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Netlinkz

**QUARTERLY
ACTIVITIES REPORT
& APPENDIX 4C
SEPTEMBER 2022**

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 30 September 2022 ("September Quarter"), together with its Appendix 4C.

Highlights

- **Revenue** for the quarter at \$4.2m was a 45% increase on the previous quarter notwithstanding the continued impact of China's major city lockdowns and an increase of 14% over Q1 FY22.
- **Launch** of four new VSN product bundles Express™, ExpressPlus™, ExpressPass™ and CCTV Protect™.
- **New significant recurring revenue contract** for lawful interception product.
- **Equity placement facility** of \$20.5m established to position for further anticipated growth.
- **Board and management appointments** to manage and drive expanding business

Operational and Corporate overview

Results for the quarter (unaudited)

Revenue of \$4.2 million for the quarter was a 45% increase on the prior quarter and a 14% increase on Q1FY22, however it remained adversely impacted by rolling lockdowns in Beijing and Shanghai where the Company's China operations are based.

The sales and marketing team made significant progress in the quarter in on-boarding new enterprise customers for its suite of VSN Express™ suite products. These included:

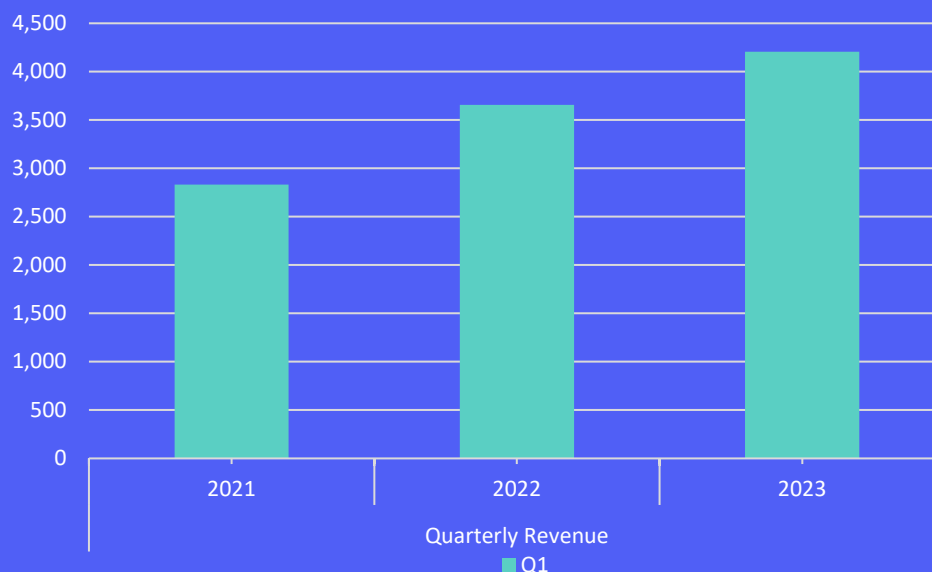
- Work Club Global, a serviced office provider with offices in Australasia, Asia Pacific, USA and Europe.
- A roll out for an intelligent building development and;
- An enterprise content delivery network solution provider.

The Company secured a significant new ongoing contract with a telecommunications company based in Australia and New Zealand (circa \$1m p.a over 3 years) for its interception software business.

The Company has entered into a **Memorandum of Understanding with Yirigaa Pty Limited**, a majority owned Aboriginal Australian Company. Yirigaa is focused on being an Indigenous technology company based upon First Nations Cultural awareness and Kinship values. The partnership will enable Netlinkz and Yirigaa to strategically position the VSN Express suite of products into remote and regional Australia providing Indigenous communities with high speed, secure private connectivity, supporting Yirigaa's mission statement "To provide pathways and empower Indigenous people and other diverse cohorts to be engaged in the technology industry's key domains". Netlinkz is also working with Yirigaa to provide training, career pathways, and employment opportunities through its regionally based subsidiary - SouthCloud.

Finally, the Company has engaged Asia Market Entry Pte Ltd based in Singapore, as a non-exclusive reseller of the VSN Express™ suite of products in the South East Asian market. Asia Market Entry has vast channel network consisting of multi-national system integrators, boutique consulting companies and value added resellers in the software and technology business.

Quarterly Revenue (A\$000s)*



*adjusting for hardware sales in Q1 2021

Total cash receipts from customers for Q1 FY2023 was \$5.2 million a 52% increase over the previous quarter and a 10% increase over Q1 FY2022.

Gross margins were lower at 24% for the quarter (2022: 30%) impacted by onboarding of the Southcloud business and pre the roll out of VSN across the Southcloud customer base.

Research and development costs increased to \$290k for the quarter, a 178% increase on the same period in the prior year. The Company has engaged ISO 27001 Compliance auditors to expand on the current ISO27001 certification it holds. This engagement is specifically focused on expanding the scope of coverage for both the VSN products and services as well as ISO certification for the Netlinkz whole of business and operational processes. The certification allows the Company to aggressively push into the enterprise and government sectors as cybersecurity breaches are creating demand for the VSN products and solutions.

With the launch of the VSN Express™ suite of products and services, the Company is relaunching its website to facilitate eCommerce. The new website will have a platform to allow customers to buy any of the VSN Express products with a simple workflow using a credit card or secure payment. Netlinkz will also enable PO based procurement for organisations who require larger deployments which have complex requirements.

