

March 2018 Quarter Activities Report

Highlights

- ❖ YTD revenue at Q3 stands at \$1,723,000, surpassing 2017 full financial year revenue of \$1,332,000.
- ❖ Total rental and recurring revenues increased by more than 20% on the previous quarter and now representing approximately 35% of total revenue for the March Quarter (December Quarter: 23%).
- ❖ Record deployment of 89 rental camera units during the March quarter compared to the December quarter of 47 units.
- ❖ Quarterly revenues of \$592,000 in historically the quietest quarter of the year, a year on year quarter growth of 240% (March quarter 2017: \$246,000) with strong cash receipts of \$700,000 for the quarter.
- ❖ Successful Thermal Camera trials at Tier 1 client site, sets path for commercial launch in July, targeting a thermal cameras sale price of \$12,000+, compared to \$3,000+ for the standard HD4 camera.
- ❖ Expansion of sales and installation capabilities in NSW and Queensland with sales and rentals from these branches expected to develop revenues strongly into the future.
- ❖ Increasing inventory of long lead parts to support planned increase in camera unit sales (Thermal and HD4).
- ❖ Reaching maximum fixed cost base for current Australian operations, which now has the capacity to support sales, production and installation capacity of 150 combined HD4 and Thermal camera units per month.
- ❖ Cash as at 31 March of \$4.3m providing Spectur with strong balance sheet going forward.

Spectur Limited (ASX:SP3, 'Spectur' or 'the Company') is pleased to provide an update for the quarter ended 31 March 2018, to accompany its quarterly cash flow report.

Sales and Financials

Strong quarter revenues driven by solid sales and record rental growth

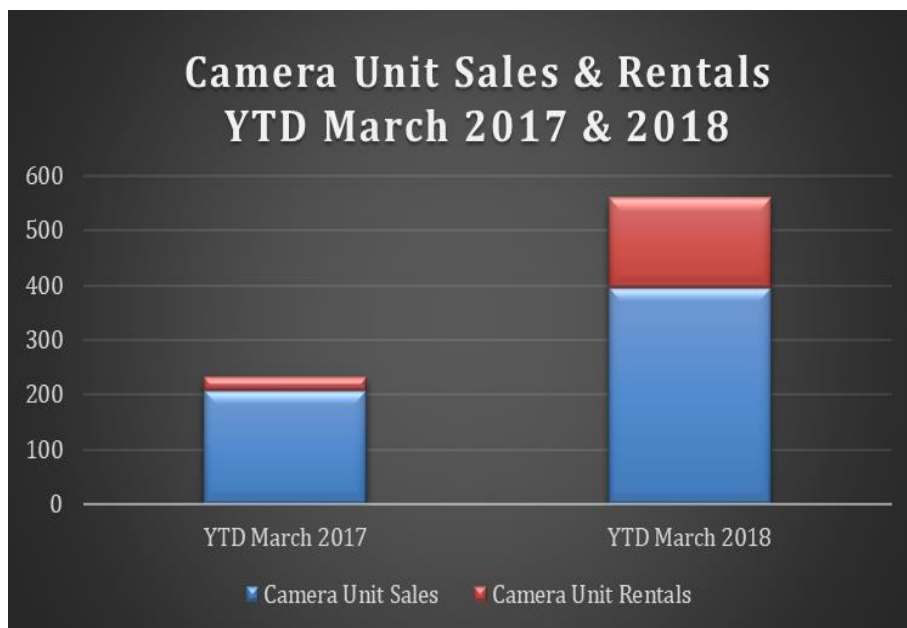
Quarterly Revenues

The annual Year To Date (YTD) revenue as at the end of March 2018 was \$1,723,000 which has already surpassed the full 2017 financial year revenue of \$1,332,000.

The Company's revenues from camera rentals and recurring revenues combined for the quarter totalled \$202,000, (December quarter: \$167,000), representing an increase of over 20% on the previous quarter. Recurring revenues comprise of server access, data plans and monitoring revenues.

Camera rental income and recurring revenues are expected to continue to grow as a percentage of total revenue. For the March quarter, rentals and recurring revenues represented approximately 35% of overall revenues.

