

# **Netlinkz Limited**

**ABN 55 141 509 426**

## **Annual Financial Statements**

**30 June 2019**

**Netlinkz Limited**  
**Corporate directory**  
**30 June 2019**

Directors	James Tsiolis – CEO, Executive Chairman David O’Dowd – Non-Executive Director Hualin Zhang – Non-Executive Director
Company secretary	Robert Lees
Registered office	Level 40, 161 Castlereagh Street Sydney NSW 2000
Principal place of business	Suite 11 and 12 48 – 50 Stanley Street Darlinghurst NSW 2010
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	<a href="http://www.netlinkz.com">www.netlinkz.com</a>

## **Netlinkz Limited Directors' report 30 June 2019**

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 2019.

### **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 (appointed on 11 November 2015)  
David O'Dowd (appointed on 15 November 2017)  
Hualin Zhang (appointed on 28 February 2019)  
Xiaowen Shi (appointed on 3 July 2018 & resigned 28 February 2019)  
Peter Apostolopoulos (appointed on 27 December 2017 & resigned 31 July 2018)

### **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 \$18,509,290 (Prior year loss: 30 June 2018 \$14,801,454).

The loss included financing and restructuring costs of \$1,388,738.

The loss includes costs associated with (a) business development, marketing, and travel costs of \$3,883,988 (b) administration, office, and corporate costs of \$1,764,537; and (c) development and commercialization costs of \$513,565.

### **Dividends**

No dividends have been declared for the year ended 30 June 2019 or for the previous corresponding period.

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**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 \$16,864,403 less capital raising costs of \$93,179 as a result of issue of shares. Details of the changes in contributed equity are disclosed in note 13 to the financial statements.

Netlinkz announces that it has signed a 3-year capital commitment agreement with GEM Global yield fund LLC SCS, a New York based private alternative investment group, which has agreed to provide the company with up to AUD \$29 million through a share issuance funding facility over the next 3 years. The Company may use the Facility to draw down funds in tranches in exchange for issuing new shares to GEM over the next 3 years (subject to terms). Should the Company decide to utilise the Facility, a draw-down notice will be issued to GEM, specifying the number of shares to be drawn under the Facility. As part of the transaction Netlinkz will issue 86,000,000 unlisted options at an exercise price of \$0.037 with an expiry date of 31 January 2022. 83,800,000 options were issued on 31 January 2019, the remaining 2,200,000 options will be issued from the Company placement capacity.

First Drawdown notice saw Netlinkz receive funding of \$1,603,760 in May 2019 (net of commitment fee) and a further significant funding drawdown of \$1,287,000 in June 2019 which should fund all activities of the Company for next 6 months

Netlinkz has not drawn on the QMAC Facility this financial year. It should be noted that there will be no further drawdowns from the QMAC facility. The Current drawdown amount of USD \$975,000 was repaid through issue of options with a NIL strike price and any Charge associated to be extinguished.

Options exercised has provided \$2,044,385 of additional capital which will be used to accelerate the Go To Market Strategy with iSoftStone

Share price & trading volume improvement has increased value of GEM Facility.

Netlinkz has entered into a funding agreement with COJIM Pty Ltd and OSCF Pty Ltd to borrow AUD\$5m to fund a commercial transaction, which has not completed as at date of this report. This funding facility will be repaid via shares.

Reef investments has converted the debt, establishment fees and interest on the loan outstanding into shares. Shares were issued to the value of USD \$500,000.00 plus fees and interest being a total of AUD \$930,000.

Gillis Delaney Lawyers were issued shares in lieu of fees of \$180,000 owing for 9 months work to 31st March 2019 pursuant to a General retainer.

# Netlinkz Limited

## Directors' report

### 30 June 2019

#### Matters subsequent to the end of the financial year

As per Appendix 3B released on 01 July 2019 3,000,000 options were exercised at \$0.037 with a value of \$111,000.

As per Appendix 3B released on 08 July 2019 1,286,013 options were exercised at \$0.010 with a value of \$12,860.

As per Appendix 3B released on 10 July 2019 1,000,000 options were exercised at \$0.010 with a value of \$10,000.

As per Appendix 3B released on 10 July 2019 1,267,379 options were exercised at \$0.187 with a value of \$237,000.

On 11 July 2019 the company signed a memorandum of understanding with iSoftStone to establish a joint venture company based in Beijing, China to commercialise the IP that is being developed in IOT lab.

As per Appendix 3B released on 17 July 2019 604,278 options were exercised at \$0.187 with a value of \$113,000.

As per Appendix 3B released on 17 July 2019 500,000 options were exercised at \$0.010 with a value of \$5,000.

As per Appendix 3B released on 18 July 2019 2,500,000 options were exercised at \$0.010 with a value of \$25,000.

As per Appendix 3B released on 18 July 2019 1,250,000 options were exercised at \$0.090 with a value of \$112,500.

As per Appendix 3B released on 29 July 2019 500,000 options were exercised at \$0.010 with a value of \$5,000.

As per Appendix 3B released on 29 July 2019 7,500,000 options were exercised at \$0.045 with a value of \$337,500.

As per Appendix 3B released on 30 July 2019 6,000,000 options were exercised at \$0.037 with a value of \$222,000.

As per Appendix 3B released on 2 August 2019 2,190,438 options were exercised at \$0.010 with a value of \$21,904.

As per Appendix 3B released on 2 August 2019 10,000,000 options were exercised at \$0.020 with a value of \$200,000.

As per Appendix 3B released on 7 August 2019 12,000,000 options were exercised at \$0.037 with a value of \$444,000.

As per Appendix 3B released on 16 August 2019 1,500,000 options were exercised at \$0.120 with a value of \$180,000.

As per Appendix 3B released on 20 August 2019 5,625,000 options were exercised at \$0.020 with a value of \$112,500.

Other than the above there have been no other material events subsequent to the year ended 30 June 2019.

#### 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

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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: 58,933,038 ordinary shares  
 20,000,000 Options exercise price \$0.045 Expiring 1 Aug 2020, vested 30 Nov 2016  
 2,500,000 Options exercise price \$0.06 Expiring 1 Aug 2020, vested 1 Aug 2017  
 2,500,000 Options exercise price \$0.12 Expiring 1 Aug 2020, vested 1 Aug 2018  
 5,000,000 Options exercise price \$0.30 Expiring 1 Aug 2020, vested 1 Aug 2019  
 5,625,000 Options exercise price \$0.02 Expiring 2 July 2021 vested 2 July 2018  
 2,250,000 Options exercise price \$0.045 Expiring 2 July 2021, vested 2 July 2018  
 2,250,000 Options exercise price \$0.09 Expiring 2 July 2021, vested 2 July 2018  
 1,500,000 Options exercise price \$0.15 Expiring 2 July 2021, vested 2 July 2018

Name: Hualin Zhang  
 Title: Non-Executive Director  
 Appointed: 28 February 2019  
 Experience and expertise: Mr Zhang has over 30 years extensive experience in the Telecom and Technology sectors in China and was most recently appointed the Senior President of China Telecom Co. Wuxi. He has also held various roles throughout his career providing him with significant experience in introducing new technologies into the China market.

