

## Appendix 4D

28 February 2018

### Half year reporting period ending 31 December 2017

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

#### 1. Reporting period

- a. Current Period: 6 months ended 31 December 2017
- b. Prior Period: 6 months ended 31 December 2016

#### 2. Results for announcement to the market

	Item	31 December 2017 \$	31 December 2016 \$	Change %
Revenue from ordinary activities	2.1	\$25,843	\$168,162	(85%)
Profit/(Loss) after tax attributable to members	2.2	(\$443,530)	(\$699,244)	37%
Net Profit/(Loss) attributable to members	2.3	(\$443,530)	(\$699,244)	37%
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 2017, ZipTel Limited ("ZipTel" or the 'Company') the Company was focused on:</p> <ul style="list-style-type: none"> <li>- Developing opportunities for the Company's platforms in particular the agreement with Space Digital Media Limited (SDM) whereby ZipT IP is being integrated into a new global content/social platform – the Convo Mobile Application ("Convo App");</li> <li>- Working with SDM to ready the Convo App for launch in key markets;</li> <li>- Developing relationships with companies in key industries which require low bandwidth, calling and messaging solutions for the Company's Site-based, Reliable VOIP and Messaging Platform – "ZiFi";</li> <li>- Reviewing other opportunities in the technology sector.</li> </ul> <p>During the half year, ZipTel announced that it had executed an agreement ("Agreement") with London-based Space Digital Media Limited (SDM) to have certain ZipT technology integrated into the Convo App and to assist with development of the Convo App. The Convo App is aiming to become a globally significant content driven communication/ social platform that boasts a well credentialed executive team.</p> <p>Under the Agreement ZipTel has granted a license to certain IP rights to the ZipT technology to SDM and will assist in the development of the Convo App in return for royalty payments of between 10% and 20% of Net Revenue received in relation to the Convo App. SDM has advised that they intend to focus on building revenue in three core areas initially - advertisement, branded content and E-Commerce. The Convo App will have its own 'in app' advertisement engine for publishers to generate advertisement revenue and gain more visibility. The Convo App is intended to enable publishers to drive traffic to their pages and benefit from ongoing advertisement revenue splits.</p> <p>Since executing the Agreement, the Convo App has had soft launches on both the iOS and Android platforms. The Company continues to work with SDM to refine the Convo App prior to its global launch. The app development is on track and the Company anticipates that SDM will launch the Convo App in March 2018.</p>		

<p><i>Revenue</i></p> <p>Revenue from the sale of goods and services (\$25,843) was down on the prior period (2016: \$168,162) mainly as a result of the Company putting the Zipt application into a care and maintenance phase. The Company instead focused on exploring commercial outcomes for its products, the first result of which was the Zipt Convo agreement.</p>
<p><i>Explanation of loss</i></p> <p>During the period, the Company:</p> <ul style="list-style-type: none"> <li>- Incurred employees' benefits expenses of \$126,891 significantly lower (76%) than the prior period (2016: \$532,668) as it reduced its employee numbers and adopted a lean structure;</li> <li>- Incurred research and development expenses of \$100,492 significantly lower (61%) than the prior period (2016: \$254,919) as development programs were cut back;</li> <li>- In 2016, the Company banked an Australian Government research and development tax incentive totalling \$1.36M, reflected as other income. The Company is currently finalising its 2017 tax incentive lodgement.</li> </ul>
<p><i>Outlook</i></p> <p>ZipTel is reviewing its operations with the focus on establishing a cash flow positive business. The Company will look to develop opportunities for its current platforms as well as potential opportunities and deliver them mindful of the Company's current lean structure objectives. The Company will also continue to review other opportunities, leveraging its contacts with a view to increasing shareholder value.</p>

### 3. Net tangible assets per security

	31 December 2017	31 December 2016
Net tangible asset per share (cents per share)	0.88 cents	0.55 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 2017 Half-Year report is based upon accounts that were reviewed by the Company's auditor are not subject to a modified opinion.

