

Netlinkz Limited

ABN 55 141 509 426

Annual Financial Statements

30 June 2018

Netlinkz Limited
Corporate directory
30 June 2018

Directors	Mr James Tsiolis – CEO, Executive Chairman David O'Dowd – Non-Executive Director Xiaowen Shi – Non-Executive Director
Company secretary	Greg MacMillan
Registered office	AMP Building Level 31 50 Bridge Street Sydney NSW 2000
Principal place of business	AMP Building Level 31 50 Bridge Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth WA 6000 Australia
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia
Solicitors	Gillis Delaney Lawyers Level 40 161 Castlereagh Street Sydney NSW 2000 Australia
Bankers	Westpac Banking Corporation 7 & 9A Queen St Fremantle WA 6160
Stock exchange listing	Netlinkz Limited shares are listed on the Australian Securities Exchange ASX code: NET
Website	www.netlinkz.com

Netlinkz Limited

Directors' report

30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Netlinkz Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of Netlinkz Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

James Tsiolis	
Xiaowen Shi	(appointed 3 July 2018)
David O'Dowd	(appointed 15 November 2017)
Peter Apostolopoulos	(appointed on 27 December 2017 & resigned 2 August 2018)
Robert Turner	(resigned 4 June 2018)
John Galt	(appointed on 15 November 2017 & resigned 4 June 2018)
Darren Patterson	(appointed 4 August 2017 & resigned 7 November 2017)
Timothy Gooch	(resigned 4 August 2017)

Principal activities

About Netlinkz Limited

Netlinkz Limited (Netlinkz or the Company) provides secure and efficient cloud network solutions. Netlinkz is transforming to a licensing model around the world to reduce its cost base. The Company's technology makes Fortune-500 security commercially available for organisations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge. The Company has a distribution agreement via reseller contract with China Telecom Wuxi selling its VIN and VSP technology.

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity that were not finalised at the date of this report included negotiations with other provinces in China & other potential partners in the UK and USA

Overview of Results

The net loss for the consolidated entity amounted to \$14,801,454 (Prior year loss: \$7,950,122).

The loss included finance and restructuring costs of \$1,712,424 (Prior year: \$729,096), share based expenses of \$3,781,766 (Prior year: \$651,007) and Fair Value loss on debt settlement of \$4,148,926 (Prior-year: Nil).

Dividends

No dividends have been declared for the year ended 30 June 2018 or for the previous corresponding period.

Significant changes in the state of affairs

Significant changes to the state of affairs of the consolidated entity during the financial year were as follows:

Contributed equity increased by \$11,235,267 less capital raising costs of \$913,488 as a result of issue of shares. Details of the changes in contributed equity are disclosed in Note 13 to the financial statements.

The company also issued 197,633,257 options under various terms during the year (see Note 13).

As part of the corporate restructure iWebgate Corp was dissolved and as such all resources have been directed to China.

Matters subsequent to the end of the financial year

On 2 July 2018, pursuant to the results of the General Meeting dated 6 June 2018, the Company issued 219,571,409 shares and 162,438,257 options under various terms. Refer to Note 13 of the financial statements for further details.

On 3 July 2018, the Company announced that Xiaowen Shi was appointed as an Executive Director, and on 2 August 2018 the resignation of Peter Apostolopoulos as Non-Executive Director.

On 16 July 2018, pursuant to a placement the company issued 26,168,302 shares at \$0.031 per share raising \$811,217.

As per Appendix 3B released on 18 July 2018, 3,154,746 options were exercised at \$0.01 with a value of \$31,547.

On 23 July 2018, the Company issued 19,210,078 shares at \$0.026 to Tim Gooch in repayment of his loan and 10,000,000 shares at \$0.033 pursuant to Reseller Agreement for services provided by Mr. Yang for services during the period ended 30 June 2018 (CEO of Jiangsu Aoyun Software Technology Co Ltd of which is the exclusive agent in Wuxi, Jiangsu Province in China).

As per Appendix 3B released on 24 July 2018, 1,250,000 options were exercised at \$0.01 with a value of \$12,500.

On 6 August 2018, pursuant to a placement the Company issued 22,291,729 shares at \$0.031 per share raising \$691,044.

As per Appendix 3B released on 6 August 2018, 1,949,231 options were exercised at \$0.01 with a value of \$19,492.

On 7 August 2018, the Company issued 8,064,516 shares at \$0.031 with a value of \$250,000 to Peter Apostolopoulos in repayment of his loan.

As per Appendix 3B released on 13 August 2018, 12,500,000 options were exercised at \$0.01 with a value of \$125,000.

As per Appendix 3B released on 20 August 2018, 7,375,000 options were exercised at \$0.01 with a value of \$73,750.

On 20 August 2018, the Company issued 15,000,000 shares at \$0.02 for services provided by Systemic.

As per Appendix 3B released on 27 August 2018, 2,466,923 options were exercised at \$0.01 with a value of \$24,669.

As per Appendix 3B released on 29 August 2018, 1,475,906 options were exercised at \$0.01 with a value of \$14,759.

As per Appendix 3B released on 31 August 2018, 4,550,000 options were exercised at \$0.01 with a value of \$45,500.

As per Appendix 3B released on 10 September 2018, 2,000,000 options were exercised at \$0.01 with a value of \$20,000.

As per Appendix 3B released on 14 September 2018, 225,000 options were exercised at \$0.01 with a value of \$2,250.

As per Appendix 3B released on 20 September 2018, 350,000 options were exercised at \$0.01 with a value of \$3,500.

As per Appendix 3B released on 8 October 2018, 450,000 options were exercised at \$0.01 with a value of \$4,500.

As per Appendix 3B released on 23 October 2018, 250,000 options were exercised at \$0.01 with a value of \$2,500.

Other than the above there have been no other material events subsequent to the year ended 30 June 2018.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: James Tsiolis
Title: CEO, Executive Chairman
Appointed: 11 November 2015
Qualifications: Bc Econ, Grad Cert Quantitative Finance
Experience and expertise: Mr Tsiolis has over 25 years of experience in funds management and capital markets. He is a founder and current CEO of Strategic Capital Management Limited (SCM), an investment management and advisory firm. Mr Tsiolis was the investment adviser to several large superannuation funds, including Military Superannuation (\$3.9 billion), as well as the funds manager of SCM's retail products (\$1 billion). Mr Tsiolis has been a member of several investment and corporate advisory committees including Macquarie Global Infrastructure Funds, Rosemont Partners, Direct Investment Fund, Deutsche Private Equity, Military Superannuation, Citic China Mezzanine Investment Fund and Energy Investors Group. Mr Tsiolis has overseen a number of investments from start up to IPO in the technology sector. Prior to SCM, Mr Tsiolis served as the Head of Research at ipac Securities. He was also a Senior Investment Analyst of ASSIRT Investment & Technology and a quantitative analyst of James Capel Australia Ltd. Mr Tsiolis is a Governor of the Archaeological Institute in Athens and former deputy chairman of North Asian Strategic Holdings Limited.

Other current directorships: None
Former directorships (last 3 years): North Asia Strategic Holdings Ltd
Share & Option Holdings: 56,377,025 ordinary shares
20,000,000 Options exercise price \$0.045 Expiring 1 Aug 2020, vest 30 Nov 2016
2,500,000 Options exercise price \$0.06 Expiring 1 Aug 2020, vest 1 Aug 2017
2,500,000 Options exercise price \$0.12 Expiring 1 Aug 2020, vest 1 Aug 2018
5,000,000 Options exercise price \$0.30 Expiring 1 Aug 2020, vest 1 Aug 2019
5,625,000 Options exercise price \$0.02 Expiring 2 July 2021 vest 2 July 2018
2,250,000 Options exercise price \$0.045 Expiring 2 July 2021, vest 2 July 2018
2,250,000 Options exercise price \$0.09 Expiring 2 July 2021, vest 2 July 2018
1,500,000 Options exercise price \$0.15 Expiring 2 July 2021, vest 2 July 2018
1,286,013 Options exercise price \$0.01 Expiring 2 July 2020, vest 2 July 2018

Name: Xiaowen Shi
Title: Non-Executive Director
Appointed: 3 July 2018
Experience and expertise: Ms Shi has extensive experience in conducting advisory services with respect to investing and establishing contracts in China. Ms Shi is a Chartered Accountant with specialist experience in providing international taxation advice, including advising Chinese State Owned Enterprises. Ms Shi worked for the Corporate International Tax Division of EY for eight years advising clients in China and Australia, before commencing her own consultancy business focused on China. She is also a specialist in off-shore investments and joint ventures in Asia.

Other current directorships: None
Former directorships (last 3 years): None
Share & Option Holdings: None

Netlinkz Limited
Directors' report
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Name: David O'Dowd
Title: Non-Executive Director
Appointed: 15 November 2017
Experience and expertise: David O'Dowd was first admitted as a solicitor over 30 years ago and has practiced as a barrister for over 25 years. He has advised Directors of public companies in relation to commercial transactions and regulatory and compliance matters. He has also practiced extensively in commercial law. He has assisted companies in capital raising both as an advisor and investor. Mr O'Dowd is the President of the non-profit organisation Thredbo Ski Patrol Inc , having held the offices of Vice president, Secretary, Captain and Vice-Captain over 32 years of service. Mr O'Dowd will bring to the Board both commercial and compliance expertise as well as practical legal experience.