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

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, vested 2 July 2018

Name: Xiaowen Shi  
 Title: Non-Executive Director  
 Appointed: 3 July 2018  
 Resigned: 28 February 2019  
 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

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Name:	Peter Apostolopoulos
Title:	Non-Executive Director
Appointed:	27 December 2017
Resigned:	31 July 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:	35,850,228 ordinary shares 10,000,000 Options exercise price \$0.02 Expiring 2 July 2021, vested 2 July 2018 6,000,000 Options exercise price \$0.02 Expiring 2 July 2021, vested 2 July 2018

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 Lees has over 35 years experience in the accounting profession and 21 years as a Company Secretary of ASX and NSX listed Companies. Mr Lees is Chartered accountant, a Fellow member of Governance Institute of Australia & Institute of Chartered Secretaries and Administrators

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
James Tsiolis	8	8
David O'Dowd	8	8
Xiaowen Shi	3	8
Peter Apostolopoulos	-	-
Hualin Zhang	-	-

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 2019 which were signed by all 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.

## **Netlinkz Limited Directors' report 30 June 2019**

### ***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 2018 Annual General Meeting ('AGM')***

At the 2018 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. 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 (appointed on 11<sup>th</sup> November 2015)
- David O'Dowd Non-Executive Director (appointed on 15<sup>th</sup> November 2017)
- Hualin Zhang Non-Executive Director (appointed on 28<sup>th</sup> February 2019)
- Xiaowen Shi Non-Executive Director (appointed on 3<sup>rd</sup> July 2018 & resigned 28<sup>th</sup> February 2019)
- Peter Apostolopoulos Non-Executive Director (appointed on 27 December 2017 & resigned 31 July 2018)
- James Preketes Chief Operating Officer – (appointed 3<sup>rd</sup> June 2019)
- James Johnston Chief Technology Officer – (appointed 1 January 2019)

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.



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	Post-employment	Long-term	Equity settled share-based		Options	Total	Performance Related
	Salary and fees	benefits Super-annuation	Annual Leave	payments Shares			
2019	\$	\$	\$	\$	\$	\$	%
<i>Non-Executive Directors:</i>							
David O'Dowd <sup>1</sup>	120,000	-	-	-	-	120,000	0%
Xiaowen Shi <sup>2</sup>	60,000	-	-	-	82,763 <sup>9</sup>	142,763	0%
Peter Apostolopoulos <sup>3</sup>	30,493	-	-	-	-	30,493	
Hualin Zhang <sup>4</sup>	50,000	-	-	16,044 <sup>8</sup>	-	66,044	0%
<i>Executive Directors:</i>							
James Tsiolis <sup>5</sup>	360,000	28,500	-	-	-	388,500	0%
<i>Other Executive KMP:</i>							
James Preketes <sup>6</sup>	22,831	2,169	1,563	-	27,740 <sup>10</sup>	54,303	51%
James Johnston <sup>7</sup>	138,000	13,110	5,191	30,000	-	186,301	16.1%
	781,324	43,779	6,754	46,044	110,503	988,404	5.8%

- 1 Represents remuneration from 1 July 2018 to 30 June 2019. The fees included an accrual of additional \$30,000 for Mr O'Dowd's role as the Chairman of the Audit and Risk committee on top of his normal director's fee of \$90,000 per annum. The total amount of salary and fees outstanding and agreed to be settled by shares between the parties.
- 2 Represents remuneration from 3 July 2018 to 28 February 2019. The fees included an accrual of \$45,000 to be settled in shares at a later date.
- 3 Represents remuneration from 1 July 2018 to 31 July 2018.
- 4 Represents remuneration from 28 February 2019 to 30 June 2019.
- 5 Represents remuneration from 1 July 2018 to 30 June 2019.
- 6 Represents remuneration from 3 June 2019 to 30 June 2019 as Chief Operating Officer.
- 7 Represents remuneration from 1 January 2019 to 30 June 2019 as Chief Technology Officer.
- 8 Amount relates to accrued shares as at balance date in line with Mr Zhang's remuneration package.
- 9 Amount relates to accrued options up until the date of Ms Shi's resignation as director on 28 February 2019 in line with her remuneration package. The options have not been issued
- 10 Amount relates to accrued options in line with his remuneration package. The options have not been issued.

	Cash salary	Post-employment	Long-term	Equity settled share-based		Total	Performance related
	and fees	Super-annuation	benefits Annual Leave	Shares	Options		
2018	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
David O'Dowd <sup>1</sup>	22,500	-	-	67,500 <sup>8</sup>	263,158	353,158	0%
Xiaowen Shi <sup>2</sup>	-	-	-	-	-	-	0%
Peter Apostolopoulos <sup>3</sup>	22,500	-	-	486,000 <sup>9</sup>	421,052	929,552	0%
Robert Turner <sup>4</sup>	82,500	-	-	-	657,894 <sup>12</sup>	740,039 <sup>4</sup>	0%
John Galt <sup>5</sup>	48,750	-	-	57,000 <sup>12</sup>	-	105,750	0%
Darren Patterson <sup>6</sup>	24,750	-	-	-	-	24,750	0%
	-	-	-	-	-	-	
<i>Executive Directors:</i>							
James Tsiolis <sup>7</sup>	75,000	7,125	-	1,665,000 <sup>10</sup>	148,026	1,895,151	0%
Timothy Gooch <sup>11</sup>	-	-	-	-	-	-	0%
	276,000	7,125	-	2,275,500	1,490,130	4,048,755	0%

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- 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 Options & Shares agreed to be issued to Robert Turner & John Galt - 6 months after resignation as part of directors agreement.

### **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 \$360,000 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 entitled to a director's fee of \$90,000 per annum, \$30,000 for Chairman of the Audit and Risk committee and 10 million of options exercisable at 2 cents each upon his appointment.

Name: Xiaowen Shi  
Details: As a Non-Executive Director, Ms Xiaowen Shi is entitled to a director's fee of \$90,000 per annum and a pro-rata of 10 million of options exercisable at 2 cents each for continued directorship for 2 years. She has since resigned on 28 February 2019.

Name: Peter Apostolopoulos  
Details: As a Non-Executive Director, Mr Peter Apostolopoulos is entitled \$90,000 per annum for directors fees and 10 million of options exercisable at 2 cents each upon his appointment. He has since resigned on 31 July 2018.

Name: Hualin Zhang  
Details: As a Non-Executive Director, Mr Zhang is entitled to a director's fee of \$150,000 per annum and a pro-rata of 4 million shares for continued directorship for 2 years. He was appointed on 28 February 2019.

### *Other Key Management Personnel*

Remuneration of Other Key management Personnel are included under an executive service agreement.

Name: James Preketes  
Details: As a Chief Operating Officer, Mr James Preketes is paid a salary of \$300,000 per annum inclusive of statutory superannuation and is entitled to shares in the company up to value of \$700,000 based on KPIs.

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Name: James Johnston  
Details: As a Chief Technology Officer, Mr James Johnston is paid a salary of \$276,000 per annum excluding statutory superannuation plus an annual incentive amount equivalent to 100% of Annual base salary paid subject to performance and Board's discretion.

**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>
<i>Ordinary shares</i>					
James Tsiolis	56,377,025	-	1,270,000	-	57,647,025
David O'Dowd	9,048,845	-	-	-	9,048,845
Xiaowen Shi	-	-	-	-	-
Peter Apostolopoulos	27,785,712	-	8,064,516	-	35,850,228
Hualin Zhang	-	-	-	-	-
James Preketes	-	-	505,739	-	505,739
James Johnston	-	1,000,000	178,264	-	1,178,264
	<u>93,211,582</u>	<u>1,000,000</u>	<u>10,018,519</u>	<u>-</u>	<u>104,230,101</u>

	<i>Balance at the start of the year</i>	<i>Received as part of remuneration</i>	<i>Additions</i>	<i>Lapsed/ Exercised</i>	<i>Balance at the end of the year</i>
<i>Options</i>					
James Tsiolis	42,911,013	-	-	-	42,911,013
David O'Dowd	10,000,000	-	-	-	10,000,000
Xiaowen Shi	-	-	-	-	-
Peter Apostolopoulos	16,000,000	-	-	-	16,000,000
Hualin Zhang	-	-	-	-	-
James Preketes	-	-	-	-	-
James Johnston	-	-	-	-	-
	<u>68,911,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,911,013*</u>

*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.

