



## ASX Announcement

31 January 2019

Linus Quarterly Activities Report – Period ending 31 December 2018

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### Highlights

- **First commercial deal, Stockholm based Newstag, went live and is now publicly available**
- **Warner Bros. proof of concept (POC) went live in partnership with IBM, now in final phase of testing**
- **Global Commercial launch of SaaS platform Linus Video Services (LVS), following successful in-market beta**
- **Expanded commercial channels with Amazon AWS, Microsoft Azure and Certus Solutions**
- **Announced commercial advisory board; industry heavyweights to drive commercial results**
- **Oklahoma State University education market POC went live on LVS**

Linus Technologies Limited (ASX: LNU) (**Company** or **Linus**) is pleased to lodge its Quarterly Activities Report and Appendix 4C with the ASX for the quarter ending 31 December 2018.

During the quarter the Company has continued its strategic focus, summarised as:

- Vision:** To make all of the worlds video accessible as data
- Mission:** To become the *de facto* standard for the management and broadcast of video
- Commercialisation:** Linus patented Video Virtualization Engine™ (VVE) to deliver to mass markets in 3 ways:
- Industry specific divisions and solution sets built around VVE
  - Mass distribution through partners, such as IBM
  - Self-service to global markets through a SaaS model

During the quarter Linus has made significant inroads towards delivering on the strategy at scale, with the direct-sales pipeline continuing to expand across a number of markets with a clear value propositions. With the exception of a special project on reducing piracy, Linus' activity is focused on delivering hyper-personalised video experiences. Many of the world's leading technology companies have business strategies centered on personalization — Facebook, Google, and Amazon, to name a few. But until now this has proven impossible with video. Linus has provided and demonstrated the answer and is perfectly positioned to deliver the next evolution of TV viewership across many markets. The key markets being targeted are:

- Sports** – Deliver subscription-based hyper-personalized sports channels
- News** – Develop new revenue models with hyper-personalized news
- Education** – Unleash the value of video: learning, teaching, research & business
- Corporate Comms** – Boost employee performance and meet compliance
- Gambling** – Drive subscription and gambling revenues with granular data
- Security & Defense** – Assemble and distribute actionable intelligence
- Media & Entertainment** – Reduce piracy and drive workflow efficiency

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The Company remains committed to its commercial strategy and has established 3 paths to growth.

## 1. Direct Sales

The company has a small direct sales team. Direct sales of commercial deals and POC's are intended to commercially validate the technology and provide case studies in specific target markets, ahead of a mass market roll out through partners and our SaaS platform, LVS.

Some highlights:

### Newstag

Newstag has launched a hyper-personalized news search service, powered by Linius, on their site. The service is available at <https://newstag.com/aisearch>. Newstag expects to begin introducing Linius to news agencies around the world in the March 2019 quarter. Not only does the solution demonstrate the power of virtual video, it represents a tremendous opportunity to scale Linius' business to the News sector. The Company expects initial revenue from Newstag in the March Quarter, and follow-on revenue from future clients introduced by Newstag. According to Nielsen's Total Audience Report 2016, news consumption is showing significant growth. In the US alone, adults over 18-years-old watched more than 27 billion minutes of national cable television news programming per week. The hyper-personalization of news content represents a dramatic shift in people's ability to get the content they want, when they want it, delivered in an easy to consume single environment.

### Warner Bros. POC

In February, the Company announced Warner Bros. and Linius had agreed to collaborate on a pilot to demonstrate the analytics and KPI capabilities of Linius' virtual video. In November, the TVOD (Transactional Video-On-Demand) test platform constructed by Linius' System Integration partners on IBM Cloud went live. The original agreement with Warner Bros. was extended to include Village Roadshow as the in-country partner for the test, and the test is being conducted by Qualtrics, a well-known third-party testing agency in Australia. The trial is going well and the Company expects results of the tests to be communicated before the end of February.