Other current directorships: None
Former directorships (last 3 years): None
Share & Option Holdings: 9,048,845 ordinary shares
10,000,000 Options exercise price \$0.02 Expiring 2 July 2021, vest 2 July 2018

Name: Peter Apostolopoulos
Title: Non-Executive Director
Appointed: 27 December 2017
Resigned: 2 August 2018
Qualifications: Not applicable as no longer a director
Experience and expertise: Not applicable as no longer a director.
Other current directorships: Not applicable as no longer a director
Former directorships (last 3 years): Not applicable as no longer a director
Share & Option Holdings: 27,785,712 ordinary shares
10,000,000 Options exercise price \$0.02 Expiring 2 July 2021, vest 2 July 2018
6,000,000 Options exercise price \$0.02 Expiring 2 July 2021, vest 2 July 2018

Name: Robert Turner
Title: Non-Executive Director
Appointed: 1 August 2017
Resigned: 4 June 2018
Qualifications: Not applicable as no longer a director
Experience and expertise: Not applicable as no longer a director
Other current directorships: Not applicable as no longer a director
Former directorships (last 3 years): Not applicable as no longer a director
Share & Option Holdings: 2,500,000 Options exercise price \$0.045 Expiring 1 Aug 2020, vest 1 August 2017
2,500,000 Options exercise price \$0.045 Expiring 1 Aug 2020, vest 1 August 2018
2,500,000 Options exercise price \$0.045 Expiring 1 Aug 2020, vest 1 August 2019
25,000,000 Options exercise price \$0.036 Expiring 31 May 2020, vest 31 May 2018

Name: John Galt
Title: Non-Executive Director
Appointed: 15 November 2017
Resigned: 4 June 2018
Qualifications: Not applicable as no longer a director
Experience and expertise: Not applicable as no longer a director
Other current directorships: Not applicable as no longer a director
Former directorships (last 3 years): Not applicable as no longer a director
Share & Option Holdings: 1,500,000 ordinary shares

Netlinkz Limited
Directors' report
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Name:	Darren Patterson
Title:	Executive Director
Appointed:	4 August 2017
Resigned:	7 November 2017
Qualifications:	Not applicable as no longer a director
Experience and expertise:	Not applicable as no longer a director
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Share & Option Holdings:	None

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr MacMillan has wide ranging corporate, financial, capital markets and commercial experience over the last 30 years. Mr MacMillan has held the positions of director, company secretary, chief financial officer, and corporate finance executive in numerous companies across the finance, mining and commercial sectors. Mr MacMillan holds a Bachelor of Business degree, is a CPA and a Chartered Company Secretary.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
James Tsiolis	3	3
David O'Dowd	3	3
Xiaowen Shi	N/A	N/A
Peter Apostolopoulos	2	2
Robert Turner	3	3
John Galt	3	3
Darren Patterson	-	-
Timothy Gooch	-	-

Held: represents the number of meetings held during the time the director held office. The Board of Directors also approved eight (8) circular resolutions during the year ended 30 June 2018 which were signed by Directors of the Company.

The Audit and Risk Committee did not hold any meetings during the financial year.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward and the achievement of strategic objectives for the creation of value for shareholders.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Directors' may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Fees for non-executive directors are not linked to the performance of the Company. Non-executive directors may receive share options or other incentives which would be subject to shareholder approval. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may be granted options in the future.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility. Remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations. Executives may receive their remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

No remuneration consultants were engaged during the year.

Voting and comments made at the company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 98.80% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Netlinkz Limited:

- James Tsiolis CEO & Executive Director – Chairman
- Xiaowen Shi Non-Executive Director (appointed 3 July 2018)
- David O'Dowd Non-Executive Director (appointed 15 November 2017)
- Peter Apostolopoulos Non-Executive Director (appointed on 27 December 2017 & resigned 2 August 2018)
- Robert Turner Non-Executive Director (resigned 4 June 2018)
- John Galt Non-Executive Director (appointed on 15 November 2017 & resigned 4 June 2018)
- Darren Patterson Non-Executive Director (appointed 4 August 2017 & resigned 7 November 2017)
- Timothy Gooch Executive Director (resigned 4 August 2017)

Cash salary, superannuation and annual leave is fixed and there is no component linked to performance. There are no short term cash bonuses, non-monetary benefits, or long term benefits (e.g. long service leave). Share based payments (equity settled) or options may be issued as performance linked compensation and are subject to shareholder approval.

Netlinkz Limited
Directors' report
30 June 2018

	Cash salary and fees	Post- employment Super- annuation	Long-term benefits Annual Leave	Equity settled share-based payments		Total
	\$	\$	\$	Shares	Options	\$
2018						
<i>Non-Executive Directors:</i>						
David O'Dowd ¹	22,500	-	-	67,500 ⁸	263,158	353,158
Xiaowen Shi ²	-	-	-	-	-	-
Peter Apostolopoulos ³	22,500	-	-	486,000 ⁹	421,052	929,552
Robert Turner ⁴	82,500	-	-	-	657,894 ¹²	740,394
John Galt ⁵	48,750	-	-	57,000 ¹³	-	105,750
Darren Patterson ⁶	24,750	-	-	-	-	24,750
	-	-	-	-	-	-
<i>Executive Directors:</i>						
James Tsiolis ⁷	75,000	7,125	-	1,665,000 ¹⁰	148,026	1,895,151
Timothy Gooch ¹¹	-	-	-	-	-	-
	276,000	7,125	-	2,275,500	1,490,130	4,048,755

1 Represents remuneration from 15 November 2017 to 30 June 2018.

2 Not applicable as appointed after 30 June 2018.

3 Represents remuneration from 27 December 2017 to 30 June 2018.

4 Represents remuneration from 1 July 2017 to 4 June 2018.

5 Represents remuneration from 15 November 2017 to 4 June 2018.

6 Represents remuneration from 4 August 2017 to 7 November 2017.

7 Represents remuneration from 1 July 2017 to 30 June 2018.

8 1,874,998 shares issued to settle accrued director fees of \$37,500 with Fair Value of shares on date of settlement being \$67,500

9 1,499,998 shares issued to settle accrued director fees of \$30,000 with Fair Value of shares on date of settlement being \$54,000 and 12,000,000 shares issued for services performed with a Fair Value of \$432,000.

10 11,250,000 shares issued to settle accrued salary for the period 1 July 2017 to 31 Mar 2018 of \$225,000 with Fair Value of shares on date of settlement being \$405,000 and 35,000,000 shares issued for additional services and support provided since his appointment with a Fair Value of \$1,260,000.

11 Represents remuneration from 1 July 2017 to 4 August 2017

12 Represents 25,000,000 options agreed to be issued to Robert Turner at exercise price of \$0.02 with Fair Value of \$657,894 - 6 months after resignation as part of directors agreement.

13 Represents 1,500,000 shares agreed to be issued to John Galt with Fair Value of \$57,000 - 6 months after resignation as part of directors agreement.

	Cash salary and fees	Post- employment Super- annuation	Long-term benefits Annual Leave	Equity settled share-based payments		Total
	\$	\$	\$	Shares	Options	\$
2017						
<i>Non-Executive Directors:</i>						
Robert Turner ¹	82,500	-	-	-	95,694	178,194
Darren Patterson ²	-	-	-	-	-	-
Trevor Cain ³	73,125	-	-	-	95,694	168,819
James Wakim ⁴	15,000	-	-	-	-	15,000
Kathryn Foster ⁵	22,219	-	-	-	-	22,219
Kevin Greene ⁵	25,002	-	-	-	-	25,002
<i>Executive Directors:</i>						
James Tsiolis ⁶	226,538	21,521	14,097	35,000	330,715	627,871
Timothy Gooch ⁶	352,522	-	51,921	1,877	75,531	481,851
Suthan Naganayagam ⁷	95,126	9,037	-	-	-	104,163
	892,032	30,558	54,000	36,877	597,634	1,623,119

Netlinkz Limited
Directors' report
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- ¹ Represents remuneration from 1 August 2016 to 30 June 2017
- ² Not applicable as appointed after 30 June 2017
- ³ Represents remuneration from 7 September 2016 to 21 June 2017
- ⁴ Represents remuneration from 1 February 2017 to 3 April 2017
- ⁵ Represents remuneration from 1 July 2016 to 29 September 2016
- ⁶ Represents remuneration from 1 July 2016 to 30 June 2017
- ⁷ Represents remuneration from 18 October 2016 to 24 March 2017

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Tsiolis
Title:	Chief Executive Officer, Executive Chairman
Agreement commenced:	1 August 2016
Term of agreement:	Open
Details:	As executive Director, Mr James Tsiolis is paid \$300,000 per annum plus statutory superannuation.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Non-Executive Directors

Remuneration of Non-Executive Directors are included under an engagement agreement.

Name:	David O'Dowd
Details:	As a Non-Executive Director, Mr David O'Dowd is paid directors fees of \$90,000 per annum.

Name:	Xiaowen Shi
Details:	As a Non-Executive Director, Ms Xiaowen Shi will be paid directors fees of \$90,000 per annum.

Name:	Peter Apostolopoulos
Details:	As a Non-Executive Director, Mr Peter Apostolopoulos was paid directors fees on a pro rata basis of \$90,000 per annum from 27 December 2017 until his resignation on 2 August 2018.