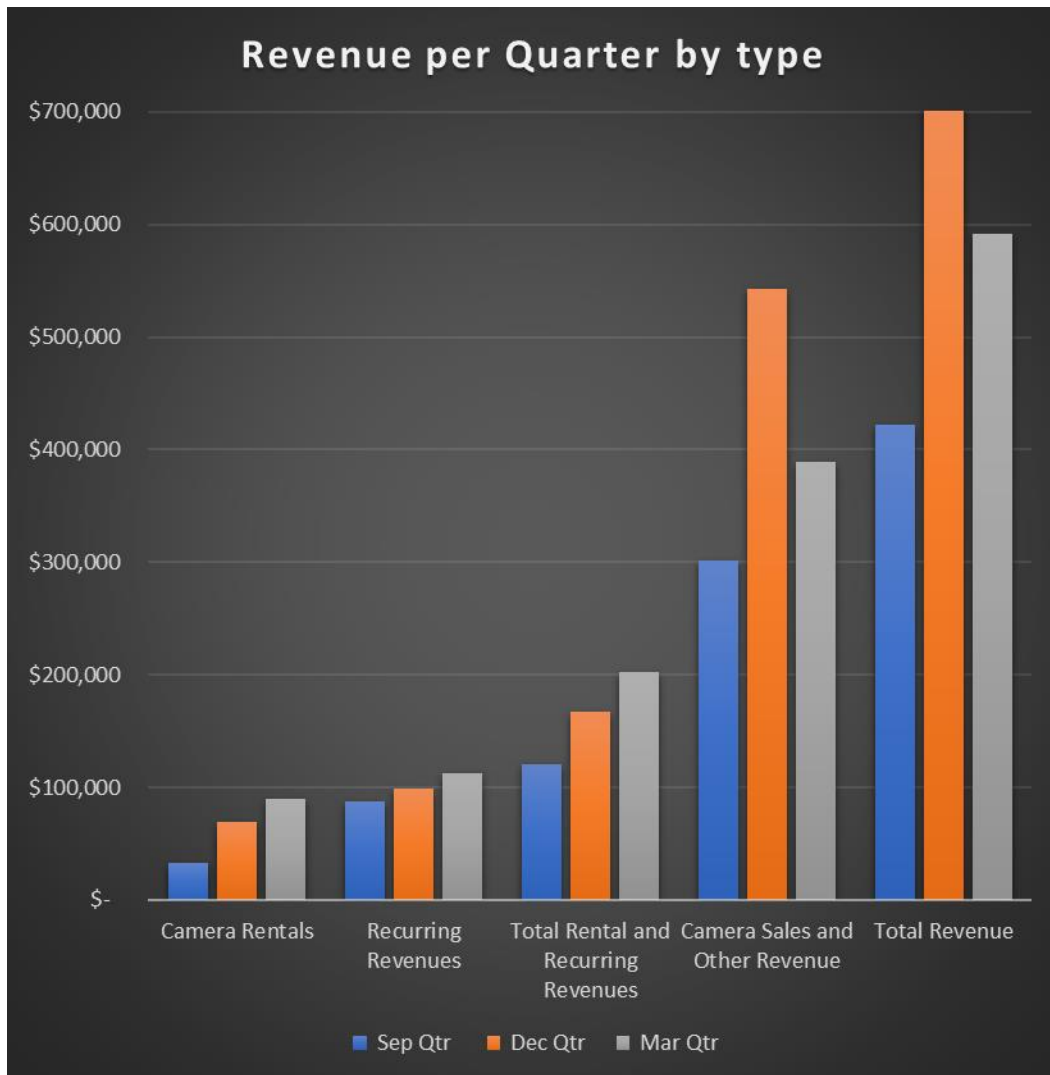
Camera unit sales YTD have shown growth of around 90%, (YTD 2017: 208; YTD 2018: 396) whilst rental deployment has increased by approximately 650% (YTD 2017: 24; YTD 2018: 163).



There was a record deployment of 89 rental camera units during the March quarter (December quarter: 47 units) with 179 camera rental systems in the field at quarter end.

Camera units in the field have grown steadily, as well increasing as a proportion of total camera units sold.

Spectur continues to experience strong quarterly revenues of \$592,000 for the March quarter, an increase of more than 240% on the previous year on year quarter (March Quarter 2017: \$246,000) in spite of March historically proving to be the quietest quarter of the year. Cash receipts for the March quarter also remained robust at \$700,000, reflecting the ongoing strength of pre-booked revenue.



Financial Commentary

Net cash utilised in operations per the Appendix 4C was \$895,000 for the March quarter and included research and development (R&D) costs of \$303,000. These costs relate to the development of Spectur's stand-alone Thermal Camera Surveillance Systems and the design and manufacturing of trailer mounted rental models as well as improvements to the VSaaS systems.

Spectur has also invested an additional \$117,000 in its rental camera inventory to meet the increased demand over this quarter.

Australian operational cost base

Spectur's Australian operations, are now approaching a maximum fixed cost base which will provide the capacity to support R&D, sales, production and installation of approximately 150 HD4 and thermal camera units combined per month.