\* All the above options are vested and exercisable

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*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 terms and conditions of the transactions with directors and their director related entities were no more favourable to the directors and their director related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

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

*Reimbursements*

During the year, reimbursements of \$250,000 (FY18: Nil) was made to Mr James Tsiolis for travel and accommodation, expenses for the prior financial years incurred by Mr. Tsiolis on his personal credit card on behalf of the Company. There was no payment to Mr. Tsiolis for the use of his credit card and Mr. Tsiolis received no benefit from the use of his credit card or the reimbursement.

*Corporate advisory fees, and capital raising:*

During the year, Strategic Capital Management Ltd was paid \$447,764 for share lending facility fee and \$131,240 for interest expenses on loans made to the Company (of which Mr James Tsiolis is a Director).

*Consulting services*

During the year, the following consulting services was provided to the Company:

1. Ms Xiaowen Shi provided consulting service and paid \$11,000 before being appointed as a director;
2. Mr James Johnston provided consulting service and paid \$138,250 before being appointed as Chief Technology Officer; and
3. The Company issued 8,064,516 of shares at \$0.0310 per share to Peter Apostolopoulos for debt settlement relating to consulting fee.

*Payable to related parties*

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

Current payables:

	<b>2019</b>	<b>2018</b>
	\$	\$
Strategic Capital Management Ltd (director-related entity of James Tsiolis)	75,253	313,744

***This concludes the remuneration report, which has been audited.***

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**Shares under option**

At the date of this report, these are unissued shares under option outstanding:

<b>Grant date</b>	<b>Issue date</b>	<b>No. of shares under options</b>	<b>Exercise price</b>	<b>Expiry date</b>
04/11/2015	04/11/2015	267,379	\$0.187	03/11/2020
30/12/2016	30/12/2016	33,500,000	\$0.045	01/08/2020
30/12/2016	30/12/2016	5,000,000	\$0.06	01/08/2020
30/12/2016	30/12/2016	5,000,000	\$0.12	01/08/2020
09/02/2017	09/02/2017	10,000,000	\$0.30	01/08/2020
13/02/2017	13/02/2017	188,890	\$0.045	31/01/2020
13/02/2017	13/02/2017	5,000,000	\$0.30	31/01/2020
09/02/2017	09/02/2017	3,300,000	\$0.12	01/01/2021
09/02/2017	09/02/2017	3,300,000	\$0.06	01/01/2021
09/02/2017	09/02/2017	3,400,000	\$0.24	01/01/2021
09/02/2017	09/02/2017	2,000,000	\$0.06	01/10/2021
09/02/2017	09/02/2017	2,000,000	\$0.12	01/10/2021
09/02/2017	09/02/2017	2,000,000	\$0.24	01/10/2021
09/02/2017	09/02/2017	2,000,000	\$0.36	01/10/2021
06/06/2018	02/07/2018	26,000,000	\$0.020	02/07/2021
06/06/2018	02/07/2018	40,000,000	\$0.010	02/07/2020
06/06/2018	02/07/2018	2,250,000	\$0.045	02/07/2021
06/06/2018	02/07/2018	6,250,000	\$0.090	02/07/2021
06/06/2018	02/07/2018	5,000,000	\$0.150	02/07/2021
21/12/2019	21/12/2019	25,000,000	\$0.020	21/12/2021
31/01/2019	31/01/2019	62,800,000	\$0.0370	31/01/2022
Total		<u>244,256,269</u>		

**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 ensure 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.

**Netlinkz Limited  
Directors' report  
30 June 2019**

**Auditor**

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

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



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James Tsiolis  
Director

29 August 2019

## 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 2019, 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, 29 August 2019

**Netlinkz Limited**  
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**30 June 2019**

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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 30 August 2019. 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 2019**



	<b>Note</b>	<b>Consolidated</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	555,500	96,360
Other Income	4	1,109,936	64,270
<b>Expenses</b>			
Business Development, Marketing, Travel and Accommodation Expenses		(3,883,988)	(2,443,751)
Admin, Office and Corporate Expenses		(1,564,355)	(2,996,942)
Development & Commercialisation Expenses		(513,565)	(223,028)
Finance & restructuring costs	5(a)	(1,388,738)	(1,712,424)
Employees share based expenses (shares and options)	5(b)	(1,563,028)	(3,781,766)
Other Share based expenses (shares and options)	5(c)	(4,566,677)	-
Net Fair Value loss on Debt Settlement	5(d)	(6,489,065)	(4,148,926)
Gain on disposal of subsidiary		-	344,753
Foreign Exchange Movements		(205,311)	-
	5(e)	<u>(20,174,725)</u>	<u>(14,962,084)</u>
(Loss) before income tax expense		(18,509,290)	(14,801,454)
Income tax expense	6	-	-
<b>(Loss) after income tax expense for the year</b>		(18,509,290)	(14,801,454)
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	172,368
Other comprehensive income (loss) for the year, net of tax		-	172,368
<b>Total comprehensive loss for the year</b>		<u>(18,509,290)</u>	<u>(14,629,086)</u>
(Loss) attributable to members of the parent entity		(18,509,290)	(14,801,454)
Total comprehensive loss attributable to members of the parent entity		(18,509,290)	(14,629,086)
		<b>\$</b>	<b>\$</b>
<b>(Loss) per share from continuing operations</b>			
Basic earnings/(loss) per share	22	(0.013)	(0.020)
Diluted earnings per/(loss) share	22	(0.013)	(0.020)

*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 2019**



	Note	Consolidated 2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	2,399,243	46,431
Trade and other receivables	8	1,341,127	234,410
Other receivable	8	2,587,000	-
Total current assets		<u>6,327,370</u>	<u>280,841</u>
<b>Non-current assets</b>			
Property, plant and equipment		-	555
Total non-current assets		<u>-</u>	<u>555</u>
<b>Total assets</b>		<u>6,327,370</u>	<u>281,396</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,892,220	3,119,480
Employee benefits	10	-	41,342
Borrowings	11	7,021,106	382,966
Other current liabilities	12	2,798,750	1,221,144
Total current liabilities		<u>11,712,076</u>	<u>4,764,932</u>
<b>Non-current liabilities</b>			
Borrowings	11	-	2,068,467
Total non-current liabilities		<u>-</u>	<u>2,068,467</u>
<b>Total liabilities</b>		<u>11,712,076</u>	<u>6,833,399</u>
<b>Net liabilities</b>		<u>(5,384,706)</u>	<u>(6,552,003)</u>
<b>Equity</b>			
Issued capital	13	51,233,366	34,462,142
Reserves	14	7,762,063	4,856,700
Accumulated losses	15	(64,380,135)	(45,870,845)
<b>Total equity / (deficiency)</b>		<u>(5,384,706)</u>	<u>(6,552,103)</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 2019**

Note

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total Equity/ (Deficiency) \$</b>
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:***

Share 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)

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	34,462,142	4,856,700	(45,870,845)	(6,552,003)
Loss for the year	-	-	(18,509,290)	(18,509,290)
Total comprehensive loss for the year	-	-	(18,509,290)	(18,509,290)

***Transactions with owners in their  
capacity as owners:***

Share issue	16,864,403	-	-	16,864,403
Options issued	-	2,166,226	-	2,193,965
Share based payment	-	739,137	-	711,398
Capital raising costs	(93,179)	-	-	(93,179)
Balance at 30 June 2019	<u>51,233,366</u>	<u>7,762,063</u>	<u>(64,380,135)</u>	<u>(5,384,706)</u>