Name:	Robert Turner
Details:	As a Non-Executive Director, Mr Robert Turner was paid directors fees on a pro rata basis of \$90,000 per annum from 1 July 2017 until his resignation on 4 June 2018.

Name:	John Galt
Details:	As a Non-Executive Director, Mr John Galt was paid directors fees on a pro rata basis of \$90,000 per annum from 15 November 2017 until his resignation on 4 June 2018.

Name:	Darren Patterson
Details:	As a Non-Executive Director, Mr Darren Patterson was paid directors fees on a pro rata basis of \$90,000 per annum from 4 August 2017 until his resignation on 7 November 2017.

Share-based compensation

On 6 June 2018, the Company and Shareholders approved to issue 1,874,998 shares to David O'Dowd to settle accrued Directors fees of \$37,500 with Fair Value of shares on date of settlement being \$67,500, 1,499,998 shares to Peter Apostolopoulos to settle accrued Directors fees of \$30,000 with Fair Value of shares on date of settlement being \$54,000, 12,000,000 shares for services performed with a Fair Value of \$432,000, and 46,250,000 shares to James Tsiolis as Director salary and additional support services since his appointment on 1 August 2016 with Fair Value of \$1,665,000.

No further share based payments were made during the period ending 30 June 2018.

Options

On 6 June 2018 Mr Tsiolis was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 5,625,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for salary owed for the period July 2017 – March 2018) with a Fair Value of \$148,026;
 2,250,000 ordinary fully paid shares at an exercise price of \$0.045 per share (for capital raising services provided in August and November 2016) with a Fair Value of \$47,247;
 2,250,000 ordinary fully paid shares at an exercise price of \$0.09 per share with a Fair Value of \$35,824; and 1,500,000 ordinary fully paid shares at an exercise price of \$0.15 per share with a Fair Value of \$18,379.

Strategic Capital Management (SCM) of which Mr Tsiolis is a director, assisted and provided arranging services to the Company in relation to the QMAC funding and Mr Tsiolis was issued Options for fees owed to SCM to subscribe for 24,286,013 ordinary fully paid shares at an exercise price of \$0.01 per share expiring 2 years from date of issue (2 July 2020) with a Fair Value of \$693,416.

On 6 June 2018 Mr Apostolopoulos was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for:

10,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for directors fees owed for the period November 2017 – March 2018) with a Fair Value of \$263,158; and

6,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share for assisting the Company and providing services and advice since November 2016 with a Fair Value of \$157,895.

On 6 June 2018 Mr O'Dowd was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 10,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for directors fees owed for the period December 2017 – March 2018) with a Fair Value of \$263,158.

For the year ended 30 June 2018, \$55,000 of consulting fee was paid to Digital Return\$ Pty Ltd, of which Darren Patterson is a Director.

No further options over ordinary shares granted to or vested by directors and other key management personnel or executives as part of compensation during the year ended 30 June 2018.

See Note 13 for assumptions made in determining Fair Value.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and key management personnel of the consolidated entity, including their personal and related parties holdings, is set out below:

	<i>Balance at the start of the year</i>	<i>Received as part of remuneration</i>	<i>Additions</i>	<i>Disposals/ other</i>	<i>Balance at the end of the year</i>
Ordinary shares					
James Tsiolis	6,166,667	46,250,000	8,572,025	(4,611,667)	56,377,025
David O'Dowd	-	1,874,998	7,173,847	-	9,048,845
Xiaowen Shi *	-	-	-	-	-
Peter Apostolopoulos	-	13,499,998	14,285,714	-	27,785,712
Robert Turner **	-	-	-	-	-
John Galt **	-	-	-	-	-
Darren Patterson **	-	-	-	-	-
Tim Gooch **	-	-	-	-	-
	<u>6,166,667</u>	<u>61,624,996</u>	<u>30,031,586</u>	<u>(4,611,667)</u>	<u>93,211,582</u>

* Not applicable as appointed after 30 June 2018.

** Balance as at the date of resignation.

Option holding

During the financial year the Company issued nil ordinary fully paid shares on the exercise of options to directors or key management personnel. As at the date of this report, the following are unissued ordinary shares under option held by directors or key management personnel, executives or service providers:

	<i>Balance at the start of the year</i>	<i>Received as part of remuneration</i>	<i>Additions</i>	<i>Exercised/ Expired</i>	<i>Balance at the end of the year</i>
<i>Ordinary shares</i>					
James Tsiolis	30,000,000	5,625,000	30,286,013	-	65,911,013
David O'Dowd	-	10,000,000	-	-	10,000,000
Xiaowen Shi *	-	-	-	-	-
Peter Apostolopoulos	-	16,000,000	-	-	16,000,000
Robert Turner **	7,500,000	-	-	-	7,500,000
John Galt **	-	-	-	-	-
Darren Patterson **	-	-	-	-	-
Tim Gooch **	10,000,000	-	-	-	10,000,000
	<u>47,500,000</u>	<u>31,625,000</u>	<u>30,286,013</u>	<u>-</u>	<u>109,411,013</u>

* Not applicable as appointed after 30 June 2018.

** Balance as at the date of resignation.

Other transactions with key management personnel and their related parties

A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The aggregate amounts recognised during the year (excluding re-imbursement of expenses incurred on behalf of the Company) relating to directors and their director-related entities were as follows:

Corporate advisory fees, and capital raising:

As at 06 June 2018, the Company approved to issue 8,572,025 shares at \$0.036: \$308,593 for corporate advisory, capital raising fees, and general office services to Strategic Capital Management Ltd, of which Mr James Tsiolis is a Director. James Tsiolis and his related parties held 65,911,013 Options and 56,377,025 ordinary shares as at 30 June 2018.

Management fees and other remuneration:

Peter Apostolopoulos was appointed a director Non-executive on December 2017. Prior to his appointment Peter had been assisting the Company and providing services, advice and support for raising money, restructuring and business strategy since November 2016. As at 6 June 2018, the Company approved to issue 14,285,714 shares at \$0.036: \$514,286 to AIRE fund, shares were allocated to Agora Asset Management Pty Ltd, of which Mr Peter Apostolopoulos is a Director for additional service and support provided by Peter Apostolopoulos. Peter Apostolopoulos and his related parties held 16,000,000 Options and 27,785,712 ordinary shares as at 30 June 2018.

As at 6 June 2018, the Company approved to issue 7,142,857 shares at \$0.036: \$257,143 to AIRE fund, shares were allocated to David O'Dowd for additional service and support provided, which were above normal duties and responsibilities. David O'Dowd and his related parties held 10,000,000 Options and 9,048,845 ordinary shares as at 30 June 2018.

Balances payable to key management personnel and their related entities as at 30 June 2018 are \$891,144.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares under option

Grant date	Issue date	No of Options	Exercise price	Expiry date
06/06/2018	02/07/2018	10,000,000	\$ 0.020	02/07/2021
06/06/2018	02/07/2018	10,000,000	\$ 0.020	02/07/2021
06/06/2018	02/07/2018	6,000,000	\$ 0.020	02/07/2021
06/06/2018	02/07/2018	10,000,000	\$ 0.020	02/07/2021
06/06/2018	02/07/2018	2,190,438	\$ 0.010	02/07/2020
06/06/2018	02/07/2018	66,746,806	\$ 0.010	02/07/2020
06/06/2018	02/07/2018	7,500,000	\$ 0.010	02/07/2020
06/06/2018	02/07/2018	7,500,000	\$ 0.045	02/07/2021
06/06/2018	02/07/2018	7,500,000	\$ 0.090	02/07/2021
06/06/2018	02/07/2018	5,000,000	\$ 0.150	02/07/2021
06/06/2018	02/07/2018	5,625,000	\$ 0.020	02/07/2021
06/06/2018	02/07/2018	24,286,013	\$ 0.010	02/07/2020
		<hr/> 162,348,257		

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are nil.

Officers of the company who are former partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

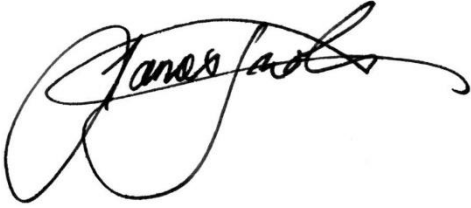
Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Netlinkz Limited
Directors' report
30 June 2018

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'James Tsiolis', with a large, stylized initial 'J'.

James Tsiolis
Director

26 October 2018

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor of Netlinkz Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Netlinkz Limited and the entities it controlled during the period.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 26 October 2018

Netlinkz Limited
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30 June 2018

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Description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 October 2018. The directors have the power to amend and reissue the financial statements.

