

ASX ANNOUNCEMENT
20 July 2016

Spirit Market Update

Spirit Telecom (ASX: ST1) (“**Spirit**” and “**Company**”) has been advised that its first Quarterly Cash Flow Report (Appendix 4C) will be for the quarter ended 30 September 2016 and as such, a report for the recently completed quarter is not required. It is therefore the decision of the Board to submit an update to the market, for the purpose of keeping shareholders informed.

Current Highlights

- Over 50 buildings (commercial and residential) added to Spirit’s network in the first calendar half of 2016 – a growth of 25% in building numbers
- My Telecom migration nearing network consolidation completion
- Upgraded Melbourne and Sydney data centre Points of Presence (PoPs) and soon to open Brisbane
- Cash balance at 30 June 2016 of \$2.2 million to fund growth and business development activities
- Spirit has launched 400/400Mbps at Freshwater Place
- Proceeding to consider various acquisition targets
- Spirit Investor Frequently Asked Question’s

The Company is pleased to report on key operational matters for the period since December 2015.

Growth in Spirit Buildings

The operational growth of Spirit has continued, in the form of over 50 additional buildings coming onto the Spirit network. Recent agreements have seen the addition of several commercial and residential buildings being supplied Superfast Internet from Spirit.

Spirit has also increased its marketing activity, as a result of the funds raised from the ASX listing, by increasing the marketing expenditure to the residential market, whilst also investing in the dealer/partner channel, by the appointment of a number of dealers.

Spirit’s commercial customer growth has included the rollout of the Marriner Group, including Melbourne’s Princess, Comedy and Forum Theatres; hoteliers Punt Hill in Brisbane and Melbourne and the “Awesome student accommodation” group Iglu, in Sydney and Melbourne.

Some of the recent buildings in the provisioning process include Vogue (500 apartments), Maxx Apartments (130 apartments) and Yarra’s Edge Towers 2 & 3 (280 apartments). The latter expanding the suite of existing Spirit serviced Yarra’s Edge Towers 1 & 4, delivered last year.

My Telecom network migration to Spirit Telecom

A large benefit of the My Telecom acquisition was the synergies gained through the migration of the My Telecom network across to the Spirit network. This enabled better product delivery to the MYT buildings, as well as operational leverage gained through the network consolidation. Spirit expects the migration to be completed within the next quarter.

Points of Presence Upgrades and Network Expansion

In addition to marketing and business development expenditure, the Prospectus Use of Funds also focused on Spirit's core network upgrade and expansion. In line with this and due to the demand of business in Queensland, Spirit has recently agreed to expand its network to NextDC in Brisbane and is in the process of upgrading Melbourne (NextDC) and Sydney (Equinix), in order to accommodate the increase in demand and maintain the current network performance.

Cash Balance as at 30 June 2016

Following on from the successful relisting of Arunta Resources as Spirit Telecom Limited, Spirit raised approximately \$2.6 million. After listing expenses and commitments we expect Spirit's cash balance to fund growth and business development activities to be \$2.2 million at the close of the financial year.

Launch 400/400Mbps at Freshwater Place

After the launch of 200/200Mbps in 2015, Spirit has gone one further by launching 400/400Mbps into Freshwater Place, one of Melbourne's premier residential apartment buildings. Aside from making Freshwater Place arguably the fastest residential Internet building in Australia, Spirit continues to demonstrate its market leading deployment, creating the fastest residential deployment of symmetrical superfast Internet to date.

Proceeding to consider various acquisition targets

Spirit has started a process of seeking a suitable target for acquisition. An external company has been engaged to assist the process of finding a suitable company that would complement Spirit's direction.

Spirit Investor FAQ's

1. How many buildings do Spirit currently service, and what is the breakdown between residential, commercial and student accommodation?
 - a. *Over 200 buildings on the ST1 network (or in the provisioning process). This does not include any NBN buildings that Spirit supplies - 50 in the last 6 months*
 - b. *The breakdown is 34% Res; 61% commercial and 5% Student*
2. What incentives do residential and commercial multi dwelling units / offices / buildings have to allow Spirit to enter their building? Is it purely to allow faster internet speed? Or are there other incentives?

ST1 is a licensed carrier and therefore do have some access powers. However, generally speaking the incentive to building owners is to allow their commercial and/or residential tenants access to superfast Internet.

The following article may be helpful; <http://www.spirit.com.au/high-speed-fibre-internet-increased-property-value>

3. Once Spirit enters a building; what strategies are undertaken to sign up tenants?

Targeted sales and marketing activity.

4. What is the current strike rate of tenant sign ups to Spirit in residential buildings?

Current penetration levels of any residential building older than 6 months (to allow for marketing) is 26% penetration. Student accommodation buildings are much higher.

6. What is the current strike rate of tenant sign ups to Spirit in commercial buildings? What is the model for these businesses?

Commercial buildings aren't measured in the same way, as business numbers (potential customers) can change and not easily reported on.

The model is referred to as "Anchor & Expand". Before entering into a building a commercial "Anchor" is sought. This may be more than 1 customer and provides for an operational profit. From there Spirit work to 'Expand' the penetration levels of a given building, thereby improving margins.

7. How much of Spirit's business is on their cloud-based products and services? What do these specifically include?

Internet and voice is the main combination sold and such a bundle is heavily weighted to the commercial sector. Other services include hosting, firewall services and Virtual Private Networks (VPN's).

About Spirit

Spirit Telecom Limited is a modern telecommunications provider of ultra-fast Internet access and telephony services.

A fast growing niche Telecommunications Carriage Service Provider, Spirit is focused on supplying fibre based broadband services to multi-dwelling user locations including residential, business, student accommodation, community housing and business parks.

Spirit was voted as being Australia's fastest Internet Service Provider (ISP) for 2015 by PCMag.com.

With 10-year brand awareness, Spirit prides itself on delivering real service to its Australian residential and commercial customers and provides customers with the highest quality product.

For more information, please visit www.spirit.com.au

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