Yours faithfully

**ZipTel Limited**



Bert Mondello

Director

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**ACN 108 042 593**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2017**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2017 and any announcements to the market during the half-year ended 31 December 2017.

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# CORPORATE INFORMATION

## **ZIPTTEL LIMITED**

ABN 41 108 042 593

## **DIRECTORS**

Mr Joshua Hunt (Non-Executive Chairman)  
Mr Umberto (Bert) Mondello (Non-Executive Director)  
Mr Salvatore Vallelonga (Non-Executive Director)

## **COMPANY SECRETARY**

Mr Derek Hall

## **PRINCIPAL PLACE OF BUSINESS**

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## **SOLICITORS**

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## **AUDITOR**

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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 2017. 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
Josh Hunt (Non-Executive Chairman)	Since 12 June 2014
Umberto (Bert) Mondello (Managing Director and Chief Executive Officer until 1 March 2017, then Non-Executive Director)	Since 12 June 2014
Keaton Wallace (Executive Director until 1 March 2017, then Non-Executive Director)	Since 12 June 2014 and ceased to be a director on 8 September 2017
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 consumers and enterprise. ZipTel listed on the ASX in July 2014 with its core focus on the distribution of communications and technology products, both domestically and internationally.

During the half year ended 31 December 2017, ZipTel was focussed on:

- Developing opportunities for the Company's platforms in particular the agreement with Space Digital Media Limited (SDM) whereby ZipT IP is being integrated into a new global content/social platform – the Convo Mobile Application ("Convo App");
- Working with SDM to ready the Convo App for launch in key markets;
- Developing relationships with companies in key industries which require low bandwidth, calling and messaging solutions for the Company's Site-based, Reliable VOIP and Messaging Platform – "ZiFi";
- Reviewing other opportunities in the technology sector.

The Company also has a secondary business line: AussieSim. AussieSim is an international pre-paid travel sim card provider offering consumers 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. Zipt was launched in June 2015 and more than 10 million users across the globe downloaded the app. With the bulk of users in emerging markets, the Company was unable to establish a profitable revenue stream from Zipt and the platform was placed into a care and maintenance phase on 30 April 2017, incurring minimal costs to support and retain intellectual property, server and user information. This step included removing the Zipt application from the various App stores. From here ZipTel sought commercial outcomes for this product.

This initiative resulted in the execution of an agreement ("Agreement") with London-based Space Digital Media Limited (SDM) to have certain ZipT technology integrated into the Convo App and to assist with development of the Convo App. The Convo App is aiming to become a globally significant content driven communication/ social platform that boasts a well credentialed executive team.

# DIRECTORS' REPORT

Under the Agreement ZipTel has granted a license to certain IP rights to the ZipT technology to SDM and will assist in the development of the Convo App in return for royalty payments of between 10% and 20% of Net Revenue received in relation to the Convo App. SDM has advised that they intend to focus on building revenue in three core areas initially - advertisement, branded content and E-Commerce. The Convo App will have its own 'in app' advertisement engine for publishers to generate advertisement revenue and gain more visibility. It is intended that this feature has been added to allow the Convo App to generate revenue from its publishers, whilst giving publishers value for money in terms of additional reach and followers. In addition, SDM's model contemplates that the Convo App is to generate revenue from traditional "in app" advertisement placements and banner ads placed between content or on user interaction. The Convo App is intended to enable publishers to drive traffic to their pages and benefit from ongoing advertisement revenue splits. Refer to the announcement of 18 August 2017 for further details.

Since executing the Agreement, the Convo App has had soft launches on both the iOS and Android platforms. The Company continues to work with SDM to refine the Convo App prior to its global launch. The app development is on track and the Company anticipates that SDM will launch the Convo App in March 2018.

## ZIFI

In November 2016, the Company launched the Zipt Systems Enterprise suite which included the Site-based, Reliable VOIP and Messaging Platform – "ZiFi". The development of ZiFi is ongoing.