### Oklahoma State University (OK State) POC

The OK State POC went live, delivered on LVS, the Company's SaaS platform which combines cloud technologies from Amazon AWS and Microsoft Azure. The focus of the POC is to provide search capability across "famous" faces in University videos (famous within the context of the university). To date, the POC has been a great success, with OK State TV staff acting as a reference both internally and externally for commercial prospects. The Faces search capability can be seen at <https://ostate.tv/ai-search>. In addition, the Company has signed partners, ready to roll out this capability across the education vertical (see MediaAMP, below, in Additional Updates).

## 2. Channel Partners

The Company has established a strong partner network and continues to invest in these relationships. Partners are required to roll out replicable solutions. Linius' partners are actively introducing their clients to Linius.

The Company has continued to build out its network of resellers and partners during the quarter. These partners are actively developing their own products on LVS, and building their sales pipelines. Although these relationships are yet to generate revenue, the Company considers the investment by these partners in development of solutions based on LVS as continued validation of the commercial value of Linius' patented VVE technology.

Some highlights:

#### Certus Solutions

During the quarter, Linius formally partnered with Certus Solutions. Certus are the largest and fastest growing IBM systems integration company in Australia and New Zealand. Under the agreement, Certus will deliver hyper-personalization and search solutions, as well as associated services, to clients throughout APAC.

#### Amazon AWS and Microsoft Azure

In November, the Linius technology became available on Amazon AWS and Microsoft Azure marketplaces. Linius' presence on these portals is the next step in the Company's plan to leverage the billions of dollars being invested in cloud infrastructure, to enable the Company to scale rapidly. These listings make it easier for organizations throughout Microsoft's and AWS' vast networks to search, assemble and deliver previously impossible hyper-personalized video streams on-the-fly.

#### MediaAMP

MediaAMP is a significant example of what the Company means by channel network expansion. Signed in the September quarter, MediaAMP is a US-based higher-education cloud service provider, focused on delivering video technology to the nearly 5,000 colleges and universities in the US. During the December quarter, MediaAMP began introducing Linius to both their existing client base and their sales pipeline. The plan is for MediaAMP both to replicate the existing education-vertical solution proven in the OK State POC, and to build their own product, integrating Linius technology into their current offering, in order to offer a hyper-personalized experience to students, administrators, and alumni at US higher-education institutions. The Company intends to sign additional education-market resellers around the world.

### **3. Linius Video Services (LVS)**

The Company has made significant investment in building and launching LVS. LVS is a self service platform allowing clients to deliver their own solutions with no involvement by Linius personnel. It is the technical core of the business. It is fully functional and following the successful beta release in the quarter will now be mass marketed commencing in February 2019. All direct sales and partner sales are being delivered on LVS.

LVS is a mechanism to quickly make virtual video available to the huge global addressable market. The company will continue to work with partners to introduce new capabilities onto LVS.

Some highlights:

#### Successful beta launch in the quarter

The beta launch to targeted developer communities in the quarter proved a success. LVS now has clients. The mass market commercial launch is now being executed.

#### World's First Video Blockchain to be made available on LVS

During the quarter the Company began execution of its previously announced blockchain strategy. The Company continues to believe that virtual video remains the only mechanism by which blockchain can be used to fulfil its purpose of protecting ownership rights of video as a digital asset. The company is now engaging with several organisations as commercial pilot partners.

The Company expects to see partners and clients open up the myriad of use cases for virtual video to the world.

## Appendix 4C Quarterly Report and Statement of Cash Flows

The ASX Appendix 4C Quarterly Report for December 2018 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period to 31 December 2018 as well as the 6-month year to date period, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities.

Net operating cash outflows for the quarter were \$3.01m. This reflects an increase in quarterly spend with a number of one-off expenses in respect of the delivery of the Warner Bros. POC and recruitment costs, which are non-recurring. Management continues to direct funds to the business activities most relevant to the achievement of the Company's business goals. The cash balance at 31 December 2018 was \$5.2 million.

