



24 December 2019

\$30.75m FUNDING SECURED.

NetLinkz enters into agreement to raise A\$30.75 million in funding through the issue of secured convertible notes convertible at A\$0.30 per convertible note and an option to raise additional \$22.75m over the next 24 months.

NetLinkz Limited (ASX: NET) ('NetLinkz' or 'Company') is pleased to announce it has entered into a share purchase and convertible security agreement (**SPCSA**) with each of CST Capital Pty Ltd ACN 628 583 700 as trustee for the CST Investments Fund (**CST**) and Lind Global Macro Fund, LP (**Lind**) pursuant to which it has secured an aggregate of A\$8 million in funding from CST and Lind through the issue of secured convertible notes and shares, of which \$5.4m will be allocated towards the settlement of the acquisition of Security Software International (SSI) Pacific Pty Ltd (details of which were previously announced to the market on 23 October 2019), with the remainder being allocated to working capital and funding the Company's Chinese commercialisation strategy.

Investment Highlights

- The Company has secured initial aggregate funding of A\$8 million of debt and equity from Lind and CST
- The new funding available under the SPCSA along with A\$4 million in funding received from the placement completed by the Company in December 2019 puts NetLinkz in a robust financial position to continue its China commercialisation strategy and realise the cost and revenue synergies between it and SSI
- The Company has the option to raise a further A\$22.75 million over the next 24 months in monthly tranches pursuant to the terms of the each SPCSA.

Key terms of the SPCSA's entered into with Lind and CST

Pursuant to the terms of each SPCSA, each of CST and Lind has agreed to provide funding to the Company by way of two separate funding streams, namely subscriptions for ordinary shares in the Company (**Shares**) and the advancement of convertible note instruments (**Convertible Notes**). Each Agreement also provides for the issue of unlisted options (**Options**) to each of CST and Lind.

A summary of the securities to be issued under each SPCSA is set out below:

- (a) each SPCSA limits the maximum number of securities that may be issued under it to 100,000,000 Shares (**Maximum Share Number**) (beyond which any issue may only be made with the prior approval of the Company's shareholders);



- (b) the Company will issue a secured convertible note to each of Lind and CST (**First Convertible Note**) (which can only be converted or redeemed subject to the Maximum Share Number), with such First Convertible Notes being issued within the Company's available placement capacity under ASX Listing Rule 7.1. The key terms of the First Convertible Notes;
- (c) each of Lind and CST will be issued 5,000,000 Options, which will be issued within the Company's available placement capacity under ASX Listing Rule 7.1;
- (d) each of Lind and CST will agree to acquire Shares in the Company on a monthly basis (subject to the Maximum Share Number) (**Tranche Shares**);
- (e) each of Lind and CST will be issued 9,650,000 Shares under the SPCSA (**Collateral Shares**), which will be issued within the Company's available placement capacity under ASX Listing Rule 7.1;
- (f) within 75 days of the entry into each SPCSA, the Company will be required to seek the approval of its shareholders for the issue of a replacement convertible note to each of Lind and CST (**Replacement Convertible Note**), which (subject to shareholder approval being obtained) will be on the same terms as the initial issued Convertible Note (save for the conversion price of the Replacement Note) but its conversion or redemption will not be subject to the Maximum Share Number); and
- (g) the issue of the First Convertible Notes, the Options, the Collateral Shares and the Tranche Shares under each SPCSA is conditional on satisfaction of certain conditions precedent in each SPCSA which the Company expects to satisfy over the coming days. A further announcement will be made on the issue of securities under each SPCSA.

Settlement of acquisition of Security Software International Pacific Pty Ltd

The acquisition of SSI announced to the ASX on 23 October 2019 will be partially funded by the funding received under the SPCSA, with the acquisition only completing once funds have been drawn down by the Company under the SPCSA with the remaining funds received under the SPCSA being allocated to growing the sales footprint in China, Australia and Japan. It is expected that completion of the acquisition will occur in January 2020.

The acquisition of SSI is expected to deliver reduced expenditure for the existing SSI operations, as well as the opportunity for cross-sales between Netlinkz' and SSI's customer bases. SSI brings an established sales channel for the VIN in Australia and New Zealand in the telecoms sector. The founders of SSI are staying on for a period of 2 years minimum.