*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 2019**

	Note	Consolidated 2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		357,669	280,538
Payments to suppliers and employees		(7,413,166)	(5,093,016)
		<u>(7,055,497)</u>	<u>(4,812,478)</u>
Grants received		1,082,039	141,868
Interest received		2,087	1,744
Interest and other finance costs paid		(955,180)	(33,371)
		<u>(955,180)</u>	<u>(33,371)</u>
Net cash (used in) operating activities	21	<u>(6,926,551)</u>	<u>(4,702,237)</u>
<b>Cash flows from investing activities</b>			
Payment in advance for acquisition of an investment		(2,587,000)	-
Transfer (to)/from fixed deposit		(750,000)	-
		<u>(750,000)</u>	<u>-</u>
Net cash (used in) investing activities		<u>(3,337,000)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,155,739	3,330,696
Share issue transaction costs		(54,732)	(361,179)
Receipts of loans		6,592,936	1,871,659
Payment of loans		(77,580)	(8,411)
Director Loan repaid		-	(118,000)
		<u>-</u>	<u>(118,000)</u>
Net cash from financing activities		<u>12,616,363</u>	<u>4,714,765</u>
Net increase in cash and cash equivalents		2,352,812	12,528
Cash and cash equivalents at the beginning of the financial year		46,431	33,903
		<u>46,431</u>	<u>33,903</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>2,399,243</u></u>	<u><u>46,431</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 2019

#### 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. However, accounting policies have been revised as a result of adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial instruments* – refer to below.

##### 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 \$18,509,290 had net cash outflows from operating activities of \$6,926,551 and working capital deficiency of \$5,384,706. 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:

- On 1 February 2019 Netlinkz announced a 3-year capital commitment agreement with GEM Global Yield Fund LLC SCS (**GEM or GEM Facility**), a New York based private alternative investment group, which will provide the company with up to AUD \$29 million through a share issuance funding facility over the next 3 years;
- The first Drawdown notice on the GEM Facility saw Netlinkz receive funding of \$2,183,760 in May 2019 and a further drawdown in June 2019 of \$1,287,000 which should fund all activities of the Company for next 6 months;
- The balance of the GEM Facility available to Netlinkz for the Company's working capital requirements for the next 12 months is \$25,529,240;

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**

- In May 2019 Netlinkz received AUD\$2,500,000 under a funding agreement with Coleil Pty Limited plus a further AUD\$2,500,000 in June 2019 for working capital. Netlinkz has recently entered into a further agreement whereby this funding facility will be repaid via shares;
- The Board continued 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. These include: QMAC Facility of USD\$975,000, Reef Investments of AUD\$930,000 and other creditors;
- Share price & trading volume improvement has not only increased the value of the GEM Facility but also seen many of the unlisted options exercised by investors which has provided additional capital which will be used to accelerate the Go To Market Strategy announced at the EGM on 18 April 2019;
- Netlinkz has entered into an agreement with iSoftStone who are providing engineering support to accelerate the preparation of Netlinkz's software for large-scale usage. iSoftStone is adapting the product for deployment as a secure hybrid cloud solution to be released in Nov 2019 and is currently designing the IoT and mega-networks version for worldwide market;
- With the benefit of the enhanced software resulting from iSoftstone's engineering support, Netlinkz expects revenue from its reseller activities into China will continue to increase. New agency agreements are being actively pursued by its Chinese reseller, including the recently announced agreement with Henan D Phone Trade Corporation Limited in Henan Province and the Strategic Co-operation Agreement with Sichuan Meixunda Communications Corporation;
- 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;
- 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; and
- 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 2019 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.

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**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.

**AASB 15 Revenue from Contracts with Customers**

The Group has adopted AASB 15 *Revenue from Contracts with Customers* with a date of initial application of 1 July 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below. There is no material adjustment as a result of adoption of AASB 15.

Under AASB 15, revenue is recognised when a customer obtains control of the services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

<b>Products and services</b>	<b>Nature, timing of satisfaction of performance obligations and significant payment terms</b>
Sales of licenses	The Group principally generate revenue from providing licensing service such as access to its virtual invisible network technology. The Group sells their licensing through resellers. The Group does not recognise revenue for any licensing arrangement with the resellers because control of the licensing has not transferred. The Group waits until the reseller sells the licensing to an end-customer to recognise revenue. The reseller is responsible for all subsequent updates and maintenance of the licence as part of the arrangement. End-customer paid a monthly fee to subscribe to the licence. The Group is entitled to a sales-based royalty over time for the sales of the licence by the reseller to the end-customer of 30% of the price paid by the end-customer to the reseller. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. This is usually when the cash is receipted from the reseller supported by a sale report.
Consulting services	The Group provides consulting services to its resellers from time to time. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised overtime because the customer receives and uses the benefits simultaneously. The customer is billed monthly based on the hours spent during that month.

*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.

**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.

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**

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.



### **AASB 9 Financial Instruments**

The Group has adopted AASB 9 Financial Instruments with a date of initial application of 1 July 2018. There is no material impact as a result of adoption of AASB 9.

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

As a result of the adoption of AASB 9, the impairment of financial assets using the expected credit loss model applies now to the Group's trade receivables. For trade receivables, the Group applies a simplified model of recognising lifetime expected credit loss as these items do not have a significant financing component.

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### *Classification and initial measurement of financial assets*

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

#### *Subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### *Financial assets at amortised cost*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

#### *Impairment of financial assets*

AASB 9's new forward looking impairment model applies to Group's financial assets at amortised cost.

#### *Trade and other receivables*

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

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**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
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**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.

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.

**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

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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.

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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 2019.

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 16 Leases	AASB 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.	The Group does not expect this standard to have a material impact.	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. Operating Segments**

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

**Note 3. 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.

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**Note 4: Revenue and Other Income**  
**Disaggregation of revenue\***

<b>Revenue</b>	<b>VIN Sales 2019 \$</b>	<b>Consulting revenue 2019 \$</b>	<b>Total \$</b>
<b>Primary Geographical markets</b>			
China	155,500	400,000	555,000
	<u>155,500</u>	<u>400,000</u>	<u>555,000</u>
<b>Timing of revenue Recognition</b>			
Products transferred at point in time	155,000	-	155,000
Products and Services Transferred over time	-	400,000	400,000
	<u>155,000</u>	<u>400,000</u>	<u>555,000</u>

\*The Group adopted cumulative effect method with the initial application on 1 July 2018 as such no comparative is presented.

**Other Income**

	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
Interest	2,086	4,425
Rent	25,811	55,529
Grants and R&D Income	<u>1,082,039</u>	<u>4,316</u>
	<u>1,109,936</u>	<u>64,270</u>

**Note 5. Expenses**

**(a) Finance & restructuring costs**

These are costs and facilitation fees incurred to secure financing and funding for the Group including the Gem Facility fee of \$580,000 and related party fee of \$447,764 (refer to note 18)

**(b) Employees share based expenses**

These are incentives or termination payments paid to directors and employees settled in shares or options (refer to note 13).

**(c) Other Share based expenses**

During the year, the Group issued 83,800,000 options with a fair value of \$1,464,441 to GEM for providing the funding facility (Refer to note 13) and agreed to issue 15,951,843 shares with a fair value of \$2,632,054 to settle claims brought against the Group (refer to 12(c)). The remaining amounts are shares issued for services to non-employees (refer to note 13).

**(d) Net fair value loss on debt settlements**

During the year, the Group settled outstanding debts, fees and claims using shares and options. Net fair value loss represents the difference between the fair value of instruments used for debt settlements and carrying amount of the debts, fees and claims (refer to note 11b and 13).