Since the launch of these products, the Company has sought to develop relationships with companies in key industries which require low bandwidth, calling and messaging solutions. These business development activities are ongoing and the Company will provide an update to the market in due course.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

During the half year ended 31 December 2017, the Company posted a net loss after tax of \$443,530 (2016: loss of \$699,244). Of this current period expenses totalling \$479,930, \$100,492 relates to research and development costs for the Company's technology products. The Company posted total income of \$36,400 (2016: \$1,560,959), the majority of which was contributed by the AussieSim business, with the Zipt platform being in care and maintenance, whilst further developing its platform with SDM. In the prior period, \$1.36M of the revenue figure related to an Australian Government Research and Development (R&D) Tax Incentive Credit. The Company is currently finalising its R&D lodgement for the FY2017 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.

## OUTLOOK FOR 2018

ZipTel is reviewing its operations with the focus on establishing a cash flow positive business. The Company will look to develop opportunities for its current platforms as well as potential opportunities and deliver them mindful of the Company's current lean structure objectives. The Company will also continue to review other opportunities, leveraging its contacts with a view to increasing shareholder value.

## 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 2017.



## 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.



**Josh Hunt**  
Chairman

28 February 2018

Regency Audit Pty Ltd

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To The Board of Directors

## **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit director for the review of the financial statements of Ziptel Limited and its controlled entities for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**CHRIS WATTS CA**  
Director

**REGENCY AUDIT PTY LTD**

DATED at PERTH this 28<sup>th</sup> day of February 2018

Regency Audit Pty Ltd

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## **Independent Auditor's Review Report**

### **To the Members of Ziptel Limited**

We have reviewed the accompanying half-year financial report of Ziptel Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled 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 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 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 2017 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.

## 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 and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Regency Audit

**REGENCY AUDIT PTY LTD**



**CHRIS WATTS CA**  
**Director**

DATED at PERTH this 28<sup>th</sup> day of February 2018

# 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



**Josh Hunt**  
Chairman

28 February 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
<b>Revenue</b>			
Sale of goods and services	2	25,843	168,162
Other income	3	10,557	1,392,797
<b>Expenses</b>			
Cost of sales		(19,543)	(205,631)
Other expenses from ordinary activities			
Administration and Operating Expenses	4	(228,675)	(493,465)
Employee benefits	4	(126,891)	(532,668)
Share-based payments	4	-	(481,068)
Marketing and distribution		-	(289,804)
Research and development expenses		(100,492)	(254,919)
Finance costs		(3,969)	(3,007)
Exchange gain		(360)	359
<b>Total expenses</b>		<b>(479,930)</b>	<b>(2,260,203)</b>
Loss before income tax		(443,530)	(699,244)
Income tax expense		-	-
<b>Loss for the period</b>		<b>(443,530)</b>	<b>(699,244)</b>
Other comprehensive loss		-	-
<b>Total comprehensive loss for the period</b>		<b>(443,530)</b>	<b>(699,244)</b>
Loss attributable to owners of the Company		(443,530)	(699,244)
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(443,530)</b>	<b>(699,244)</b>
Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share)		(0.003)	(0.008)

*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 2017

	Notes	31 December 2017 \$	30 June 2017 \$
<b>Current Assets</b>			
Cash and bank balances		1,433,935	1,156,120
Trade and other receivables		18,909	13,271
Prepayments		-	29,804
Inventories		-	19,479
<b>Total Current Assets</b>		<u>1,452,844</u>	<u>1,218,674</u>
<b>Non-current Assets</b>			
Intangible assets		64,515	68,024
<b>Total Non-current Assets</b>		<u>64,515</u>	<u>68,024</u>
<b>Total Assets</b>		<u>1,517,359</u>	<u>1,286,698</u>
<b>Current Liabilities</b>			
Trade and other payables		154,186	268,734
Provision for advance billings		-	5,603
Provisions		-	275,316
<b>Total Current Liabilities</b>		<u>154,186</u>	<u>549,653</u>
<b>Total Liabilities</b>		<u>154,186</u>	<u>549,653</u>
<b>Net Assets</b>		<u>1,363,173</u>	<u>737,045</u>
<b>Equity</b>			
Issued capital	5	13,472,557	12,402,899
Reserves	5	581,892	12,050,549
Accumulated losses		(12,691,276)	(23,716,403)
<b>Total equity</b>		<u>1,363,173</u>	<u>737,045</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 2017

