



# ASX Announcement

SYDNEY      OCTOBER 31, 2019

## 4C COMMENTARY & OPERATIONAL UPDATE

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NetLinkz Ltd (ASX: NET) ('NetLinkz' or the 'Company'), is pleased to provide an update of its activities and achievements in the September 2019 quarter.

### HIGHLIGHTS FOR THE QUARTER

- NetLinkz\* reported a cash balance of AUD \$2.05 million at 30 September 2019
- Proceeds of AUD\$2,715,402 received from exercise of share options
- Revenue of AUD\$285,000 cash received in August 2019 from VIN Sales in China
- Netlinkz's Beijing IoT Lab Won the "Innovation Award" issued by the China Software Industry Association for 'Innovative Cloud Service Platform'
- VIN Products developed by the IoT Lab in Beijing are to be commercialized through a Joint Venture with iSoftStone (ISS)
- IoT Laboratory is to be set up in Tokyo to develop its Netlinkz's source code for the Japanese market
- Operating cash outflow for the quarter was AUD \$3.35million
- Acquisition of SSI Pacific Pty Ltd, subject to conditions precedent – which provides world leading security intelligence and monitoring solutions to Government, Telecommunication and Enterprise sectors.
- Organic sales growth expected in Australia from the acquisition of SSI, the iSoftStone Joint Venture and the Company's Hong Kong reseller's China based agent JAST Limited.

## OPERATIONAL COMMENTARY

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### Introduction

The quarter ending 30 September 2019 marked the beginning of Netlinkz transition from pilot mode to our future, scalable, global business model.

The Company achieved important milestones, which provides support to our model:

1. Netlinkz announced on 11 July 2019 the signing of an MOU with iSoftStone (ISS) to establish a joint venture company based in Beijing, in order to commercialize the IP that is being developed in the IoT Lab. While the joint venture company will be focused on distribution and sales, the products will be developed by the IoT Lab in Beijing, Netlinkz will earn royalties and dividends.
2. A customer support centre is now operational in Shandong (China) with 15 fully trained staff operating the help desk 24/7 for the Chinese market.
3. Netlinkz announced that the next generation of VIN product – Virtual Secure Network (VSN) developed by Netlinkz’s IoT Lab in Beijing won the “Innovation Award” issued by the China Software Industry Association for ‘Innovative Cloud Service Platform’. The VSN Product will be ‘IoT Ready’ in a Beta Version by the end of December 2019 for testing by the Company’s global customers.
4. During the quarter, JAST Limited – entered into agreements with the aim to expand the distribution of Netlinkz’ products to different provinces in China.
  - a. Strategic Cooperation Agreement with Sichuan Meixunda Communications Corporation; and
  - b. Agency sales agreement with the wholly owned subsidiary of Beijing Digital Telecom in the Henan Province.
5. As part of Netlinkz global strategy, it announced on 18 September 2019 an IoT Laboratory is to be set up in Tokyo to develop its Netlinkz’s source code for the Japanese market. The IoT Lab will take care of the demand of the IoT and 5G rollout identified in the market
6. In October 2019 Netlinkz announced the commencement of its Australian rollout of the VIN with Omega Dev Group and DIAS as the first customers in the Sydney IoT lab.

## FINANCIAL COMMENTARY

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### Strong Revenue Growth Projection

Netlinkz executives, in conjunction with the Company’s advisors have developed a revenue forecast model for the business to provide forward guidance on anticipated revenue in both China and the Australia/NZ markets. Revenues include the anticipated sales from the rollout of the VIN product from China reseller JAST, the iSoftStone Joint Venture and Australian Sales. Guidance has not been provided for the Japanese market as the IoT lab and business in Japan is in the early stages of being established. Revenue forecasts will be updated on a quarterly basis or upon the signing of major contracts.

### Cashflow next quarter

Next quarter’s projected expenditure includes a continuation of the R&D spend reflecting the ongoing development and enhancement of the Company’s software establishing IoT cloud solutions. Further there are ongoing costs for the “China Go To Market” strategy, expanding further into Japan and Australia.