Netlinkz Limited
Consolidated statement of profit or loss and other
comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Revenue	3	156,314	90,525
Other Income	3	4,316	141,868
Expenses			
Sales, Business Development, Marketing, Travel		(2,443,751)	(2,793,922)
Admin, Office, Corporate		(2,996,942)	(1,252,395)
Development & Commercialisation		(223,028)	(2,756,095)
Finance & restructuring costs		(1,712,424)	(729,096)
Share based expenses		(3,781,766)	(651,007)
Fair Value loss on Debt Settlement		(4,148,926)	-
Gain on disposal of subsidiaries		344,753	-
	4	(14,962,084)	(8,182,515)
(Loss) before income tax expense		(14,801,454)	(7,950,122)
Income tax expense	5	-	-
(Loss) after income tax expense for the year		(14,801,454)	(7,950,122)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		172,368	(4,674)
Other comprehensive income (loss) for the year, net of tax		172,368	(4,674)
Total comprehensive loss for the year		<u>(14,629,086)</u>	<u>(7,954,796)</u>
(Loss) attributable to members of the parent entity		(14,801,454)	(7,950,122)
Total comprehensive loss attributable to members of the parent entity		(14,629,086)	(7,954,796)
		Cents	Cents
(Loss) per share from continuing operations			
Basic earnings/(loss) per share	22	(0.02)	(0.01)
Diluted earnings per/(loss) share	22	(0.02)	(0.01)

*The consolidated statement of profit or loss and other comprehensive income
should be read in conjunction with the accompanying notes*

Netlinkz Limited
Consolidated statement of financial position
As at 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	46,431	33,903
Other assets and receivables	7	234,410	194,434
Total current assets		280,841	228,337
Non-current assets			
Property, plant and equipment		555	1,633
Total non-current assets		555	1,633
Total assets		281,396	229,970
Liabilities			
Current liabilities			
Trade and other payables	8	3,119,480	3,897,118
Employee benefits	9	41,342	94,190
Borrowings	11	382,966	1,771,563
Other current liabilities	10	1,221,144	976
Total current liabilities		4,764,932	5,763,847
Non-current liabilities			
Borrowings	12	2,068,467	-
Total non-current liabilities		2,068,467	-
Total liabilities		6,833,399	5,763,847
Net liabilities		<u>(6,552,003)</u>	<u>(5,533,877)</u>
Equity			
Issued capital	13	34,462,142	24,140,363
Reserves	14	4,856,700	1,395,151
Accumulated losses	15	(45,870,845)	(31,069,391)
Total equity / deficiency		<u>(6,552,003)</u>	<u>(5,533,877)</u>

*The consolidated statement of financial position
should be read in conjunction with the accompanying notes*

Netlinkz Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

	Issued capital	Reserves	Accumulated losses	Total Equity / deficiency
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2016	15,682,329	748,818	(23,119,269)	(6,688,122)
Loss for the year	-	-	(7,950,122)	(7,950,122)
Other comprehensive income	-	(4,674)	-	(4,674)
Total comprehensive loss for the year	-	(4,674)	(7,950,122)	(7,954,796)
Transactions with owners in their capacity as owners:				
Shares issue	8,933,332	-	-	8,933,332
Options issued	-	651,007	-	651,007
Capital raising costs	(475,298)	-	-	(475,298)
Balance at 30 June 2017	24,140,363	1,395,151	(31,069,391)	(5,533,877)

	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2017	24,140,363	1,395,151	(31,069,391)	(5,533,877)
Loss for the year	-	-	(14,801,454)	(14,801,454)
Other comprehensive income	-	172,368	-	172,368
Total comprehensive loss for the year	-	172,368	(14,801,454)	(14,629,086)
Transactions with owners in their capacity as owners:				
Shares issue	11,235,267	-	-	11,235,267
Options issued	-	3,289,181	-	3,289,181
Capital raising costs	(913,488)	-	-	(913,488)
Balance at 30 June 2018	34,462,142	4,856,700	(45,870,845)	(6,552,003)

*The consolidated statement of changes in equity
should be read in conjunction with the accompanying notes*

Netlinkz Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		280,538	80,665
Payments to suppliers and employees		(5,093,016)	(4,940,124)
		<u>(4,812,478)</u>	<u>(4,859,459)</u>
Grants received		141,868	-
Interest received		1,744	6,503
Interest and other finance costs paid		<u>(33,371)</u>	<u>(75,771)</u>
Net cash (used in) operating activities	21	<u>(4,702,237)</u>	<u>(4,928,727)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(14,654)
Refund for security deposits		-	28,389
Net cash from investing activities		<u>-</u>	<u>44,043</u>
Cash flows from financing activities			
Proceeds from issue of shares		3,330,696	7,714,999
Share issue transaction costs		(361,179)	(475,298)
Receipts of Loan		1,871,659	-
Proceeds from borrowings		(8,411)	315,005
Payments of borrowings		-	(3,013,164)
Director Loan repaid		<u>(118,000)</u>	<u>-</u>
Net cash from financing activities		<u>4,714,765</u>	<u>4,541,542</u>
Net increase/(decrease) in cash and cash equivalents		12,528	(343,141)
Cash and cash equivalents at the beginning of the financial year		<u>33,903</u>	<u>377,045</u>
Cash and cash equivalents at the end of the financial year		<u><u>46,431</u></u>	<u><u>33,903</u></u>

*The above consolidated statement of cash flows
should be read in conjunction with the accompanying notes*

Netlinkz Limited
Notes to the consolidated financial statements
30 June 2018

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

The financial statements cover Netlinkz Limited as a consolidated entity consisting of Netlinkz Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$14,801,454, had net cash outflows from operating activities of \$4,702,237 and working capital deficiency of \$4,484,091. 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.

The directors believe that there are reasonable grounds to believe that the Group will continue as going concern, after considering the following factors:

- A recent placement reported in the ASX Announcement on 12 July 2018 was completed and Netlinkz received \$1,502,217 from gross proceeds to be used for working capital of the company from issuing 48,458,613 ordinary shares at \$0.031 per share.
- The Board has also embarked upon a determined effort to improve its balance sheet by the repayment of any undisputed debt and, in some cases, agreeing or seeking agreement with creditors for the conversion of part or all their debt to equity. Where there is a dispute as to the outstanding debt there are ongoing negotiations of either payment terms or values.

Netlinkz Limited
Notes to the consolidated financial statements
30 June 2018

- The directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available;
- During the year the Group incurred one off finance and restructuring costs of \$1,712,424 which will not be incurred in the subsequent years;
- The Directors have determined that future equity raisings may be required and could be achieved to provide funding for the Group's activities and to meet the Group's objectives. The Group has historical success in raising equity and debt capital and the Group is publicly listed on the ASX;
- The Group has successfully received grants for prior years Research & Development expenditure. It is anticipated with the revenue growth in future years there will be further expenditure required to enable the group to realise these forecasts;
- The Group retains the ability, if required, to wholly or in part dispose of its intellectual property.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 19.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Netlinkz Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Netlinkz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Netlinkz Limited
Notes to the consolidated financial statements
30 June 2018

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue from service fees is recognised by reference to the stage of completion of the contracts. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Grant revenue

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Netlinkz Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-7 years
---------------------	-----------

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Netlinkz Limited
Notes to the consolidated financial statements
30 June 2018

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible notes at fair value through profit or loss

Convertible notes issued by the group include embedded derivatives (option to convert to a variable number of shares in the group). These convertible notes are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised on the profit or loss as finance costs.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation expense

Employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company currently contributes 9.5% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company.

Share Based Payments

Equity-settled share-based compensation benefits are provided to employees, key management personnel and consultants.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Fair Value Measurement

Due to their short-term nature, the carrying amount of the current receivables, current payables and current borrowings is assumed to approximate their fair value. Loans are recognised at the fair value of the consideration received, net of transaction costs.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Netlinkz Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

<i>Title of standard</i>	<i>Nature of change</i>	<i>Impact</i>	<i>Mandatory application date/ Date adopted by company</i>
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. New Impairment model	The entity has financial liabilities measured at fair value through profit or loss. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.	Must be applied for financial years commencing on or after 1 January 2018. Application date for the company will be 30 June 2019.
AASB 15 (issued June 2014) Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	The company has not yet made an assessment of the impact of this standard.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Application date for the company will be 30 June 2019.
AASB 16 Leases	IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.	Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.	There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share Based Payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivable assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Fair Value of Debt Facility

Debt facilities that can be converted to share capital at the option of the holder and where the number of shares is variable, contains an embedded derivative liability. The embedded derivative liability is calculated (at fair value) first and the residual value is assigned to the debt host contract. The embedded derivative is subsequently measured at fair value and movements are reflected in the profit or loss statement.

Certain debt facilities issued by the Group which include embedded derivatives (options to convert to variable number of shares in the Group) are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised in the profit or loss as finance costs. The subjectivity of the method of fair valuing these convertible notes lies in the method on the calibration adjustment is realised to the profit or loss statement over the life of the note. See Notes 12 and 23 for further details.

Note 3. Revenue	Consolidated	
	2018	2017
	\$	\$
Revenue		
Sales revenue	96,360	84,022
Interest	4,425	6,503
Rent	55,529	-
Revenue from continuing operations	<u>156,314</u>	<u>90,525</u>
 <i>Other Income</i>		
Grants and R&D Refund	<u>4,316</u>	<u>141,868</u>

The Group entered into a Reseller Agreement effective 1 March 2018. As part of the Agreement, the Group is entitled to 30% of the price paid by the customers to the reseller. The reseller will assume all the associated costs. The Group also agreed at the Group's discretion to issue up to 84 million shares to Mr. Chuan Yang depending on this performance to assist the Group with sales of licences to customers in China. The Board has approved to issue 10 million shares during the financial year. Refer to Note 10 and 25.