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

Notes	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
<b>Balance at 1 July 2017</b>	12,402,899	12,050,549	(23,716,403)	737,045
Loss for the period	-	-	(443,530)	(443,530)
<b>Total comprehensive loss for the period</b>	-	-	(443,530)	(443,530)
<b>Transactions with owners in their capacity as owners</b>				
Contribution of equity, net of transaction costs	1,069,658	-	-	1,069,658
Transfer of expired options value		(11,468,657)	11,468,657	-
Recognition of share-based payments		-	-	-
<b>Balance at 31 December 2017</b>	<b>13,472,557</b>	<b>581,892</b>	<b>(12,691,276)</b>	<b>1,363,173</b>

*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 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		23,842	155,303
Payments to suppliers and employees		(824,606)	(1,757,164)
Finance costs		(1,276)	-
Other income		10,557	1,370,458
Net cash used in operating activities		(791,483)	(231,403)
<b>Cash flows from investing activities</b>			
Acquisition of financial assets		-	-
Payments of intangible assets		-	-
Net cash used in/(provided by) investing activities		-	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,197,871	-
Share issue transaction costs		(128,213)	-
Repayment of borrowings		-	-
Net cash provided by financing activities		1,069,658	-
<b>Net decrease in cash and cash equivalents</b>		278,175	(231,403)
Cash and cash equivalents at the beginning of the period		1,156,120	1,353,070
Effects of exchange rate changes		(360)	359
Cash and cash equivalents at the end of the period		1,433,935	1,122,025

*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 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the half-year ended 31 December 2017, 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 2017.

### 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 2017 the Group recorded a loss of \$443,530 and had net cash outflows from operating activities of \$791,483.

While the Group has cash on hand of \$1,433,935 at 31 December 2017, the Group's future cash flow forecast for the period ended 28 February 2019 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 March 2018 and anticipated receipt in June 2018 of an Australian Government R&D tax incentive Scheme claim for FY2017 in relation to development spending;
- 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 \$1,433,935 as at 31 December 2017;
- Net assets of \$1,363,173 as at 31 December 2017.

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 2017, 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 2017.

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 2017. 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>CONTINUING OPERATIONS</b>				
AussieSim	25,765	51,599	2,141	660
Zipt	78	116,563	(323)	(38,129)
	25,843	168,162	1,818	(37,469)
Other income	10,557	1,392,797	10,557	1,392,797
Corporate and administration	-	-	(448,426)	(2,032,623)
Depreciation and amortisation	-	-	(3,510)	(18,943)
Finance Costs	-	-	(3,969)	(3,006)
<b>TOTAL LOSS BEFORE INCOME TAX</b>	<b>36,400</b>	<b>1,560,959</b>	<b>(443,530)</b>	<b>(699,244)</b>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: 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 2017 \$	30 June 2017 \$
<b>SEGMENT ASSETS</b>		
AussieSim	77,157	99,903
Zipt	13,067	37,475
Total segment assets	90,234	137,378
Cash and corporate assets	1,427,135	1,149,320
<b>TOTAL ASSETS</b>	<b>1,517,359</b>	<b>1,286,698</b>
<b>SEGMENT LIABILITIES</b>		
AussieSim	1,215	2,893
Zipt	24,200	546,760
Total segment liabilities	25,415	549,653
Cash and corporate liabilities	128,771	-
<b>TOTAL LIABILITIES</b>	<b>154,186</b>	<b>549,653</b>

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.