Product manufacturing and operating costs/cost of sales on accounting (AASB15) revenue recognition basis show a gross margin currently at 24%. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Staff and overhead costs/cash outflows were marginally higher than the previous quarter at \$2.9m (previous quarter \$2.7m) as the Company added resources to manage the increase in business projected.

Cash at the end of the quarter was \$2.5 million.

Other



Netlinkz

Equity placement facility

The Company entered into an equity facility agreement with an existing shareholder of the Company - Regal Funds Management for an amount up to \$20.5 million, during the quarter. The facility is available for 3 years. Funds raised under the facility will be used to accelerate distribution and partnerships in key markets. This facility is in addition to the \$10m debt facility agreement with Booker Super Services Pty Limited announced to the ASX on 9 May 2022. The Company has drawn \$1.5m of the Booker Super Services facility at quarter end.

Board and Management

The Board has recently appointed Mr Hakan Eriksson as an Independent Non-executive Director. Mr Eriksson is a globally experienced board director and technology leader, having worked extensively with R&D, innovation and strategy in multiple functions, organisations and countries. Mr Eriksson's corporate experience includes Chief Technology Officer at Telstra from 2017 to 2020, and a number of roles with Ericsson from 1998 to 2017, including Group Chief Technology Officer 2003-2012, culminating in the role of Chief Strategy Officer South East Asia and Oceania.

Mr Eriksson has a Master of Science, Electrical Engineering and an Honorary PhD from Linkoping University, Sweden. Mr Eriksson is a Corporate Councillor of the European Australian Business Chamber and a Member of the Innovation Panel of the Australian Institute of Company Directors.

The Company also announced recently the appointment of Ms Anthea Ye as Chief Operating Officer.

Ms Ye was the CEO – Australia and Oceania for China Telecom since 2010. Ms Ye has 19+ years' Asia Pacific experience, in building and managing, cross-functional, cross-border teams, delivering programs and project excellence for complex telecommunication and ICT projects.

As CEO – Australia and Oceania for China Telecom, Ms Ye built the business to include 300+ customers across Australia, New Zealand, Fiji, Singapore, Hong Kong, and Japan, and built trusted partnerships with telecommunications companies including, Telstra, Optus, AAPT and Superloop, and hardware/software/cloud providers including Ali-cloud, Azure, Huawei, Cisco, and Schneider.

Ms Ye has a Bachelor of Computer Science, Nanjing University of University of Posts and Telecommunications, Nanjing, China, a Master of Computer Science, Beijing University of Posts and Telecommunications, Beijing, China and an MBA, Hong Kong University of Science and Technology, Hong Kong.

The Company paid directors \$0.078 million during the quarter comprised of salaries and superannuation.

This report has been approved by the Board of Netlinkz Limited for release to the ASX

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of Entity: **Netlinkz Limited**

ABN: **55 141 509 426**

Quarter ended ("current quarter"): **30 September 2022**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,204	5,204
1.2 Payments for		
research and development	(290)	(290)
product manufacturing and operating costs	(2,807)	(2,807)
advertising and marketing	(43)	(43)
leased assets	(25)	(25)
staff costs	(1,239)	(1,239)
administration and corporate costs	(2,091)	(2,091)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(13)	(13)
1.6 Income taxes paid	(32)	(32)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash used in operating activities	(1,336)	(1,336)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses		
	(c) property, plant and equipment	(69)	(69)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(69)	(69)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	1,500	1,500
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(90)	(90)
3.10	Net cash from / (used in) financing activities	1,410	1,410

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,689	2,689
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,336)	(1,336)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(69)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,410	1,410
4.5	Effect of movement in exchange rates on cash held	(181)	(181)
4.6	Cash and cash equivalents at end of period	2,513	2,513

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	2,513	2,689
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,513	2,689

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

CONSOLIDATED STATEMENT OF CASH FLOWS

7 Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	10,000	1,500
7.2 Credit standby arrangements	-	-
7.3 Other	20,500	-
7.4 Total financing facilities	30,500	1,500
7.5 Unused financing facilities available at quarter end		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

See ASX Announcement 9 May 2022 – Lender Booker Super Services Pty Ltd, interest rate 6.8% as adjusted by increase in cash rate by Reserve Bank. The facility is unsecured, with a maturity date of 30 June 2025.

See ASX Announcement 1 August 2022. The Company has entered into an equity facility agreement with Regal Funds Management Pty Limited for an amount up to \$20.5m. The facility is for a period of 3 years, with terms as outlined in the ASX announcement.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,336)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,513
8.3 Unused finance facilities available at quarter end (item 7.5)	29,000
8.4 Total available funding (item 8.2 + item 8.3)	31,513
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	23.5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

COMPLIANCE STATEMENT 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.

Date: 31.10.2022

Authorised by: The Board

Notes:

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

See chapter 19 of the ASX Listing Rules for defined terms

Netlinkz Limited (Netlinkz or the Company) (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz VSN solution is a NaaS (Network-as-a-Service) proposition that is user-centric, creating a per-user private network that is available, secure and performance optimised, for authorised users regardless of their location.

The Netlinkz VSN allows enterprises to embrace their new-normal by allowing IT departments to consistently enforce employee connectivity policies (compliance), simplifying operations (cost), improving security (business continuity), while directly correlating technology investment to user-productivity (value).

Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

To learn more about Netlinkz technology and the Company please visit www.netlinkz.com

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