Together with receipt of intellectual property from SSI that is synergistic to NetLinkz' VIN software, these efficiencies are expected to lead to an increase in revenue and profit levels in the short to medium term.



Working Capital for China joint venture company iLinkAll and establishing Tokyo IoT Lab.

The funding received under each SPCSA will also provide working capital for:

- a. the Company's joint venture with iSoftStone in China, with sales having already commenced by the joint venture company iLinkAll in December 2019; and
- b. the establishment and funding of the IoT Lab in Tokyo by March 2020

Issue of Tranche Shares

Each SPCSA gives NetLinkz the ability to raise A\$12 million (being aggregate of \$24 million over both SPCSA's) by way of issue of Tranche Shares over the next 24 months in optional monthly tranches of a minimum of A\$150,000 (**Base Amount**) or by mutual agreement in writing between the parties to the SPCSA, an amount which is greater than the Base Amount but equal to or less than A\$500,000, provided that each of Lind and CST will not be required to pay an aggregate amount exceeding A\$12,000,000 for the issue of Tranche Shares to it. The Company will also pay as a fee an amount of \$75,000 to each of Lind and CST on the first closing and issuance of Tranche Shares under an SPCSA.

At any time during the term of the SPCSA, either party to an SPCSA may, in certain circumstances, give written notice (**Pause Notice**) prior to the closing date for the issue of Tranche Shares, pause the operation of an SPCSA in respect of the issue of Tranche Shares for (such paused period being the **Pause**), in which case, that closing of an issue of Tranche Shares and other subsequent closings within the Pause will be cancelled and either of CST or Lind (as the case may be) must not make prepayments to the Company for the purchase of Tranche Shares until the end of the Pause.

The number of Tranche Shares to be issued pursuant to a tranche will be determined by dividing the amount of prepayment received by the Company from either of Lind or CST by the price per Share which is equal to 90% of the average of the five lowest daily volume weighted average prices (**VWAPs**) of the Company's Shares as traded on ASX during the twenty trading days prior to the relevant issue date for the Tranche Shares (rounded down to the nearest AU\$0.01).

First Convertible Notes

NetLinkz has also received firm commitments to raise an aggregate of A\$6.75 million through the issue of the First Convertible Notes to each of Lind and CST.

The Notes will be secured by a general security granted over the assets of the Company (**Security**).

The First Convertible Notes will be issued on the following key terms and conditions:

- (a) (**Face Value**): Each First Convertible Note will have an aggregate face value of A\$3,750,000.



- (b) **(Amount payable for each First Convertible Note)**: Each of Lind and CST will be required to pay an amount of \$3,375,000 to the Company to acquire their First Convertible Note (**Funded Amount**).
- (c) **(Conditions precedent to issue of First Convertible Notes)**: Neither Lind nor CST will be required to advance the Funded Amount to the Company, unless the conditions precedent set out below are fulfilled, or waived in writing by CST or Lind (as the case may be):
- a. the Company has delivered or caused to be delivered to each of Lind and CST, and the Investor has received:
 - i. Board resolutions approving the entry into each SPCSA;
 - ii. copies of any third party consents or approvals required to enter into each SPCSA or to give effect to the transactions contemplated by each SPCSA;
 - iii. the security documents for the Security;
 - iv. a flow of funds request;
 - v. its Collateral Shares;
 - vi. its Options;
 - b. the Company has lodged a cleansing notice with ASX in respect of the First Convertible Notes;
 - c. the representations and warranties of the Company contained in each SPCSA remain true and accurate;
 - d. no event of default having occurred; and
 - e. the Company having performed and complied in all respects with all agreements and covenants required by each SPCSA to be performed and complied with by the Company.
- (d) **(Commitment fee)**: The Company will pay an aggregate commitment fee to Lind and CST of A\$225,000.
- (e) **(Maturity date)**: 16 months from date of issue.
- (f) **(Security)**: Each First Convertible Note is secured against the assets of the Company.
- (g) **(Conversion)**: Each SPCSA provides that a First Convertible Note is convertible by dividing the Face Value outstanding on the First Convertible Note on the date of conversion by the conversion price for such First Convertible Note (being A\$0.30).
- (h) **(Cash substitution)**: If an issue of Shares to Lind or CST in accordance with the terms of an SPCSA would result in Lind or CST (as applicable) acquiring a relevant interest in the Shares which would cause them (and their associates') voting power in the Company (and its associates) to exceed 19.99%, then without limiting any of Lind or CST's (as the case may be) other rights under an SPCSA, Lind or CST (as the case may be) or the Company may by written notice to the other party require the Company to pay a cash amount to Lind or CST (as applicable), within 5 business days, equal to Z multiplied by \$C in lieu of the issue of Shares, where:
- Z = the number of new Shares which, if issued to Lind or CST (as applicable), would cause the Lind or CST's (as the case may be) relevant interest in the Company to exceed 19.99%; and