Note 4. Expenses

Included in expenses are the following costs:

	Consolidated	
	2018	2017
	\$	\$
Borrowing costs	-	147,983
Legal and other costs	464,210	254,271
Advisor costs relating to funding and restructuring	846,415	168,300
Interest paid/payable	339,848	158,542
Employee benefit expense	(52,848)	53,095
Depreciation expense	1,078	9,857
Rental expenses	211,192	224,558
Foreign exchange loss	82,989	4,674
Fair Value loss on debt settlement ¹	4,148,926	-
Share option expenses to employees, consultant and lenders	3,781,766	-

1. The amount represents the difference between the fair value of shares to be issued on the 2 July 2018 which is at \$0.036 per share less the carry amount of the financial liability extinguished.

Note 5. Income tax expense

Income tax expense

Current tax

Deferred tax

Aggregate income tax expense

Loss before income tax expense from continuing operations

Tax at the statutory tax rate of 27.5% (2017: 30%)

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Deductible Tax Amortisation (s40-880)

Movement in Accrued Expenses

Movement in Provision for Annual Leave

Movement in Provision for Doubtful Debts

Non-Assessable Prior Year Research and Development Tax Incentive

Non-Deductible Entertainment

Non-Deductible Legal Fees

Non-Deductible Patent Expenses

Non-Deductible Finance/Capital Raising Costs

Non-Deductible Superannuation Payments

Non-Deductible Director Options

Deferred Tax Asset in respect to Tax Losses and other Temporary Differences not recognised

Income tax expense

Unused tax losses for which no deferred tax has been recognised – Income (Australian)

Unused tax losses for which no deferred tax has been recognised – Income (Overseas)

Unused tax losses for which no deferred tax has been recognised – Capital (Australian)

The availability of the Australian tax losses (Income: \$36,116,873 and Capital \$9,546,682) are subject to the Company's ability to satisfy Australian Taxation Office's requirements for utilisation.

Note 6. Current assets - cash and cash equivalents

Cash at bank

Note 7. Current assets - other asset and receivables

Other receivables

Grants and R&D Refund

Security deposits

Prepayments¹

Less: Provision for impairment of receivables

1 Prepayments represent \$113,262 of Prepaid Insurance.

Consolidated	
2018	2017
\$	\$
-	-
-	-
-	-
(14,801,454)	(7,950,122)
(4,070,400)	(2,385,037)
-	(138,234)
13,613	(23,038)
(55,540)	(25,708)
-	(50,858)
-	(42,560)
5,575	217
44,860	76,281
-	5,479
-	44,395
-	26,323
-	195,302
(4,061,892)	(2,317,438)
4,061,892	2,317,438
-	-
36,116,873	24,262,224
-	1,221,210
9,546,682	9,546,682
46,431	33,903
61,358	3,357
-	141,868
59,790	49,209
113,262	-
-	-
234,410	194,434

Note 8. Current liabilities - trade and other payables	Consolidated	
	2018	2017
	\$	\$
Trade payables and accruals	<u>3,119,480</u>	<u>3,897,118</u>

Note 9. Current liabilities - employee benefits	Consolidated	
	2018	2017
	\$	\$
Employee benefits	<u>41,342</u>	<u>94,190</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The above amounts reflect annual leave that has accrued as at the reporting date.

Note 10. Current liabilities - other current liabilities	2018	2017
	\$	\$
Options and Shares to be issued to directors upon resignation ¹	714,894	-
Shares to be issued to Mr. Chuan Yang ²	330,000	-
Directors fees payable	176,250	-
Other current liabilities	-	976
	<u>1,221,144</u>	<u>976</u>

1. As part of the deed of settlement upon resignation as directors, the Group agreed to issue 25,000,000 of its options and 1,500,000 of its shares to Robert Turner and John Galt respectively. These options and shares have not been issued as at the date of this report. These shares and options were valued at grant date.

2. The Board has approved the issuance of 10 million shares to Mr. Chuan Yang for services performed for the Group. The shares were issued on 23 July 2018. The shares issued were valued at \$0.033 per share at grant date. Refer to Note 25.

Note 11. Current liabilities - borrowings	2018	2017
	\$	\$
February 2016 debt facility at fair value ¹	23,039	262,397
Other Loans ²	359,927	1,509,166
	<u>382,966</u>	<u>1,771,563</u>

1. On 26 February 2016 the Company entered into a \$250,000 debt facility with the lenders under the October 2015 finance facility as in settlement for the repayment of the October finance facility, no funds were received. The finance facility was repayable on 26 February 2018 and has interest payable quarterly at 10% per annum. This debt facility may be converted into Shares at any time after 1 January 2018 or on an event of default at the lower of: (i) the lowest price per Share at which the Company undertakes a rights issue or placement of Shares before 31 December 2018; or (ii) 90% of the lowest volume weighted average price of Shares on ASX over the last 5 trading days on which Shares are traded immediately preceding the date of conversion; and before 1 January 2018 at 90% of the price per Share at which the Company undertakes the capital raising on which the conversion is based. The total finance cost of the debt facility is the \$250,000 subscription discount.

2. These loans are unsecured and accrued interest at 8% per annum.

Netlinkz Limited
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Note 12. Non-current liabilities - borrowings

	Consolidated	
	2018	2017
	\$	\$
Related party loans ¹ – at amortised cost	1,414,223	-
Other loans ² – at amortised cost	654,244	-
	<u>2,068,467</u>	<u>-</u>

1 This is a 3-year debt facility provided by a related party QMAC Capital International Partners LP which is secured over the assets of Netlinkz and its subsidiaries. The facility accrues interest at 8% and is payable on maturity being 23 August 2020.

2 This balance represents 3-year debt facility provided by external party Reef Investment Pty Ltd which is secured over the assets of Netlinkz and its subsidiaries. The facility accrues interest at 8% and is payable on maturity being 3 April 2020.

Note 13. Equity - issued capital

	2018	Consolidated	2018	2017
	Shares	2017	\$	\$
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,233,665,563</u>	<u>848,225,547</u>	<u>34,462,144</u>	<u>24,140,363</u>
Movements in ordinary share capital				
Opening balance	1 Jul 2016	639,298,019		15,682,329
Issue of shares – placement	03 Aug 2016	124,444,432	\$0.045	5,599,999
Borrowing repayment in shares	17 Oct 2016	21,347,872	\$0.039	829,113
Issue of shares – placement	8 Nov 2016	3,333,334	\$0.045	150,000
Expenses paid in shares	14 Nov 2016	1,851,111	\$0.045	83,300
Issue of shares – placement	18 Nov 2016	10,666,667	\$0.045	480,000
Issue of shares – placement	20 Nov 2016	2,222,223	\$0.045	100,000
Borrowing repayment in shares	30 Dec 2016	1,443,404	\$0.017	24,556
Expenses paid in shares	30 Dec 2016	3,666,667	\$0.017	62,333
Issue of shares – placement	5 Jan 2017	10,000,000	\$0.045	450,000
Issue of shares – placement	23 Jan 2017	12,333,333	\$0.045	555,000
Expenses paid in shares	25 Jan 2017	4,444,445	\$0.045	200,000
Expenses paid in shares	10 Feb 2017	148,149	\$0.017	2,518
Expenses paid in shares	10 Feb 2017	970,334	\$0.017	16,513
Issue of shares – placement	1 Mar 2017	3,333,334	\$0.045	150,000
Issue of shares – placement	21 Mar 2017	2,222,223	\$0.045	100,000
Issue of shares – placement	29 Jun 2017	6,500,000	\$0.02	130,000
Share issue transaction costs, net of tax		-		(475,298)
Closing balance	30 Jun 2017	<u>848,225,547</u>		<u>24,140,363</u>
Opening balance	01 Jul 2017	848,225,547		24,140,363
Issue of shares – placement (i)	05 Jul 2017	32,375,000	\$0.02	647,500
Issue of shares – placement (ii)	30 Nov 2017	25,000,000	\$0.02	500,000
Issue of shares – placement (iii)	15 Dec 2017	43,500,000	\$0.02	870,000
Issue of shares – placement (iv)	21 Dec 2017	5,000,000	\$0.02	100,000
Issue of shares – placement (v)	12 Jan 2018	2,129,240	\$0.02	42,585
Issue of shares – placement (vi)	12 Jan 2018	8,327,372	\$0.0216	179,871
Issue of shares – placement (vii)	7 Mar 2018	49,536,995	\$0.02	990,740
Shares to be issued (viii)	2 July 2018	219,571,409	\$0.036	7,904,571
Capital raising costs				(913,488)
Closing balance	30 Jun 2018	<u>1,233,665,563</u>		<u>34,462,142</u>

(i) On 5 July 2017 pursuant to a placement the company issued 32,375,000 shares at \$0.02 per share.

(ii) On 30 November 2017 pursuant to a placement the company issued 25,000,000 shares at \$0.02 per share.

(iii) On 15 December 2017 pursuant to a placement the company issued 43,500,000 shares at \$0.02 per share.

(iv) On 21 December 2017 pursuant to a placement the company issued 5,000,000 shares at \$0.02 per share.

(v) On 12 January 2018 pursuant to a placement the company issued 2,129,240 shares at \$0.02 per share.

(vi) On 12 January 2018 pursuant to a placement the company issued 8,327,372 shares at \$0.0216 per share.

(vii) On 7 March 2018 pursuant to a placement the company issued 49,536,995 shares at \$0.02 per share.

