expect to sign and announce over the coming months.

Finally, I would like to thank my dedicated team, our valued customers and all our shareholders for their continued support.

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