The Company has on issue 61,500,000 options exercisable at 5 cents and expiring on 31 March 2019 held predominantly by management (potential proceeds from exercise are \$3.075m). A further 63,760,000 options exercisable at 7.5 cents expire on 30 May 2019 (potential proceeds from exercise are \$4.78m). At this stage, the Company has a reasonable expectation given progress to-date and anticipated progress in its ongoing business activities that proceeds from their exercise will be added to and boost the current cash position.

### Commercial Advisory Board

In December, the Company announced the formation of a Commercial Advisory Board. The Advisory Board's mission is to refine and maintain Linus' aggressive growth strategy, in order to accelerate the Company's commercialization. Linus Advisory Board members are retained on minimal fees and performance-based compensation. Current members have excellent credentials and connections across a variety of industries important to the Company's commercial strategy:

 David Pann	David Pann is the General Manager responsible for Microsoft's Global Search Advertising Network. David has his team develop the Bing Network strategy, all forms of marketing and network monetization.
 David Butorac	David Butorac has worked in senior management and executive roles for some of the world's leading media companies. His experience includes Head of Operations for Sky UK, CEO of multi-channel pay TV platform OSN (the MENA region's premier pay TV platform), and many others.
 Simon Gallagher	Simon Gallagher is a media rights and corporate strategy executive with 20-years' experience including Director of Content Acquisition at Netflix, Director of Strategy and Business Development for Hulu, and Vice President at IMG.
 Camilla Dahlin-Andersson (Ph.D)	A former Swedish parliamentarian, Camilla Dahlin-Andersson is the Co-Founder and Chairperson of award-winning social impact news platform, Newstag.

**About Linius Technologies Limited:**

Linus Technologies Limited (ASX:LNU) has invented and patented the **Video Virtualization Engine™ (VVE)**, which is available on Amazon Web Services, Microsoft Azure and IBM Cloud.

Amazon, Microsoft and IBM are investing billions in virtualizing video services (technologies) and artificial intelligence in the cloud. It is arguably the biggest battle on the internet, given that video accounts for nearly 80 percent of internet traffic.

Only Linus can expose the data that makes up the video file, making cumbersome video as flexible as all other forms of data. Accessing the data within the video file is the missing link for video cloud service providers, creating unparalleled value across the internet video industry.

Linus has the potential to transform many multi-billion dollar markets, and is initially focused on:

- **Anti-Piracy:** Applying proven data protection methods to video to solve piracy
- **Search:** Search within videos and compile new videos on the fly
- **Security and Defense:** Intelligent search and immediate distribution of security footage
- **Personalized Advertising:** Hyper personalized to individuals, timeslots and content

**For more information please contact:**

Chris Richardson, Chief Executive Officer

**Linus Technologies Limited**

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## 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**

Linius Technologies Limited

**ABN**

84 149 796 332

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

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,096)	(2,003)
(b) operating costs	(404)	(774)
(c) advertising and marketing	(155)	(319)
(d) leased assets	-	-
(e) staff and consultant costs	(886)	(1,562)
- recruitment fees	(136)	(353)
(f) administration, travel and corporate costs	(295)	(498)
1.3 Dividends received (see note 3)		
1.4 Interest received	18	72
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	-
1.8 Other – legal & patent costs	(59)	(112)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,013)</b>	<b>(5,548)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)		
(c) investments		

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

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>		

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	8,231	10,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,013)	(5,548)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,218</b>	<b>5,218</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	523	465
5.2	Call deposits	1,083	2,165
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	3,612	5,601
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,218</b>	<b>8,231</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
142
-

Amounts in item 6.1 relate to remuneration of directors.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (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.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	1,085
9.2 Operating costs	340
9.3 Advertising and marketing	200
9.4 Leased assets	-
9.5 Staff and consultant costs	710
Recruitment fees	140
9.6 Administration, travel and corporate costs	230
9.7 Other – legal & patent costs	45
<b>9.8 Total estimated cash outflows</b>	<b>2,750</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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:



(Company secretary)

Date: 31 January 2018

Print name: Stephen Kerr

### **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.