(viii) On 6 June 2018, the Company and Shareholders approved to issue 1,874,998 shares to David O'Dowd as Director fee, 13,499,998 shares to Peter Apostolopoulos as Director fee and services, 3,410,542 shares to GDM Pty Limited for company secretarial services, 46,250,000 shares to James Tsiolis as Director salary, 48,572,025 shares to Strategic Capital Management and 105,963,846 shares to AIRE to discharge of its loan to the Company. The shares were issued at market price as at 6 June 2018. All shares were issued on 2 July 2018 with a fair value of \$0.036 per share.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Options	Consolidated	
	2018 Options	2017 Options
Options	<u>305,772,293</u>	<u>119,907,857</u>

Unissued ordinary shares under option:

Details	Grant date	No of Options	Exercise price
Opening balance	1-July-2017	119,907,857	-
Options issued QMAC lender Trust	28-August-2017	35,285,000	\$0.02
Option lapsed ¹		(11,768,821)	-
Expiry date of 2 July 2021	6-June-2018	10,000,000	\$0.02
Expiry date of 2 July 2021	6-June-2018	10,000,000	\$0.02
Expiry date of 2 July 2021	6-June-2018	6,000,000	\$0.02
Expiry date of 2 July 2021	6-June-2018	10,000,000	\$0.02
Expiry date of 2 July 2020	6-June-2018	2,190,438	\$0.01
Expiry date of 2 July 2020	6-June-2018	66,746,806	\$0.01
Expiry date of 2 July 2020	6-June-2018	7,500,000	\$0.01
Expiry date of 2 July 2021	6-June-2018	7,500,000	\$0.045
Expiry date of 2 July 2021	6-June-2018	7,500,000	\$0.09
Expiry date of 2 July 2021	6-June-2018	5,000,000	\$0.15
Expiry date of 2 July 2021	6-June-2018	5,625,000	\$0.02
Expiry date of 2 July 2020	6-June-2018	<u>24,286,013</u>	\$0.01
Closing balance	30-June-2018	305,772,293	
Vested & Exercisable Options	30-June-2018	293,272,293	

1 The options that lapsed were options not exercised by their expiry date on 31 October 2017.

Details	Date	No of options	Exercise price
Expiry date of 31 October 2017	23 Oct 2015	10,592,350	\$0.25
Expiry date of 31 October 2017	4 Nov 2015	<u>1,176,471</u>	\$0.25
		11,768,821	

On 28 August 2017 the Company issued pursuant to QMAC funding agreement 35,285,000 unlisted options expiring on 24 August 2020 to subscribe for ordinary fully paid shares at an exercise price of \$0.02 per share.

In payment of services the following Directors were granted unlisted Options, the issue of the Options to the Directors were approved at the Extraordinary General Meeting on 6 June 2018. For the purposes of the Australian Accounting Standards the Options are required to be accounted for as a share based payment granted during the reporting period. Refer to the profit or loss and below for expense details.

On 6 June 2018 Mr Tsiolis was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 5,625,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for salary owed for the period July 2017 – March 2018); 2,250,000 ordinary fully paid shares at an exercise price of \$0.045 per share (for capital raising services provided in August and November 2016); 2,250,000 ordinary fully paid shares at an exercise price of \$0.09 per share and 1,500,000 ordinary fully paid shares at an exercise price of \$0.15 per share. Strategic Capital Management (SCM) of which Mr Tsiolis is a director, assisted and provided arranging services to the Company in relation to the QMAC funding and Mr Tsiolis was issued Options for fees owed to SCM to subscribe for 24,286,013 ordinary fully paid shares at an exercise price of \$0.01 per share expiring 2 years from date of issue (2 July 2020).

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On 6 June 2018 Mr Apostolopoulos was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 10,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for directors fees owed for the period November 2017 – March 2018) and 6,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share for assisting the Company and providing services and advice since November 2016.

On 6 June 2018 Mr O'Dowd was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 10,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for directors fees owed for the period December 2017 – March 2018).

Options issued to other service providers

On 6 June 2018 GDM Services Pty Ltd was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 10,000,000 ordinary fully paid shares at an exercise price of \$0.02 per share (for Company secretarial services and corporate advice for the period December 2014 – December 2017) and 2,190,438 ordinary fully paid shares at an exercise price of \$0.01 per share expiring on 2 July 2020 in satisfaction of Company Secretarial fees owed.

On 6 June 2018 RM Corporate Finance Pty Ltd was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2020 to subscribe for: 7,500,000 ordinary fully paid shares at an exercise price of \$0.01 per share (for capital raising services)

On 6 June 2018 the Company granted to Subscribers unlisted Options, issued on 2 July 2018 expiring on 2 July 2020 to subscribe for: 66,746,806 ordinary fully paid shares at an exercise price of \$0.01 per share pursuant to the terms of the placements on 15 November 2017, 21 December 2017, 12 January 2018 and 7 March 2018.

On 6 June 2018 Peleton Capital Pty Ltd was granted unlisted Options, issued on 2 July 2018 expiring on 2 July 2021 to subscribe for: 5,250,000 ordinary fully paid shares at an exercise price of \$0.045 per share; 5,250,000 ordinary fully paid shares at an exercise price of \$0.09 per share and 3,500,000 ordinary fully paid shares at an exercise price of \$0.15 per share (for capital raising services)

For the options granted during the current period other than the free attaching options, the valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date	Number Granted
28/08/2017	28/8/2020	\$0.0270	\$0.020	100%	0%	2.25%	\$0.0184	35,285,000
6/6/2018	2/7/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
6/6/2018	2/7/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
6/6/2018	2/7/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	6,000,000
6/6/2018	2/7/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
6/6/2018	2/7/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	2,190,438
6/6/2018	2/7/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	7,500,000
6/6/2018	2/7/2021	\$0.0360	\$0.045	100%	0%	2.25%	\$0.0210	7,500,000
6/6/2018	2/7/2021	\$0.0360	\$0.090	100%	0%	2.25%	\$0.0159	7,500,000
6/6/2018	2/7/2021	\$0.0360	\$0.150	100%	0%	2.25%	\$0.0232	5,000,000
6/6/2018	2/7/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	5,625,000
6/6/2018	2/7/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	24,286,013

Note 14. Equity - reserves

Foreign Currency Reserve
Option reserve

Consolidated	
2018	2017
\$	\$
-	(172,368)
4,856,700	1,567,519
<u>4,856,700</u>	<u>1,395,151</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Options reserve

This reserve is used to record the value of equity benefits provided for the issue of options.

Balance 1 July
Options to QMAC¹
Options to directors, key management personnel, consultants and service providers
Options issued for capital raising costs
Balance 30 June

Consolidated	
2018	2017
\$	\$
1,567,519	916,512
649,066	-
2,087,806	651,007
552,309	-
<u>4,856,700</u>	<u>1,567,519</u>

1. On 28 August 2017 pursuant to the QMAC Finance Facility the Company issued 35,285,000 options exercisable into shares, has an exercise price of \$0.02 and an expiry of 24 August 2020.

Note 15. Equity - accumulated losses

Accumulated losses at the beginning of the financial year
Loss after income tax expense for the year
Accumulated losses at the end of the financial year

Consolidated	
2018	2017
\$	\$
31,069,391	23,119,269
14,801,454	7,950,122
<u>45,870,845</u>	<u>31,069,391</u>

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, its network firms and unrelated firms:

Audit services - BDO Audit (WA) Pty Ltd
Audit or review of the financial statements

Consolidated	
2018	2017
\$	\$
50,000	50,000

Note 17. Commitments

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

Within one year
One to five years

Consolidated	
2018	2017
\$	\$
49,445	144,301
-	24,050
<u>-</u>	<u>168,351</u>

Commercial lease expired on 13 September 2018 and a "make good" settlement amount was agreed upon and paid in full.

Note 18. Related party transactions

Parent entity

Netlinkz Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 19.

Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report in the directors' report.

Netlinkz Limited
Notes to the consolidated financial statements
30 June 2018

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	276,000	892,032
Post-employment benefits	7,125	30,558
Long-term benefits*	-	66,018
Share & Option based payments	3,765,630	634,511
	<u>4,048,755</u>	<u>1,623,119</u>

* Annual leave accrued and owed as at the record date.