ŞC = the VWAP per Share on the date the Shares were to be issued.

- (i) (**Redemption**): Subject to certain redemption restrictions set out in the SPCSA, Lind or CST (as the case may be) may, at any time to the extent that there is an amount outstanding in respect of a First Convertible Note, require the Company by notice (**Redemption Notice**) to redeem some of the Face Value (**Redemption Face Value Amount**) at a redemption rate of 102.5% of the Redemption Face Value (**Redemption Amount**). The Company must pay the Redemption Amount on or before 2 business days after receiving the Redemption Notice by either paying the Redemption Amount in immediately available funds or issuing Shares to Lind or CST (as the case may be) with the number of Shares to be issued being the Redemption Amount divided by the Equity Redemption Price (defined below).
- (j) (**Equity Redemption Price**): The price per Share equal to 92% of the lowest daily VWAP during the 10 trading days immediately prior to the date of the Redemption Notice.
- (k) (**Repayment on maturity**): The amount outstanding in cash (being the face value less the amount of Shares issued on conversion).
- (l) (**Company repayment right**). The SPCSA also provides the Company with the ability to repay the First Convertible Notes in cash in certain circumstances.
- (m) (**Events of default**): The SPCSA includes 'events of default' which are typical for agreements of this nature.

The Collateral Shares

As noted above, the SPCSA's provide for the issue of 9,650,000 Collateral Shares to each of Lind and CST. The SPCSA's also provide that if at any time the number of Collateral Shares held by CST or Lind (as the case may be) (**Collateral Shareholding Number**) is less than 7,500,000 Shares, Lind or CST (as applicable) may give the Company written notice requesting that the Company issue additional Shares to it as Collateral Shares (**Additional Collateral Shares**), so that following the issue, the Collateral Shareholding Number of Lind or CST (as the case may be) is at least 7,500,000, provided that the Company must not issue an aggregate number of Additional Collateral Shares exceeding 10,000,000 Shares without first obtaining the approval of its shareholders to do so.

The Options

Each Option to be issued to Lind and CST under the SPCSA's will grant the holder of that Option the right but not the obligation to be issued by the Company one Share on valid exercise price of). Each Option will have an exercise price of \$0.20 (Exercise Price) and expire on or before the date that is 36 months after the date of issue of the Options (Expiry Date).

Lead Manager

EverBlu Capital Pty Ltd ('EverBlu') was lead manager to the financing referred to in this announcement. EverBlu has informed NetLinkz that it has acted independently of, and is not related to, Lind or CST.



EverBlu will be paid a 6% cash fee on the funds raised by the Company under the SPCSA. EverBlu will also be issued 1 Share for every \$2 raised and 1 option (with each option being exercisable for one Share, having a 3-year term, and an exercise price at 100% premium to share price on date of issuance of such options) for every \$4 raised by the Company in relation to the SPCSA resulting in aggregate issue of 4,375,000 Shares and 2,187,000 options to EverBlu (all of which are being issued within the Company's available placement capacity under ASX Listing Rule 7.1).

*****ENDS*****

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Authorised by the board of directors of NetLinkz Limited.

About NetLinkz Limited

NetLinkz provides secure and efficient cloud network solutions. 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.

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