## CORPORATE COMMENTARY

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### Strategic Advisor appointment

On 30 July 2019, Netlinkz announced the appointment of Grant Thornton Australia as a strategic advisor for the Company and will be utilising their resources in Netlinkz' laboratory in Sydney to assist with their Research and Development and customer support.

More recently the Company has appointed Ian Renwood and Grant Thomson to the board who both bring in excess of 25 years of experience. Both Ian and Grant will be invaluable to Netlinkz as it rolls out its VIN product globally.

**\*\*\*ENDS\*\*\***

## About NetLinkz Limited

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

To learn more about Netlinkz technology and the Company please visit [www.netlinkz.com](http://www.netlinkz.com)

## Contacts

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

NetLinkz Limited

**ABN**

55 141 509 426

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

30 September 2019

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		285	285
1.2 Payments for			
(a) research and development		(1,186)	(1,186)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(89)	(89)
(d) leased assets		-	-
(e) staff costs (other employment costs)		(557)	(557)
(f) administration and corporate costs		(886)	(886)
		(142)	(142)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	1
1.5 Interest and other costs of finance (paid) / received		(3)	(3)
1.6 Income taxes paid/ GST Refunds		(76)	(76)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
- Office costs		(106)	(106)
- Travel costs		(588)	(588)
- Other (restructuring & Perth office)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(3,347)</b>	<b>(3,347)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(15)	(15)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(4)	(4)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
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<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(19)</b>	<b>(19)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	5,000	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	2,715	2,715
3.4	Transaction costs related to issues of shares, convertible notes or options	(370)	(370)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5,000)	(5,000)
3.7	Transaction costs related to loans and borrowings	(75)	(75)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(4)	(4)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,226</b>	<b>2,226</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,151	3,151
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,347)	(3,347)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(19)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,266	2,266
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,051</b>	<b>2,051</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,301	2,401
5.2	Call deposits	750	750
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,051</b>	<b>3,151</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	817
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6.1 includes Directors wages & salaries – including annual incentive bonus

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

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	1,646	1,646
8.2	Credit standby arrangements	29,000	3,471
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter-end, include details of those facilities as well.		

During this quarter, Netlinkz received proceeds from the exercise of share options of AUD\$2,715,402 which has provided additional capital and thus, Netlinkz has not needed to draw down on the loans currently in place (at 8.1) of \$1.646m with an interest rate of 15% and (at 8.2) \$3.471m of the GEM Global three year AUD\$29m Facility.

On 9 Sep 2019 the \$5m loan was converted into equity which included the issue of 90,909,090 shares at \$0.055 in full settlement of the debt.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	1,604
9.2	Product manufacturing and operating costs	251
9.3	Advertising and marketing	115
9.4	Leased assets	24
9.5	Staff costs (other employment costs)	773
9.6	Administration and Corporate costs	121 592
9.7	Other (provide details if material)	280
	Investment in SSI Pacific- wholly owned subsidiary	10,200
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>13,960</b>

The costs in 9.7 above include – International Travel to both Japan and China to facilitate the set-up of the IoT lab in Japan and further Netlinkz' sales strategy and the AUD\$10.2m acquisition cost for SSI subject to conditions precedent.

The significant costs next quarter continue to be R&D which also includes the establishment of the IoT lab based in Tokyo and increased engineering & business development costs.

As the share price rises, Netlinkz will continue to see proceeds from the exercise of share options. Last quarter saw Netlinkz receive AUD\$2.7m which is predicted to continue. It is also expected that the R&D Tax Incentive refund will be received in the next quarter of \$894,951.

Where required, Netlinkz' finance facilities will be available to the Company to fund the activities of the next quarter.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions \$A'000	Disposals \$A'000
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

## Compliance statement

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

Sign here:


  
 (Director)

Date: 31 Oct 2019

Print name:

James Tsiolis

## Notes

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