Compensation in the above table includes James Tsiolis from 1 July 2017 to 30 June 2018, David O'Dowd from 15 November 2017 to 30 June 2018, Peter Apostolopoulos from 27 December 2017 to 30 June 2018, Robert Turner 1 July 2017 to 4 June 2018 and John Galt from 15 November 2017 to 4 June 2018.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	\$	\$
Payment for services:		
Corporate advisory, and capital raising services from Strategic Capital Management Ltd (director-related entity of James Tsiolis)	308,593	142,898
Director remuneration from Alpha First Pty Ltd (director-related entity of James Tsiolis)	-	35,000
Management fees paid to David O'Dowd (AIRE fund)	257,143	-
Management fees paid to Agora Asset management (AIRE fund – Peter Apostolopoulos)	514,286	-
Consulting fee paid to Digital Return\$ Pty Ltd (director-related entity of Darren Patterson)	55,000	-

Payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
Current payables:		
Strategic Capital Management Ltd (director-related entity of James Tsiolis)	313,744	56,480

Loans from related parties

The loan balances are outstanding at the reporting date with related parties:

	Consolidated	
	2018	2017
	\$	\$
Borrowings:		
Talks One Pty Ltd as trustee for the Gooch Family Trust (director-related entity of Tim Gooch)	-	1,877
Mark Harrell as trustee for Harrell Family Trust (director-related entity of Mark Harrell)	-	1,092
Repayments:		
Talks One Pty Ltd as trustee for the Gooch Family Trust (director-related entity of Tim Gooch)	-	64,953
Mark Harrell as trustee for Harrell Family Trust (director-related entity of Mark Harrell)	-	32,773

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. (Tim Gooch & Mark Harrell are no longer related parties)

Pinnacle Listed Comprehensive Limited
Notes to the financial statements
30 June 2015

Note 19. Parent entity information

Set out below is the supplementary information about the parent entity.
Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$	\$
Loss after income tax	16,711,652	4,297,281

	Parent	
	2018	2017
	\$	\$
<i>Statement of financial position</i>		
Total current assets	229,090	165,820
Total assets	229,645	167,453
Total current liabilities	3,513,789	2,419,373
Total non-current liabilities	2,067,467	-
Total liabilities	5,582,256	2,419,373
Equity		
Issued capital	32,898,587	22,576,808
Option reserve	4,856,700	1,567,519
Accumulated losses	(43,107,898)	(26,396,246)
Total equity / (Deficiency in Equity)	(5,352,611)	(2,251,919)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 20. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018	2017
		%	%
Netlinkz Technology Pty Ltd	Australia	100.00%	100.00%
Netlinkz Global Pty Ltd	Australia	100.00%	100.00%
iWebgate Corp	United States	-	100.00%
Ghost Network Inc	United States	100.00%	100.00%
Netlinkz (Hong Kong) Ltd	Hong Kong SAR, China	-	100.00%

(i) iWebgate Corp was voluntarily dissolved on 19 February 2018. The Company was dormant during the year.

(ii) Netlinkz (Hong Kong) Limited was disposed on 12 June 2018. There was no trading activity during the year.

Note 21. Reconciliation of loss after income tax to net cash from operating activities	Consolidated	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(14,801,454)	(7,950,122)
Adjustments for:		
Director share based payments	3,781,766	651,007
Depreciation and amortisation	1,078	9,857
Foreign exchange differences	149,080	(4,674)
Interest accrued on loans	-	82,772
Borrowing finance cost	-	129,802
Expenses paid in shares	3,348,599	498,633
Expenses paid in options	2,736,872	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(268,938)	(145,225)
Decrease/(increase) in other operating assets	(39,976)	-
Increase/(decrease) in employee benefits	(52,848)	(166,927)
Increase/(decrease) in trade and other payables	443,584	1,966,150
Net cash (used in) operating activities	<u>(4,702,237)</u>	<u>(4,928,727)</u>

Loan Reconciliation

	1 July 2017	Cash flows	Non-cash changes			30 June 2018
			Interest	Foreign exchange mvmnt	Non-cash settlement	
Related Party Loans:						
QMAC Loan	-	1,253,841	95,051	65,331	-	1,414,223
Other related party loans	1,509,166	-	140,196	-	(1,266,396)	382,966
February 2016 Debt Facility at Value	262,397	-	-	-	(262,397)	-
Other Loans	-	617,818	14,625	21,801	-	654,244
	<u>1,771,563</u>	<u>1,871,659</u>	<u>249,872</u>	<u>87,132</u>	<u>(1,528,793)</u>	<u>2,451,433</u>

Note 22. Earnings per share	Consolidated	
	2018	2017
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	<u>(14,801,454)</u>	<u>(7,950,122)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	<u>937,926,674</u>	<u>795,104,097</u>
	\$	\$
Basic earnings/(loss) per share	(0.02)	(0.01)
Diluted earnings/(loss) per share	(0.02)	(0.01)

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures but may do so as and when required. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by senior executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk. The consolidated entity's borrowings outstanding, totalling \$1,797,189 (2017: \$1,509,166), are fixed interest loans.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

There are no unused borrowing facilities at the reporting date.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Netlinkz Limited
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The lenders of the non-current interest bearing loans have agreed to defer repayment of their loans for at least 12 months.
* 12% AIRE Fund, 10% Notes AIRE and 8% for other loans

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	3,119,480	-	-	-	3,119,480
Borrowings	-%	-	-	654,244	-	654,244
Other loans	-%	-	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Related party loans	8%	382,966	-	1,414,223	-	1,797,189
Other loans	*	-	-	-	-	-
Total non-derivatives		3,502,446	-	2,068,467	-	5,570,913
	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2017						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	3,897,118	-	-	-	3,897,118
Borrowings	10%	262,397	-	-	-	262,397
Other loans	-%	976	-	-	-	976
<i>Interest-bearing - fixed rate</i>						
Related party loans	-%	-	-	-	-	-
Other loans	10%	1,509,166	-	-	-	1,509,166
Total non-derivatives		5,669,657	-	-	-	5,669,657

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Fair value measurement

There are no other assets or liabilities carried at fair value in the accounts as at 30 June 2018.

For other borrowings (other loans) the fair value is not materially different to their carrying value, since the interest payable on these borrowings is close to current market rates.

Note 24. Contingent liabilities

There are no contingent liabilities as at 30 June 2018 (2017 \$nil).

Note 25. Events after the reporting period
Matters subsequent to the end of the financial year

On 2 July 2018, pursuant to the results of the General Meeting dated 6 June 2018, the Company issued 219,571,409 shares and 162,438,257 options under various terms. Refer to Note 13 of the financial statements for further details.

On 3 July 2018, the Company announced that Xiaowen Shi was appointed as an Executive Director, and on 2 August 2018 the resignation of Peter Apostolopoulos as Non-Executive Director.

On 16 July 2018, pursuant to a placement the company issued 26,168,302 shares at \$0.031 per share raising \$811,217.

As per Appendix 3B released on 18 July 2018, 3,154,746 options were exercised at \$0.01 with a value of \$31,547.

On 23 July 2018, the Company issued 19,210,078 shares at \$0.026 to Tim Gooch in repayment of his loan and 10,000,000 shares at \$0.033 pursuant to Reseller Agreement for services provided by Mr. Yang for services during the period ended 30 June 2018 (CEO of Jiangsu Aoyun Software Technology Co Ltd of which is the exclusive agent in Wuxi, Jiangsu Province in China).

As per Appendix 3B released on 24 July 2018, 1,250,000 options were exercised at \$0.01 with a value of \$12,500.

On 6 August 2018, pursuant to a placement the Company issued 22,291,729 shares at \$0.031 per share raising \$691,044.

As per Appendix 3B released on 6 August 2018, 1,949,231 options were exercised at \$0.01 with a value of \$19,492.

On 7 August 2018, the Company issued 8,064,516 shares at \$0.031 with a value of \$250,000 to Peter Apostolopoulos in repayment of his loan.

As per Appendix 3B released on 13 August 2018, 12,500,000 options were exercised at \$0.01 with a value of \$125,000.

As per Appendix 3B released on 20 August 2018, 7,375,000 options were exercised at \$0.01 with a value of \$73,750.

On 20 August 2018, the Company issued 15,000,000 shares at \$0.02 for services provided by Systemic.

As per Appendix 3B released on 27 August 2018, 2,466,923 options were exercised at \$0.01 with a value of \$24,669.

As per Appendix 3B released on 29 August 2018, 1,475,906 options were exercised at \$0.01 with a value of \$14,759.

As per Appendix 3B released on 31 August 2018, 4,550,000 options were exercised at \$0.01 with a value of \$45,500.

As per Appendix 3B released on 10 September 2018, 2,000,000 options were exercised at \$0.01 with a value of \$20,000.

As per Appendix 3B released on 14 September 2018, 225,000 options were exercised at \$0.01 with a value of \$2,250.

As per Appendix 3B released on 20 September 2018, 350,000 options were exercised at \$0.01 with a value of \$3,500.

As per Appendix 3B released on 8 October 2018, 450,000 options were exercised at \$0.01 with a value of \$4,500.

As per Appendix 3B released on 23 October 2018, 250,000 options were exercised at \$0.01 with a value of \$2,500.

Other than the above there have been no other material events subsequent to the year ended 30 June 2018.

Note 26: Operating Segments

During the year the Company operated in one business segment, that being the supply of licence for secure and efficient cloud network solutions. It also operated in one geographic segment which was China.

Note 27: Changes to unaudited Preliminary Financial Report

On 31 August 2018, the consolidated entity released its unaudited preliminary financial report for the year ended 30 June 2018. Upon finalisation of the audit, due to complexity mainly in the accounting for share-based payments, the loss before tax was increased from \$7,151,008 to \$14,801,454.

Netlinkz Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'James Tsiolis', with a large, stylized initial 'J'.

James Tsiolis
Director

26 October 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Netlinkz Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Netlinkz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Measurement of Share Based Payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial period ended 30 June 2018, the Group issued options and shares to creditors, consultants and key management personnel, which have been accounted for as share-based payments. Refer to Note 13.</p> <p>Refer to Note 1 of the financial report for a description of the accounting policy and Note 2 for the significant estimates and judgements applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Holding discussions with management to understand the share-based payment transactions; • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs; • Involving our valuation specialists, to assess the reasonableness of management's valuation inputs in respect of risk free rate and volatility; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in the financial report.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2018.



