

31 July 2018

## **APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 30 June 2018**

**31 July 2018:** Netlinkz Ltd (ASX:NET) ('Netlinkz' or the 'Company'), today lodged its Appendix 4C quarterly report of cashflows for the quarter ended 30<sup>th</sup> June 2018 with the Australian Securities Exchange (ASX).

### **Operating Activities:**

Netlinkz reported a cash balance of \$0.059 million at 30 June 2018.

Net operating cashflow for the quarter was \$0.902 million (previous quarter \$1.0 million) reflecting the ongoing development and commercialisation of the Company's software (Virtual Invisible Network; known as VIN) and establishing the Netlinkz product as a private network solution (known as SD WAN). Patents awarded in the US, UK, Europe, China and Australia provides additional confidence in the success of the global market expansion.

During this quarter, Netlinkz has seen 40% month on month sales growth achieving sales of over 7,000 VIN's from just one District in the city of Wuxi. Over the past few months the CEO, James Tsiolis has travelled to China a number of times to the cities' of Wuxi, Suzhou and Nanjing in the Jiangsu Province which has a population approaching 100,000,000.

On 5 April 2018, the Company announced that Netlinkz has now integrated its products into the China Telecom eco system. Netlinkz is now working on the efficient channel sales into all cities in the Jiangsu Provinces.

As anticipated Netlinkz received \$394,094 of its 2017 R&D Refund together with a part loan repayment of \$165,000 during this quarter, and as highlighted at the EGM, Netlinkz expects monthly revenue of RMB80,000 (\$15,000) from July 2018 onwards.

On 6 June 2018 shareholders approved the issue of shares and options to repay various loans and creditors, the shares and options were issued on 2 July 2018 and debt outstanding was reduced by \$2,747,430.

### **Cash flows for Q1 FY2019**

During the next quarter Netlinkz will receive \$1,502,217 from gross proceeds from the recent placement as reported in the ASX Announcement on 12 July 2018. On 16 July 2018 \$811,217 was received under the placement and \$691,000 is due to be received on 3 August 2018.

During July 2018 various loans were repaid resulting in a further debt reduction of \$132,709.

The cash burn on average (excluding payout of historical debt) has declined during the last quarter and will continue to significantly decrease as resellers absorb more of the development costs

**Finance Facilities**

Netlinkz has not drawn on the QMAC facility this quarter.

The Appendix 4C is attached.

**-END-**

**Forward-Looking Statements**

*This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning NET's potential business development, corporate activities and any, and all, statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should" and similar expressions are forward-looking statements. NET believes that its forward-looking statements are reasonable; however, forward-looking statements involve risks and uncertainties and no assurance can be given that actual future results will be consistent with these forward-looking statements. All figures presented in this document are unaudited and this document does not contain any forecasts of profitability or loss.*

**For more information, please contact:**

**James Tsiolis**

Executive Director

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**About NetLinkz Limited**

Netlinkz provides secure and efficient cloud network solutions and is the world's only fully meshed peer-to-peer network provider. The company's technology makes Fortune-500 security commercially available for organizations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

*+Rule 4.7B*

## 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**

NetLinkz Limited

**ABN**

55 141 509 426

**Quarter ended ("current quarter")**

30 June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	42	33
1.2 Payments for		
(a) research and development	(167)	(541)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(243)	(521)
(d) leased assets	-	-
(e) staff costs (other employment costs)	(72)	(174)
(f) administration and corporate costs	(194) (348)	(657) (1036)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance (paid) / received	-	57
1.6 Income taxes paid/ GST Refunds	79	113
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(1,430)
- Office costs	-	(89)
- Travel costs	-	(242)
- Other (restructuring & Perth office)	-	(469)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(902)</b>	<b>(4,955)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(169)	(463)
(d) intellectual property	-	-
(e) 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 (see note 3)	-	-
2.5 Other (provide details if material)	-	(301)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(169)</b>	<b>(764)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	3,331
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	(6)	(244)
3.5 Proceeds from borrowings	-	705
3.6 Repayment of borrowings	-	(90)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(1)	1,781
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(7)</b>	<b>5,483</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	799	34
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(902)	(4,032)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	169	(1,356)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	5,415
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>59</b>	<b>59</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	59	786
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>59</b>	<b>786</b>

On 16 July 2018 \$811,217 was received under the placement announced on 12 July 2018 and \$691,000 is due to be received on 3 August 2018.

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
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	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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	9,200	3,162
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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.		
<b>Netlinkz announced a placement on 12 July 2018 for 48,458,324 shares, at \$0.031 to raise \$1,502,217, \$811,217 was received under the placement on 16 July 2018 and \$691,000 is due to be received on 3 August 2018.</b>		

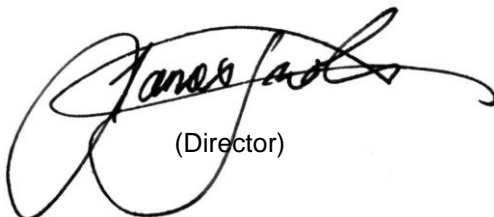
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	150
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	36
9.4 Leased assets	-
9.5 Staff costs (other employment costs)	-
9.6 Administration and Corporate costs	293 240
9.7 Other (provide details if material)	
- ATO & OSR	36
- GST	(34)
<b>9.8 Total estimated cash outflows</b>	<b>720</b>

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	-	-

### Compliance statement

- 1 This statement has 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.

Sign here:



(Director)

Date: 31 July 2018

Print name:

James Tsiolis

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.