**(e) Included in expenses are also the following costs:**

	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
Legal and other costs	573,511	464,210
Advisor costs relating to funding and restructuring	950,937	846,415
Interest paid/payable	521,119	339,848
Reversal of employee benefit expense	(38,650)	(52,848)
Depreciation expense	24,385	1,078
Rental expense	254,353	211,192
Foreign exchange loss	205,311	82,989

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<b>Note 6. Income tax expense</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
Loss before income tax expense from continuing operations	(18,509,290)	(14,801,454)
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(5,090,054)	(4,070,400)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other income not assessable	-	(142,208)
Movement in Provision for Annual Leave	(38,650)	-
Non-Assessable Prior Year Research and Development Tax Incentive	-	462,651
Non-Deductible Entertainment	54,815	-
Non-Deductible Options expenses	1,685,668	1,326,269
Non-Deductible fair value loss on debt settlement	1,784,493	1,112,828
Tax losses not recognised	(1,603,728)	(1,310,860)
Deferred Tax Asset in respect to Tax Losses and other Temporary Differences not recognised	1,603,728	1,310,860
Income tax expense	<u>-</u>	<u>-</u>
Unused tax losses for which no deferred tax has been recognised – Income (Australian)	29,637,600	28,033,872
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)	<u>9,546,682</u>	<u>9,596,682</u>

The availability of the Australian tax losses are subject to the Company's ability to satisfy Australian Taxation Office's requirements for utilisation.

<b>Note 7. Current assets - cash and cash equivalents</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	2,399,243	46,431

<b>Note 8. Current assets - trade and other receivables</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	285,000	61,358
Security deposits	21,313	59,790
Prepayments	284,814	113,262
Fixed deposits	750,000	-
	<u>1,341,127</u>	<u>234,410</u>

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	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Other receivable	2,587,000	-

This other receivable relates to the consideration paid on 9 May 2019 as part of a commercial transaction which is yet to finalise. The terms of the transaction are commercially sensitive, the details will be released to the market on completion of the transaction. The payment was funded by way of a loan to the Group. The carrying amount of the receivable is considered a reasonable approximation of fair value of this financial asset which will be refunded if the transaction does not go through.

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Note 9. Current liabilities - trade and other payables</b>		
Trade payables and accruals	1,892,220	3,119,480

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Note 10. Current liabilities - Employee benefits</b>		
Employee benefits	-	41,342

*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.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Note 11. Borrowings</b>		
<b>Current</b>		
February 2016 debt facility at fair value	-	23,039
Related Party Loans	-	359,927
Borrowings <sup>a</sup>	7,021,106	-
	7,021,106	382,966
<b>Non-current</b>		
Borrowings <sup>b</sup>	-	2,068,467

- a) Amount of \$2,500,000 each owing to COJIM Pty Ltd and OCSF Pty Ltd respectively at interest free and no fixed maturity date. These loans were intended to be offset against subsequent new shares issued. Another loan of \$1,646,438 owing to Akuna Finance Pty Ltd at interest of 15% per annum with no fixed maturity date. The remaining loans are at between interest rate of 8% to 12% per annum with no fixed maturity date.
- b) Amount of \$1,414,223 owing is a 3-year debt facility provided by a related party QMAC Capital International Partners LP (QMAC) which is secured over the assets of the Company and its subsidiaries. The facility accrues interest at 8% and is payable on maturity being 23 August 2020. The remaining amount of \$654,244 owing is a 3 year debt facility provided by external party Reef Investment Pty Ltd (Reef) which is secured over the assets of the Company and its subsidiaries. The facility accrues interest at 8% and is payable on maturity being 3 April 2020. Both Loans have since been extinguished during the year. A fair value gain of \$908,580 and a fair value loss \$6,299,025 have been recognised for the settlement of loans with QMAC and Reef respectively- refer to note 5d.

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**Note 12. Current liabilities – other current liabilities**

	2019 \$	2018 \$
Options and shares to be issued to directors upon resignation <sup>a</sup>	105,750	714,894
Shares to be issued to Mr Chuan Yang <sup>b</sup>	-	330,000
Shares to be issued for debt settlement <sup>c</sup>	2,632,054	-
Options to be issued for financing costs	38,446	-
Directors fee payable	22,500	176,250
	<u>2,798,750</u>	<u>1,221,144</u>

- a) 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. The amounts represent unissued options and shares at reporting date. These shares and options were valued at grant date.
- b) 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.
- c) The Company has settled claims by agreeing to issue 15,951,843 shares on 26 June 2019. These shares have not been issued as at 30 June 2019 as it is subject to approval by shareholders. The amount of claim is re-measured at 30 June 2019 based on the Company's share price.

**Note 13. Equity - issued capital**

	2019 Shares	Consolidated 2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	<u>1,551,621,675</u>	<u>1,233,665,563</u>	<u>51,233,366</u>	<u>34,462,142</u>
Movements in ordinary share capital		#		\$
Opening balance	01 Jul 2017	848,225,547		24,140,363
Issue of shares – placement	05 Jul 2017	32,375,000		647,500
Issue of shares – placement	30 Nov 2017	25,000,000		500,000
Issue of shares – placement	15 Dec 2017	43,500,000		870,000
Issue of shares – placement	21 Dec 2017	5,000,000		100,000
Issue of shares – placement	12 Jan 2018	2,129,240		42,585
Issue of shares – placement	12 Jan 2018	8,327,372		179,871
Issue of shares – placement	7 Mar 2018	49,536,995		990,740
Shares to be issued	2 July 2018	219,571,409		7,904,571
Capital raising costs				(913,488)
Closing balance	30 Jun 2018	<u>1,233,665,563</u>		<u>34,462,142</u>
Opening balance	01 Jul 2018	1,233,665,563		34,462,142
Issue of shares – placement (i)	16 Jul 2018	26,168,302		811,217
Issue of shares – exercise of options (ii)		52,746,806		527,468
Issue of shares – exercise of options (iii)		14,561,110		655,250
Issue of shares for debt settlement (iv)	23 Jul 2018	19,210,078		691,563
Issue of shares for service (v)	23 Jul 2018	10,000,000		330,000
Issue of shares – placement (vi)	6 Aug 2018	22,291,729		691,044
Issue of shares for debt settlement (vii)	7 Aug 2018	8,064,516		282,258
Issue of shares for service (viii)	20 Aug 2018	15,000,000		570,000
Issue of shares for service (ix)	08 Jan 2019	1,000,000		30,000
Issue of shares for service (x)	18 Apr 2019	7,200,000		792,000
Issue of shares for debt settlement (xi)	18 Apr 2019	66,428,571		7,307,143
Issue of shares (xii)	04 Jun 2019	27,000,000		2,183,760
Issue of shares (xiii)	28 Jun 2019	13,000,000		1,287,000
Issue of shares – exercise of options (xiv)	28 June 2019	35,285,000		705,700
Capital raising costs				(93,179)
Closing balance	30 Jun 2019	<u>1,551,621,675</u>		<u>51,233,366</u>



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- i. On 16 July 2018 pursuant to a placement the company issued 26,168,302 shares at \$0.0310 per share.
- ii. During the year, the following options were exercised at \$0.0100