In our opinion, the Remuneration Report of Netlinkz Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint, blue, stylized 'BDO' logo.

Glyn O'Brien

Director

Perth, 26 October 2018

Netlinkz Limited

Shareholder information

The shareholder information set out below was applicable as at 8 September 2018.

Distribution of shareholdings

Analysis of number of shareholders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	401	141,018
1,001 to 5,000	166	441,616
5,001 to 10,000	71	557,180
10,001 to 100,000	507	21,750,571
100,001 and over	684	1,348,231,609
	1,829	1,371,121,994
Holding less than a marketable parcel	676	1,608,045

Twenty largest quoted equity security holders

The names of the twenty largest security holders (unconsolidated) of quoted equity securities are listed below:

	Number held	% of total shares issued
FUND BPO PTY LTD	147,245,355	10.74
THE SUTHERLAND FAMILY COMPANY PTY LTD <SWAN A/C>	82,570,076	6.02
J P MORGAN NOMINEES AUSTRALIA LIMITED	44,369,338	3.24
SINGARA PTY LTD <GARGETT FAMILY A/C>	42,069,475	3.07
GOONET PTY LTD	40,000,000	2.92
MR TREVOR DOUGLAS NAIRN <T D NAIRN FUND ACCOUNT>	39,011,016	2.85
QMAC CAPITAL SECURITY LLC	38,875,000	2.84
TRANS-FORMING INVESTMENTS PTY LTD <TRANS-FORMING INVESTMEN A/C>	37,500,000	2.73
ALPHA FIRST PTY LTD	36,555,000	2.67
AGORA ASSET MANAGEMENT PTY LTD	35,850,228	2.61
MR GRANT BOOKER + MRS CATHERINE BOOKER <G & C BOOKER SUPER FUND A/C>	28,117,419	2.05
REEF INVESTMENTS PTY LTD <T D NAIRN SUPER FUND A/C>	22,223,100	1.62
SINGARA PTY LTD <GARGETT FAMILY A/C>	20,019,476	1.46
TALKS ONE PTY LTD <GOOCH FAMILY A/C>	19,210,078	1.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,159,004	1.25
MARKENFIELD PTY LTD <THE METTAM FAMILY A/C>	15,927,155	1.16
HOLICARL PTY LIMITED <HUNTER GRAIN S/F A/C>	15,555,555	1.13
SYSTEMIC PTY LTD	15,000,000	1.09
MR CHUAN YANG	14,444,445	1.05
TR7 HOLDINGS PTY LTD	13,835,086	1.01
	725,536,806	52.92

Netlinkz Limited
Shareholder information

Substantial shareholders

Substantial holders of ordinary shares in the company are set out below:

	Ordinary shares Number held	% of total shares issued
FUND BPO PTY LTD	147,245,355	10.74
THE SUTHERLAND FAMILY COMPANY PTY LTD <SWAN A/C>	82,570,076	6.02

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	Until advised by company	38,875,000
Ordinary shares	17 December 2018	42,069,475
Ordinary shares	23 January 2018	<u>19,210,078</u>

Option Holdings

The Company has the following classes of options on issue as at 10 September 2018. Options do not carry any voting rights.

Details	Exercise price	No of options
Expiry date of 8 March 2019	\$0.1412	1,500,000
Expiry date of 14 March 2019	\$0.147	8,500,000
Expiry date of 2 July 2020	\$0.01	64,001,451
Expiry date of 1 August 2020	\$0.045	45,000,000
Expiry date of 1 August 2020	\$0.06	5,000,000
Expiry date of 1 August 2020	\$0.12	5,000,000
Expiry date of 1 August 2020	\$0.30	10,000,000
Expiry date of 24 August 2020	\$0.02	35,285,000
Expiry date of 3 November 2020	\$0.187	2,139,036
Expiry date of 31 January 2020	\$0.045	5,500,000
Expiry date of 31 January 2020	\$0.12	2,500,000
Expiry date of 31 January 2020	\$0.30	5,000,000
Expiry date of 1 January 2021	\$0.06	3,300,000
Expiry date of 1 January 2021	\$0.12	3,300,000
Expiry date of 1 January 2021	\$0.24	3,400,000
Expiry date of 2 July 2021	\$0.02	41,625,000
Expiry date of 2 July 2021	\$0.045	7,500,000
Expiry date of 2 July 2021	\$0.09	7,500,000
Expiry date of 2 July 2021	\$0.15	5,000,000
Expiry date of 1 October 2021	\$0.06	2,000,000
Expiry date of 1 October 2021	\$0.12	2,000,000
Expiry date of 1 October 2021	\$0.24	2,000,000
Expiry date of 1 October 2021	\$0.36	<u>2,000,000</u>
		269,050,487

Netlinkz Limited
Shareholder information

	Number of holders of unlisted options	Number of unlisted options
10,001 to 100,000	-	-
100,001 and over	62	269,050,487
	<u>62</u>	<u>269,050,487</u>
Holding less than a marketable parcel	0	0

The following option holders hold more than 20% of a particular class of the unlisted options.

Expiry date	Name	Number Held
Expiry date of 8 March 2019	THE AUSTRALIAN SPECIAL OPPORTUNITY FUND LP	1,500,000
Expiry date of 14 March 2019	MR JEFFREY L EASTON <AUSTRALIAN SPL OP FUND LP AC>	8,500,000
Expiry date of 2 July 2020	GOONET PTY LTD	23,000,000
Expiry date of 1 August 2020	ALPHA FIRST PTY LTD	30,000,000
Expiry date of 24 August 2020	QMAC CAPITAL SECURITY LLC	35,285,000
Expiry date of 3 November 2020	L1 CAPITAL GLOBAL (CAYMAN MANAGER) LIMITED <L1 CAP GLOBAL OPP MATER A/C>	1,604,278
Expiry date of 31 January 2020	MR ANTHONY MAZZA	13,000,000
Expiry date of 1 January 2021	SUEHEIR TURK <TURMRA FMILY A/C>	10,000,000
Expiry date of 2 July 2021	AGORA ASSET MANAGEMENT PTY LTD	16,000,000
Expiry date of 2 July 2021	PELOTON CAPITAL PTY LTD	14,000,000
Expiry date of 1 October 2021	SINGARA PTY LTD	8,000,000

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

In accordance with ASX Listing Rule 1.1 Condition 13, the corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.netlinkz.com under the section marked "Corporate Governance":

- a) Board Charter;
- b) Board Performance Evaluation Policy;
- c) Code of Conduct;
- d) Audit Committee Charter;
- e) Remuneration and Nomination Committee Charter;
- f) Security Trading Policy;
- g) Continuous Disclosure Policy;
- h) Shareholder Communication and Investor Relations Policy;
- i) Risk Management Policy; and
- j) Diversity Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- a) setting and reviewing strategic direction and planning;
- b) reviewing financial and operational performance;
- c) identifying principal risks and reviewing risk management strategies; and
- d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer and the management team. The management team, led by the Chief Executive Officer is accountable to the Board.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

Recommendation 1.3

The Company has a written agreement with each of the Directors. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in

that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- a) ensuring a good flow of information between the Board, its committees, and Directors;
- b) monitoring policies and procedures of the Board;
- c) advising the Board through the Chairman of corporate governance policies; and
- d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

- a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
- b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity and will review and report on the effectiveness and relevance of these measurable objectives. However, due to the current size of the Board and management, these measurable objectives have not yet been set.

Recommendation 1.6

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

- a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
- b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
- c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

Recommendation 1.7

The Chief Executive Officer will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- a) a broad range of business experience; and
- b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

- a) James Tsiolis (Chairman and Executive Director) appointed 11 November 2015;
- b) David O'Dowd (Non Executive Director) appointed 14 November 2017; and
- c) Xiaowen Shi (Non Executive Director) appointed 3 July 2018.

The Chairman, Mr James Tsiolis has been a director of the Company since 11 November 2015, he is a director and shareholder of Strategic Capital Management, a provider of material professional services, a shareholder in the Company, and accordingly, is not independent.

Mr David O'Dowd and Ms Xiaowen Shi are independent directors.

Recommendation 2.4

As noted above two of the three Directors are independent.

Recommendation 2.5

As noted above, Mr James Tsiolis is not an independent Chairman. Mr James Tsiolis is considered to be the most appropriate person to Chair the Board because of his public company experience.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (**Code**), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit Committee Charter which is available on the Company's website.

When the Board meets as an audit committee is carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company is committed to:

- a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Disclosure Policy, which is disclosed on the Company's website. The Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Company Secretary manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.netlinkz.com. The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

- a) relevant announcements made to the market via ASX;
- b) media releases;
- c) investment updates;
- d) Company presentations and media briefings;
- e) copies of press releases and announcements for the preceding three years; and
- f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

- a) reports to Shareholders;
- b) ASX announcements;
- c) annual general meetings; and
- d) the Company website.

This Shareholder Communication and Investor Relations policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed on the Company's website.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

- a) operational risk;
- b) financial reporting;
- c) compliance / regulations; and
- d) system / IT process risk.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

- a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
- b) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Recommendation 7.4

Given the speculative nature of the Company's business, it is subject to general risks and certain specific risks. .

The Company has identified those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclosed how it intends to manage those risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- b) trading in the Company's securities which is not subject to the Company's trading policy; and
- c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.