	31 December 2017 \$	31 December 2016 \$
<b>NON-OPERATING ACTIVITIES</b>		
Interest	10,557	5,187
Research and development tax credit	-	1,365,321
Debt forgiveness		22,289
<b>TOTAL OTHER INCOME</b>	<b>10,557</b>	<b>1,392,797</b>

# 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:

	2017 \$	2016 \$
<b>EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS</b>		
- Directors' fee and employee wages and salaries	126,891	532,668
- Share-based payments	-	481,068
<b>TOTAL EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS</b>	<b>126,891</b>	<b>1,013,736</b>
<b>ADMINISTRATION AND OPERATING EXPENSES</b>		
- Administration	87,475	306,844
- Consulting	113,908	133,807
- Depreciation of plant and equipment	-	5,602
- Amortisation of intangible assets	3,510	13,341
- Write off inventories	23,782	-
- Occupancy	-	33,871
<b>TOTAL ADMINISTRATION AND OPERATING EXPENSES</b>	<b>228,675</b>	<b>493,465</b>

## NOTE 5: ISSUED CAPITAL

### 2016

#### FULLY PAID ORDINARY SHARES

Balance at 31 December 2016	86,770,478	12,402,899
Issue of shares in return for service – Employees/contractors	3,069,861	-
Balance at 1 July 2017	89,840,339	12,402,899
Issue of shares under Rights Issue	59,893,560	1,069,658
Balance at 31 December 2017	149,733,899	13,472,557

	Number of shares	\$
Balance at 31 December 2016	86,770,478	12,402,899
Issue of shares in return for service – Employees/contractors	3,069,861	-
Balance at 1 July 2017	89,840,339	12,402,899
Issue of shares under Rights Issue	59,893,560	1,069,658
Balance at 31 December 2017	149,733,899	13,472,557

#### Number of Options

#### MOVEMENTS IN OPTIONS

	31 December 2017	30 June 2017
Balance at the beginning of the period	-	28,870,388
Issue of options as remuneration	-	850,000
Options lapsed during the period	-	(29,720,388)
Issue of options under Rights Issue	29,946,780	-
Options lapsed during the period	-	-
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>29,946,780</b>	<b>-</b>

On 6 July 2017, the Company completed a non-renounceable pro rata rights issue to Shareholders on the basis of 2 New Shares for every 3 Shares held at an issue price of \$0.02 per New Share, to raise \$1,197,871 and 1 free New Option for every 2 New Shares subscribed for. Associated costs from the capital raising, including the underwriting fee totalled \$128,213.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5: ISSUED CAPITAL (CONT'D)

	31 December 2017 \$	30 June 2017 \$
Option Reserve	581,892	12,050,549
<b>BALANCE AT THE BEGINNING OF THE PERIOD</b>	12,050,549	11,468,657
Options granted during the year	-	581,892
- Share-based payments	(11,468,657)	
- Transfer to expired options value		
Balance at the end of the period	581,892	12,050,549

There were no share-based payments during the period.

During the prior year, a total of 543,624 shares were granted to entities associated with Mr Josh Hunt and Mr Salvatore Vallelonga in lieu of professional legal and accounting services provided respectively. An expense of \$67,952 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.

During the prior year, 1,250,000 timed Ambassador 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 based on the share price at grant date.

On 7 July 2016, an issue listed options was made to an employee under the employee share plan of 200,000 listed options and a corresponding expense of \$2,200 was recognised based on the option price at grant date.

On 23 December 2016, a share issue was made to an employee under the employee share plan of 425,000 shares and a corresponding expense of \$51,000 was recognised based on the share price at grant date. On 1 May 2017, a share issue was made to employees under the employee share plan during the period of 1,062,885 shares and a corresponding expense of \$30,824 was recognised based on the share price at grant date. In addition, on 1 May 2017 a share issue of 2,006,976 was made to contractors in return for services based on invoices rendered. A corresponding expense of \$70,000 was recognised based on the share price at grant date.

## NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

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

### (1) SECURITIES GRANTED DURING PERIOD

No securities were granted to the directors or other key management personnel as remuneration during the period.

### (2) SECURITIES VESTED DURING PERIOD

No securities vested to the directors or other key management personnel during the period.

## **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 2017.

## **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 2017.