	#		\$
18 July 2018	3,154,746	\$	0.0100
23 July 2018	1,250,000	\$	0.0100
6 August 2018	1,949,231	\$	0.0100
10 August 2018	12,500,000	\$	0.0100
20 August 2018	7,375,000	\$	0.0100
27 August 2018	2,466,923	\$	0.0100
29 August 2018	1,475,906	\$	0.0100
31 August 2018	4,550,000	\$	0.0100
7 September 2018	2,000,000	\$	0.0100
14 September 2018	225,000	\$	0.0100
20 September 2018	350,000	\$	0.0100
8 October 2018	450,000	\$	0.0100
22 October 2018	250,000	\$	0.0100
31 October 2018	750,000	\$	0.0100
7 November 2018	2,000,000	\$	0.0100
12 November 2018	450,000	\$	0.0100
11 December 2018	725,000	\$	0.0100
4 February 2019	325,000	\$	0.0100
19 February 2019	975,000	\$	0.0100
20 February 2019	1,000,000	\$	0.0100
1 March 2019	150,000	\$	0.0100
18 March 2019	500,000	\$	0.0100
2 April 2019	2,375,000	\$	0.0100
16 April 2019	5,250,000	\$	0.0100
6 May 2019	250,000	\$	0.0100
	<u>52,746,806</u>		<u>527,468</u>

- iii. During the year, the following options were exercised at \$0.0450

	#		\$
11 April 2019	2,000,000	\$	0.0450
16 April 2019	2,000,000	\$	0.0450
30 April 2019	2,000,000	\$	0.0450
30 April 2019	1,250,000	\$	0.0450
17 May 2019	2,000,000	\$	0.0450
27 June 2019	5,311,110	\$	0.0450
	<u>14,561,110</u>		<u>655,250</u>

- iv. On 23 July 2018 the company issued 19,210,078 shares to Tim Gooch pursuant to debt settlement. A fair value loss of \$191,562 was recognised as part of the settlement – refer to note 5d.
- v. On 23 July 2018 the company issued 10,000,000 shares to Mr Yang pursuant to services agreement.
- vi. On 06 August 2018 pursuant to a placement the company issued 22,291,729 shares.
- vii. On 07 August 2018 the company issued 8,064,516 shares to Peter Apostolopoulos pursuant to debt settlement. A fair value loss of \$32,258 was recognised as part of the settlement –refer to note 5d.
- viii. On 20 August 2018 the company issued 15,000,000 shares to Systemic Management pursuant to service agreement. A fair value loss of \$270,000 was recognised as part of the settlement– refer to note 5d.
- ix. On 08 January 2019 the company issued 1,000,000 shares to James Johnston pursuant to employment agreement based on KPI.

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- x. On 18 April 2019 the company issued 7,200,000 shares to Gillis Delaney Lawyers pursuant to Extraordinary General Meeting for debt settlement. A fair value loss of \$604,800 as part of the settlement – refer to note 5d.
- xi. On 18 April 2019 the company issued 66,428,571 shares to Reef Investments pursuant to Debt settlement. A fair value loss of \$6,299,025 as part of the settlement – refer to note 5d and note 11b.
- xii. On 04 June 2019 the company issued 27,000,000 shares pursuant to GEM facility funding agreement.
- xiii. On 28 June 2019 the company issued 13,000,000 shares share pursuant to GEM facility funding agreement.
- xiv. On 28 June 2019 QMAC exercised its options to acquire 35,285,000 shares for NIL dollar pursuant to debt settlement. A fair value gain of \$908,580 as part of the settlement – refer to note 5d and note 11b.

*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.

The Company can draw down on GEM share facility up to \$29 million by issuing shares of the Company to GEM. Amount of shares subscribed at each capital call cannot exceed 700% of average daily number of share in the last 15 days trading volume with only one capital call can be made in these 15 trading days.

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Options	Consolidated	
	2019 Options	2018 Options
Options	<u>301,979,377</u>	<u>305,772,293</u>

**Unissued ordinary share under option:**

Details	Grant date	No of Options	Average Exercise price
Opening balance	1-July-2017	119,907,857	
Option issued to QMAC lender Trust	28-August-2017	35,285,000	\$0.02
Expiry date of 2 July 2020	6-June 2018	100,723,257	\$0.01
Expiry date of 2 July 2021	6-June 2018	61,625,000	\$0.04
Options lapsed		<u>(11,768,821)</u>	
	01-July-2018	305,772,293	-
Expiry date of 21 December 2021	21-December-2018	25,000,000	\$0.020
Expiry date of 31 January 2022	31-January-2019	83,800,000	\$0.037
Exercise of options*		(102,592,916)	\$0.018
Options lapsed		<u>(10,000,000)</u>	
Closing balance	30-June-2019	<u>301,979,377</u>	

\* Weighted average share price at date of option exercise during 30 June 2019 was \$0.053 (2018. N/A)

On 31 January 2019 the Company issued pursuant to GEM funding agreement 83,800,000 unlisted options expiring on 31 January 2022 to subscribe for ordinary fully paid shares at an exercise price of \$0.0370 per share.

On 21 December 2018 Mr Robert Turner was granted unlisted Options, issued on 21 December 2018 expiring on 21 December 2021 to subscribe for: 25,000,000 ordinary fully paid shares at an exercise price of \$0.02 cents per share (for directors fees owed and other services).

Ms. Xiaowen Shi is entitled to 10 million options exercisable at 2 cents with an expiry of 3 years from the date of issue, the issue of options will be subject to both Board and Shareholder approval and continued directorship for 2 years under ASX rules. As she resigned within 2 years of appointment, Ms. Shi is allocated but not issued (a pro-rata allocation of 10 million options for the period of July 2018 to February 2019).

For the options granted during the current period and prior 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:

**2019:**

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
21/12/2018	21/12/2021	\$0.0360	\$0.0200	100%	0%	2.25%	\$0.0263	25,000,000
31/01/2019	31/01/2022	\$0.0320	\$0.0370	90%	0%	2.04%	\$0.0175	83,800,000

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
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**2018:**

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	24/08/2020	\$0.0270	\$0.020	100%	0%	2.25%	\$0.0184	35,285,000
06/06/2018	02/07/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
06/06/2018	02/07/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
06/06/2018	02/07/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	6,000,000
06/06/2018	02/07/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	10,000,000
06/06/2018	02/07/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	2,190,438
06/06/2018	02/07/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	66,746,806
06/06/2018	02/07/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	7,500,000
06/06/2018	02/07/2021	\$0.0360	\$0.045	100%	0%	2.25%	\$0.0210	7,500,000
06/06/2018	02/07/2021	\$0.0360	\$0.090	100%	0%	2.25%	\$0.0159	7,500,000
06/06/2018	02/07/2021	\$0.0360	\$0.150	100%	0%	2.25%	\$0.0232	5,000,000
06/06/2018	02/07/2021	\$0.0360	\$0.020	100%	0%	2.25%	\$0.0263	5,625,000
06/06/2018	02/07/2020	\$0.0360	\$0.010	100%	0%	2.25%	\$0.0286	24,286,013