The Company closed the quarter with \$4.3m in cash ensuring it is well funded to pursue its growth strategy in 2018.

Research and Development

The Company is pursuing its plans on transitioning from a leading supplier in the Australian market, to become a globally competitive manufacturer and provider of advanced solar security and IoT products and services. To achieve this Spectur is focused on both new product innovation as well as company-wide upgrades to existing front and back end systems, production processes and service delivery. During the March quarter, primary research and development activities to facilitate this were as follows:

- Appointment of key additional research and development staff to accelerate new products as well as upgrading of existing front and back end systems
- New product development activities
 - o Thermal Camera development: funds utilised for thermal camera parts, development activities and on-site testing.
 - o Gas Detection and LIDAR systems: continued development, testing and market analysis relating to the new Gas Detection and LIDAR technologies.
 - o Upgrades to the overall production processes, including auto test facilities for existing hardware.
 - o Design and construction of additional product deployment products:
 - portable trailers housing solar security systems;
 - portable and stand-alone mast systems; and
 - fixed bases for transport to site (to avoid any sub surface activities on site, i.e. no hole required for pole unit).
 - o Hardware purchases and testing of advanced 3G, 4G and 5G compatible devices, for all markets (local and international).
- New product market analysis
 - o Primary gas detection markets analysis and investigations into consultant appointment, as well as industry liaison and feedback on product specification requirements; and
- Upgrading the Cloud IOT and VSaaS back end
 - o The Company has been actively improving its back-end systems in order to increase the ability to monitor and manage large numbers of units in the field, as well as providing a stronger foundation to allow Spectur to scale camera unit deployment in Australia and overseas.

Ongoing expansion into East coast markets

The Company has continued to see further progression of its Melbourne presence, which contributed to increased sales during the March quarter and has provided inroads into Tier-1 clients nationally.

Staffing levels in N.S.W and Queensland are now in place to support expansion of sales and product installations.

Outlook

Spectur anticipates sales growth to continue throughout the year due to:

- the benefits of the Company's east coast expansion, with sales from Queensland and New South Wales expected to accelerate in the upcoming quarters;
- an increase in rental camera units in the field providing steady income flow;
- ongoing recurring revenues continuing to increase in line with overall units in the field; and
- sales and rentals of Thermal Cameras to contribute to revenues in the September quarter.

The Company is rapidly progressing the commercialisation of its new products. The Thermal Camera Systems were successfully trialled at a Tier 1 transport company during the quarter. Thermal cameras are expected to provide a welcome addition to receipts with each thermal system selling for \$12,000+, compared to the HD4 sale price of \$3,000+.

The Company's R&D capabilities are increasing to ensure there is a pipeline of new products and services it can bring to market to help drive sales growth in a broad range of markets. The Thermal Camera System's commercialization is being prioritised based upon assessment of its short-term returns. The other two key products are the Gas Detection and LIDAR technologies which are still in the research, development and market analysis stage.

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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")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	700	1,808
1.2 Payments for		
(a) research and development	(303)	(473)
(b) product manufacturing and operating costs	(407)	(1,148)
(c) advertising and marketing	(66)	(239)
(d) leased assets	-	-
(e) staff costs	(574)	(1,430)
(f) administration and corporate costs	(295)	(1,018)
1.3 Dividends received	-	-
1.4 Interest received	23	46
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	213
1.8 Other (GST Refund)	29	130
1.9 Net cash from / (used in) operating activities	(895)	(2,115)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(35)	(101)
(b) businesses (see item 10)	-	-
(c) investments	(9)	(12)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) rental equipment	(117)	(253)
(f) other non-current assets	-	-
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 from / (used in) investing activities	(161)	(366)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares & options	722	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	(101)	(735)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(4)	(9)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Monies for shares to be allotted)	(684)	-
3.10 Net cash from / (used in) financing activities	(67)	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	5,471	136
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(895)	(2,115)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(161)	(366)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(67)	6,693

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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

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	307	265
5.2	Call deposits	4,041	4,522
5.3	Bank overdrafts	-	-
5.4	Other (monies for shares to be allotted)	-	684
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,348	5,471

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**

172

-

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)	125	116
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 \$37,461 for the purchase of a Hyundai iLoad during the quarter. The loan is for a period of 48 months from the date of draw down at a rate of 5.52%. The lending is secured over the vehicle.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(137)
9.2 Product manufacturing and operating costs	(283)
9.3 Advertising and marketing	(60)
9.4 Leased assets	-
9.5 Staff costs	(814)
9.6 Administration and corporate costs	(255)
9.7 Other (GST refund)	18
9.8 Total estimated cash outflows	(1,531)

* Note: 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		

