

31 January 2019

APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 31 DECEMBER 2018

31 January 2019: Netlinkz Ltd (ASX:NET) ('Netlinkz' or the 'Company'), today lodged its Appendix 4C quarterly report of cashflows for the quarter ended 31st December 2018 with the Australian Securities Exchange (ASX).

Operating Activities:

Netlinkz reported a cash balance of \$0.090 million at 31 December 2018.

Net operating cashflow for the quarter was \$0.596 million (previous quarter \$1.299 million) reflecting the ongoing development, testing and commercialisation of the Company's software (Virtual Invisible Network known as VIN) and marketing the software as a cloud based invisible mesh network connecting devices securely (via encryption) ("VSP").

Since the roll out of the pilot program to various cities in Jiangsu Province as anticipated, the feedback and feature requests necessitated the redevelopment of the User Interface and Core to enhance software user experience and increase core stability and scalability. Now complete, phase 2 is underway where the company will now focus on scalability expansion, delivery of new features and mobility and IoT.

Various reseller agreements have now been signed in cities in the Jiangsu Province and a Joint Venture is underway between the China Reseller and a strategic party to establish a Product Demonstration Lab and exhibition centre for the VIN and VSP in the Tianan IoT Park in Qinhuai District, Nanjing.

In December 2018, Netlinkz engaged Grant Thornton to prepare an indicative fair market valuation of the Company's Intellectual Property.

Netlinkz Management

Pursuant to the AGM held on 29 November 2018, Ms Xiaowen Shi, appointed by casual vacancy was re-elected as a Director, as was Mr James Tsiolis where he retired by rotation was also re-elected as a director. And to further strengthen the Company, as announced in December 2018, Netlinkz is excited to welcome James Johnson who has now been appointed CTO, which will greatly assist the Company in the next phase of development.

Options Exercised

Cash inflows during this quarter were \$0.044 million from the proceeds of exercised options. The funds raised have been used for general working capital purposes. Netlinkz has seen approximately \$400k come in over the past 6 months from the exercise of options.

Cash flows for Q1 FY2019

In Quarter 1 Netlinkz expects an ATO refund of \$731,830 from the 2018 Research & Development tax incentive as per the R&D application lodged with AusIndustry in November 2018.

Netlinkz will also receive monthly revenue of at least AUD\$15,000 from the Licence Sales of VINs in the Wuxi Provinces and a monthly consulting service fee from JAST Netlinkz Hong Kong of AUD\$50,000 per month for consulting services pursuant to the terms of the Reseller Agreement.

Cash outflows in Q1 2019 will stabilise as the Feature Software Development & Sales costs will be absorbed by the Chinese resellers.

Strategic Capital Management Limited (SCM) will continue to provide support to Netlinkz and assist the Company with strategic capital placements to investors to ensure the Company meets its financial obligations during this next quarter. However, in the next quarter Netlinkz will engage with a third-party Corporate Advisor to strengthen Corporate Operating and reporting functions and will engage with Institutional Investors with regard to future placements and funding.

Finance Facilities

Netlinkz has secured a three year A\$29m Committed Funding Agreement with an Institutional Investor, GEM Global Yield Fund LLC SCS and GEM (Global Emerging Markets) Investments America LLC. The Company intends to use this facility as its primary source of working capital requirements.

Netlinkz has not drawn on the QMAC Facility this quarter. It should be noted that there will be no further drawdowns from the QMAC Facility. The current drawdown amount is US\$975,000 due to be repaid in August 2020

The Appendix 4C is attached.

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Forward-Looking Statements

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

For more information, please contact:

James Tsiolis

Executive Director

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About NetLinkz Limited

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

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

NetLinkz Limited

ABN

55 141 509 426

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	28
1.2 Payments for		
(a) research and development	(128)	(879)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(77)	(77)
(d) leased assets	-	-
(e) staff costs (other employment costs)	(75)	(211)
(f) administration and corporate costs	(57)	(685)
	(262)	(307)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance (paid) / received	-	-
1.6 Income taxes paid/ GST Refunds	51	80
1.7 Government grants and tax incentives	-	350
1.8 Other (provide details if material)	-	-
- Office costs	(53)	(167)
- Travel costs	(14)	(27)
1.9 Net cash from / (used in) operating activities	(596)	(1,894)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(6)	(24)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	50	50
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	10
2.6	Net cash from / (used in) investing activities	44	36

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,502
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	52	420
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(164)
3.5	Proceeds from borrowings	300	300
3.6	Repayment of borrowings	(37)	(156)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	315	1,902

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	327	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(596)	(1,894)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	44	36
4.4	Net cash from / (used in) financing activities (item 3.10 above)	315	1,902
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	90	90

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	90	327
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	90	327

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	50
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	1,713	1,713
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	235
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	100
9.4	Leased assets	-
9.5	Staff costs (other employment costs)	95
9.6	Administration and Corporate costs	240 50
9.7	Other (provide details if material)	
	- ATO	36
9.8	Total estimated cash outflows	756

Netlinkz expects the deployment of the software (VIN) (VSP) throughout various cities in Jiangsu to generate a minimum of AUD\$15,000 per month in licence fees received quarterly in arrears together with AUD\$50,000 per month from consulting fees to support the Reseller as per the Reseller Agreement. If additional funding is required, it should be noted that the company has successfully raised working capital in the past and has approval to raise a further \$1.5m as per the last EGM.

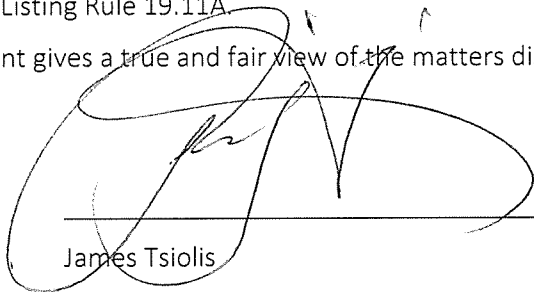
10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

Print name:



 James Tsiolis
 (Director)

Date: 31 January 2019

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.