**Share options outstanding as at end of the year have the following expiry date and exercise price:**

Grant date	Expiry date	Exercise price	2019	2018
08/03/2016	08/03/2019	\$0.1412	-	1,500,000
14/03/2016	14/03/2019	\$0.1412	-	8,500,000
04/11/2015	03/11/2020	\$0.187	2,139,036	2,139,036
30/12/2016	01/08/2020	\$0.045	41,000,000	45,000,000
30/12/2016	01/08/2020	\$0.06	5,000,000	5,000,000
30/12/2016	01/08/2020	\$0.12	5,000,000	5,000,000
09/02/2017	01/08/2020	\$0.30	10,000,000	10,000,000
13/02/2017	31/01/2020	\$0.045	188,890	5,500,000
31/12/2016	31/01/2020	\$0.12	2,500,000	2,500,000
13/02/2017	31/01/2020	\$0.30	5,000,000	5,000,000
09/02/2017	01/01/2021	\$0.12	3,300,000	3,300,000
09/02/2017	01/01/2021	\$0.06	3,300,000	3,300,000
09/02/2017	01/01/2021	\$0.24	3,400,000	3,400,000
09/02/2017	01/10/2021	\$0.06	2,000,000	2,000,000
09/02/2017	01/10/2021	\$0.12	2,000,000	2,000,000
09/02/2017	01/10/2021	\$0.24	2,000,000	2,000,000
09/02/2017	01/10/2021	\$0.36	2,000,000	2,000,000
06/06/2018	02/07/2021	\$0.020	41,625,000	41,625,000
06/06/2018	02/07/2020	\$0.010	47,976,451	100,723,257
06/06/2018	02/07/2021	\$0.045	2,250,000	7,500,000
06/06/2018	02/07/2021	\$0.090	7,500,000	7,500,000
06/06/2018	02/07/2021	\$0.150	5,000,000	5,000,000
28/08/2017	24/08/2020	\$0.02	-	35,285,000
21/12/2019	21/12/2021	\$0.020	25,000,000	-
31/01/2019	31/01/2022	\$0.0370	83,800,000	-
Total			301,979,377	305,772,293

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
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**Note 14. Equity - reserves**

Share-based payments and Options reserve

<b>Consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>\$</b>
7,762,063	4,856,700
<u>7,762,063</u>	<u>4,856,700</u>

**Share-based payments and Options reserve**

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

**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

<b>Consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>\$</b>
45,870,845	31,069,391
18,509,290	14,801,454
<u>64,380,135</u>	<u>45,870,845</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

<b>Consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>\$</b>
46,000	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

<b>Consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>\$</b>
77,500	49,445
77,500	-
<u>155,500</u>	<u>49,445</u>

Base Rent - \$6,041.67 & Car parking - \$416.67 per month

**Note 18. Related party transactions**

*Parent entity*

Netlinkz Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 20.

*Key management personnel*

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

*Compensation*

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

Short-term employee benefits  
Post-employment benefits  
Long-term benefits\*  
Share & Option based payments

<b>Consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>\$</b>
781,324	276,000
43,779	7,125
6,754	-
156,547	3,765,630
<u>988,404</u>	<u>4,048,755</u>

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

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
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<u>Transactions with related parties</u>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
The following transactions occurred with related parties:	\$	\$
Corporate advisory, and capital raising services from Strategic Capital Management Ltd (director-related entity of James Tsiolis)	447,764	308,593
Interest paid/payable to Strategic Capital Management Ltd	131,240	-
Consulting services for Ms Xiaowen Shi	11,000	-
Consulting services for Mr James Johnston	138,250	-
Consulting services for Mr Peter Apostolopoulos	282,258	-

Prior year liability of the Company – reimbursement to related party

During the year, reimbursements of \$250,000 (FY18: Nil) was made to Mr James Tsiolis for travel and accommodation, expenses for the prior financial years incurred by Mr. Tsiolis on his personal credit card on behalf of the Company.

<u>Payable to related parties</u>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
The following balances are outstanding at the reporting date in relation to transactions with related parties:	\$	\$
Current payables:		
Strategic Capital Management Ltd (director-related entity of James Tsiolis)		
There was no payment to Mr. Tsiolis for the use of his credit card and Mr. Tsiolis received no benefit from the use of his credit card or the reimbursement.	75,253	313,744

**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*

	<b>Parent</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Loss after income tax	18,576,918	16,711,652

*Statement of financial position*

	<b>Parent</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Total current assets	6,300,748	229,090
Total assets	6,300,748	229,645
Total current liabilities	10,805,271	3,513,789
Total non-current liabilities	-	2,067,467
Total liabilities	10,805,271	5,582,256
Equity		
Issued capital	51,233,366	32,898,587
Option reserve	7,762,063	4,856,700
Accumulated losses	(64,380,135)	(43,107,898)
Total equity / (Deficiency in Equity)	<u>(5,384,706)</u>	<u>(5,352,611)</u>

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
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*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

*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:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2019</b>	<b>2018</b>
		<b>%</b>	<b>%</b>
Netlinkz Technology Pty Ltd	Australia	100.00%	100.00%
Netlinkz Global Pty Ltd	Australia	100.00%	100.00%

**Netlinkz Limited**  
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<b>Note 21. Reconciliation of loss after income tax to net cash from operating activities</b>	<b>Consolidated</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year		(18,509,290)	(14,801,454)
Adjustments for non-cash transactions:			
Depreciation and amortisation		555	1,078
Foreign exchange differences		243,157	149,080
Fair value loss on debt settlement		6,489,065	-
Borrowing finance cost		440,811	-
Operating expenses paid in shares and options		6,129,705	9,867,237
Others		41,497	-
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(356,717)	(268,938)
Decrease/(increase) in other operating assets		-	(39,976)
Increase/(decrease) in employee benefits		(41,342)	(52,848)
Increase/(decrease) in trade and other payables		(1,363,992)	443,584
Net cash (used in) operating activities		<u>(6,926,551)</u>	<u>(4,702,237)</u>

**Loan Reconciliation**

	Balance at 01 July 2017	Cash flows	Interest payable	Foreign exchange mvmnt	Non-cash settlement	Balance as at 30 June 2018
	\$	\$	\$	\$	\$	\$
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>

	Balance at 01 July 2018	Cash flows	Interest payable	Foreign exchange mvmnt	Non-cash settlement	Balance as at 30 June 2019
	\$	\$	\$	\$	\$	\$
QMAC Loan	1,414,223	-	119,971	80,087	(1,614,281) <sup>1</sup>	-
Other related party loans	382,966	(40,000)	31,702	-	-	374,668
Other loans	654,244	-	163,443	112,313	(930,000) <sup>1</sup>	-
Akuna Finance Pty Ltd	-	1,555,356	91,082	-	-	1,646,438
COJIM Pty Ltd	-	2,500,000	-	-	-	2,500,000
OSCF Pty Ltd	-	2,500,000	-	-	-	2,500,000
	<u>2,451,433</u>	<u>6,515,356</u>	<u>406,198</u>	<u>192,400</u>	<u>(2,544,281)</u>	<u>7,021,106</u>

1. Refer to note 13 for details.



Note 22. Earnings per share	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	<u>(18,509,290)</u>	<u>(14,801,454)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	<u>1,389,715,143</u>	<u>937,926,674</u>
	\$	\$
Basic earnings/(loss) per share	(0.013)	(0.020)
Diluted earnings/(loss) per share	(0.013)	(0.020)

## 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 \$7,021,106 (2018: \$1,797,189), 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

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**

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.

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**

*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.

<b>Consolidated - 2019</b>	Interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	1,892,220	-	-	-	1,892,220
Borrowings	8-15%	7,021,106	-	-	-	7,021,106
Other loans	-%	-	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Related party loans	15%	-	-	-	-	-
Other loans	10%	-	-	-	-	-
<b>Total non-derivatives</b>		<b>8,913,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,913,326</b>

<b>Consolidated - 2018</b>	Interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	3,119,480	-	-	-	3,119,480
Borrowings	8%	-	-	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	-%	-	-	-	-	-
<b>Total non-derivatives</b>		<b>3,502,446</b>	<b>-</b>	<b>2,068,467</b>	<b>-</b>	<b>5,570,913</b>

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 2019.

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 and the borrowings are short term in nature.

**Note 24. Contingent liabilities**

There are no contingent liabilities as at 30 June 2019 (2018 \$nil).

**Note 25. Events after the reporting period**

As per Appendix 3B released on 01 July 2019 3,000,000 options were exercised at \$0.037 with a value of \$111,000.

As per Appendix 3B released on 08 July 2019 1,286,013 options were exercised at \$0.010 with a value of \$12,860.

As per Appendix 3B released on 10 July 2019 1,000,000 options were exercised at \$0.010 with a value of \$10,000.

As per Appendix 3B released on 10 July 2019 1,267,379 options were exercised at \$0.187 with a value of \$237,000.

On 11 July 2019 the company signed a memorandum of understanding with iSoftStone to establish a joint venture company based in Beijing, China to commercialise the IP that is being developed in IOT lab.

As per Appendix 3B released on 17 July 2019 604,278 options were exercised at \$0.187 with a value of \$113,000.

As per Appendix 3B released on 17 July 2019 500,000 options were exercised at \$0.010 with a value of \$5,000.

As per Appendix 3B released on 18 July 2019 2,500,000 options were exercised at \$0.010 with a value of \$25,000.

As per Appendix 3B released on 18 July 2019 1,250,000 options were exercised at \$0.090 with a value of \$112,500.

As per Appendix 3B released on 29 July 2019 500,000 options were exercised at \$0.010 with a value of \$5,000.

As per Appendix 3B released on 29 July 2019 7,500,000 options were exercised at \$0.045 with a value of \$337,500.

As per Appendix 3B released on 30 July 2019 6,000,000 options were exercised at \$0.037 with a value of \$222,000.

As per Appendix 3B released on 2 August 2019 2,190,438 options were exercised at \$0.010 with a value of \$21,904.

As per Appendix 3B released on 2 August 2019 10,000,000 options were exercised at \$0.020 with a value of \$200,000.

As per Appendix 3B released on 7 August 2019 12,000,000 options were exercised at \$0.037 with a value of \$444,000.

As per Appendix 3B released on 16 August 2019 1,500,000 options were exercised at \$0.120 with a value of \$180,000.

As per Appendix 3B released on 20 August 2019 5,625,000 options were exercised at \$0.020 with a value of \$112,500.

Other than the above there have been no other material events subsequent to the year ended 30 June 2019.

**Netlinkz Limited**  
**Directors' Declaration**  
**30 June 2019**

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 2019 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



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James Tsiolis  
Director

29 August 2019

## 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 (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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/or 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 2019, the Group issued options and shares to creditors, consultants and key management personnel, which have been accounted for as share-based payments. Refer to Notes 5, 13 and 14.</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"> <li>• Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;</li> <li>• Holding discussions with management to understand the share-based payment transactions in place;</li> <li>• 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;</li> <li>• Involving our valuation specialists, to assess the reasonableness of management's valuation inputs in respect of risk free rates and volatility;</li> <li>• Assessing the allocation of the share-based payment expense over the relevant vesting period; and</li> <li>• Assessing the adequacy of the related disclosures in the financial report.</li> </ul>



## 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 2019, 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\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2019.

In our opinion, the Remuneration Report of Netlinkz Limited, for the year ended 30 June 2019, 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 black ink, appearing to read 'Glyn O'Brien', written over a faint, light-colored BDO logo.

Glyn O'Brien

Director

Location, 29 August 2019

## Netlinkz Limited Shareholder information

The shareholder information set out below was applicable as at 27 August 2019.

### *Distribution of Shareholders*

Analysis of number of shareholders by size of holding

	Number of holders of Ordinary Shares	Number of Ordinary Shares
1 to 1,000	414	146,193
1,001 to 5,000	541	1,710,640
5,001 to 10,000	353	2,831,557
10,001 to 100,000	1,342	56,326,720
100,001 and over	851	1,548,329,673
<b>Total</b>	<b>3,501</b>	<b>1,609,344,783</b>
Holding less than a marketable parcel of 3,847 shares	787	1,094,308

### *Twenty largest quoted equity security holders*

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

	Ordinary Shares	
	Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	191,766,970	11.92
REEF INVESTMENTS PTY LTD <TD NAIRN SUPER FUND 2A A/C>	82,692,714	5.14
THE SUTHERLAND FAMILY COMPANY PTY LTD <SWAN A/C>	82,570,076	5.13
SINGARA PTY LTD <GARGETT FAMILY A/C>	58,088,951	3.61
GOONET PTY LTD	40,000,000	2.49
ALPHA FIRST PTY LTD	37,825,000	2.35
TRANS-FORMING INVESTMENTS PTY LTD <TRANS-FORMING INVESTMENT A/C>	37,500,000	2.33
AGORA ASSET MANAGEMENT PTY LTD	35,850,228	2.29
BOOKER SUPER SERVICES PTY LTD <G & C BOOKER SF A/C>	35,683,715	2.24
MR ROBERT E TURNER <2019 GRAT A/C>	27,515,478	1.71
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	26,884,364	1.67
REEF INVESTMENTS PTY LTD <T D NAIRN SUPER FUND A/C>	26,863,719	1.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,443,405	1.39
JEM INVESTMENT FUND HOLDINGS PTY LTD <JEM INVEST FUND FAMILY A/C>	19,053,000	1.18
MR JAMES TSIOLIS	16,875,000	1.05
MS CAROLYN TURNER <FBO GCHILDREN JUNE 2011 A/C>	16,143,250	1.00
SYSTEMIC PTY LTD	15,000,000	0.93
JAST NETLINKZ HONG KONG LIMITED	14,000,000	0.87
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	13,652,597	0.85
GREATSIDE HOLDINGS PTY LTD	12,500,000	0.78
<b>Total of Top 20 holders of ORDINARY FULLY PAID SHARES</b>	<b>812,908,467</b>	<b>50.51</b>

**Netlinkz Limited**  
**Shareholder information**

*Substantial shareholders*

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

	<b>Ordinary Shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	191,766,970	11.92
REEF INVESTMENTS PTY LTD <TD NAIRN SUPER FUND 2A A/C>	82,692,714	5.14
THE SUTHERLAND FAMILY COMPANY PTY LTD <SWAN A/C>	82,570,076	5.13

**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**

There are currently no restricted securities on issue.

**Option Holdings**

The Company has the following classes of options on issue as at 27 August 2019. Options do not carry any voting rights.

<b>Details</b>	<b>Exercise price</b>	<b>No of options</b>
Expiry date of 2 July 2020	\$0.01	40,000,000
Expiry date of 1 August 2020	\$0.045	33,500,000
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 3 November 2020	\$0.187	267,379
Expiry date of 31 January 2020	\$0.045	188,890
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	26,000,000
Expiry date of 2 July 2021	\$0.045	2,250,000
Expiry date of 2 July 2021	\$0.09	6,250,000
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	2,000,000
Expiry date of 21 December 2021	\$0.02	25,000,000
Expiry date of 31 January 2022	\$0.037	62,800,000
Expiry date of 2 July 2020	\$0.01	40,000,000

	<b>Number of holders of unlisted options</b>	<b>Number of unlisted options</b>
10,001 to 100,000	-	
100,001 and over	29	244,256,269
	29	244,256,269

**Netlinkz Limited**  
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The following option holder hold more than 20% of the unlisted options.

<b><i>Expiry date</i></b>	<b><i>Name</i></b>	<b><i>Number Held</i></b>
Expiry date of 31 January 2022	GEM GLOBAL YIELD FUND LLC SCS	62,800,000

# Netlinkz Limited

## Corporate Governance

### 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 3<sup>rd</sup> 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](http://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) Hualin Zhang (Non-Executive Director) appointed 28 February 2019.

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 considered independent.

Mr David O'Dowd and Mr Hualin Zhang are considered 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](http://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;



**Netlinkz Limited**  
**Corporate Governance**

- 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 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 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.