



## ASX Announcement

30 April 2020

### Linus Quarterly Activities Report – Period ending 31 March 2020

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Linus Technologies Limited (ASX: LNU) (**Company** or **Linus**) is pleased to lodge its Quarterly Activities Report and Appendix 4C with the ASX for the quarter ending 31 March 2020.

The quarter was dominated by the emergence of COVID 19. The Company moved quickly and decisively to mitigate risks and initiate successful near-term tactical shifts in strategy.

#### Key Activities During the Quarter

##### *Client Deployments*

At the end of the December quarter, the Company reiterated its tactical plan to replicate its sports successes across additional markets including news, security and defense, corporate communications and education. COVID 19 impacted on a number of recently won clients:

- Racing.com continued its operations throughout the quarter and does so to this day.
- Sportshero and NBL are deployed and ready to go live. The go live date and commencement of revenue is dependent on the government's COVID 19 plans.
- Work continues on Proof of Concepts with significant sports broadcasters.
- Work also continues with a European security agency which is piloting the technology in counter-terrorism related activity.

##### *Tactical shifts in focus*

Linus' core strategy of providing personalised TV solutions remains unchanged, as does the strategy of migrating to reseller channels in order to grow the business to global scale.

With live sports suspended and the category in some turmoil, Linus has shifted focus to include other sectors such as news, corporate communications and security and defense.

Linus is running targeted campaigns across all sectors, leveraging partners such as Microsoft, Stats Perform and Amazon Web Services.

##### *Cost reductions*

On March 17<sup>th</sup>, the Company provided an update to the market that included significant cost reductions, having acted quickly to reduce costs across the group to extend its operational runway through to the financial period Q1 2021.

Over recent quarters the Company has significantly reduced costs. The Company's March 2020 4C operating cash outflows were \$1,820,000 or \$606,000 per month, a reduction of \$126,000 per month from the prior quarter. The cost reductions announced on March 17<sup>th</sup>, effective from April 1<sup>st</sup>, included the Board and senior management taking significant pay cuts in the short term ranging from 20% to 80% of total compensation.

Whilst the Company will re-instate salaries at the end of July, it expects that its cost base will remain significantly reduced from previous quarters, until such a time that expected revenues flow through.

## **Events subsequent to the end of the quarter:**

### ***Linus enters the video conferencing marketplace***

Linus has a stated strategy of targeting corporate communications via Microsoft. Subsequent to the end of the quarter, on April 15<sup>th</sup>, Linus and LiveTiles announced that Linus' technology will be integrated into the LiveTiles platform. With the parties being introduced by Microsoft, the solution will draw video content from Microsoft Teams and Microsoft Stream.

Microsoft says its video calls in Microsoft Teams grew 1,000% in March 2020<sup>1</sup> with 2.7 billion meeting minutes per day<sup>2</sup> while Zoom continues to deliver to over 200 million users each day<sup>3</sup>.

Linus' AI Meeting Solution instantly searches the data within the recordings of meetings within selected time-frames, leverages AI including voice recognition, facial detection, transcripts, character recognition, labels, key frames, shot detection and objects recognition (e.g. pages from the actual documents presented in the meeting), and intelligently connects these knowledge assets to deliver them in personalized videos to employees.

The solution will be available in May, with marketing to LiveTiles' millions of users expected to start imminently.

### ***Capital Raise***

On April 24<sup>th</sup>, Linus announced it had received commitments from professional and sophisticated investors to raise A\$1.7million (before costs). The Placement includes a \$250,000 commitment from Linus directors and will result in the issue of 154,545,450 fully paid ordinary shares at \$0.011 per share. The Placement is scheduled to be settled (for non-directors) on 4 May 2020. The Company is required to obtain shareholder approval for the issue of shares to directors.

The Company will use the proceeds of the placement to drive revenue growth.

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

The ASX Appendix 4C Quarterly Report for March 2020 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month and 9-month period to 31 March 2020, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities. The cash balance as at 31 March 2020 was \$1.356 million excluding the \$1.7 million capital raise (before costs).

The expenditure for the coming quarters reflect further reductions in the cost based announced on March 17<sup>th</sup>. The cost impact of these efficiencies are expected to reduce cash outflows to approximately \$1.2m per quarter.

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<sup>1</sup><https://techcrunch.com/2020/04/09/microsoft-says-video-calls-in-teams-grew-1000-in-march/>

<sup>2</sup><https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/09/remote-work-trend-report-meetings/>

<sup>3</sup><https://au.pcmag.com/how-to-work-from-home/66389/zoom-vs-microsoft-teams-vs-google-meet-a-videoconferencing-face-off>

## Summary of expenditure for the quarter and related party payments

Details of the business activities of the Company for the quarter are set out below. Expenditure was incurred in respect of:

- Research and development \$917,000 – continued development of the LVS SaaS platform, including improvements in the functionality of the product.
- Operating costs \$170,000 – external costs 3<sup>rd</sup> party costs incurred in operating the SaaS platform, delivering LVS solutions to existing clients and occupancy related costs.
- Staff and consultant costs including director fees \$512,000 – includes staff costs associated marketing, presales and sales engineering staff, finance and management of the company.
- Administration, travel and corporate costs \$94,000 – ongoing corporate Company costs, including ASIC, ASX, share registry costs & auditors half year fee and travel related costs related to sales activities in respect of a European security agency and European broadcaster.

Payments made to related parties during the quarter were as follows:

<b>Related Party<sup>(1)</sup></b>	<b>Director's fees &amp; consultancy fees \$</b>	<b>Other \$</b>	<b>Total \$</b>
Gerard Bongiorno	42,500	-	42,500
Christopher W Richardson	67,800	-	67,800
Stephen McGovern	27,040	-	27,040
	137,340	-	137,340

### **Notes:**

1. These individuals are related parties of the Company as they are Directors.
2. The above payments include GST where applicable.

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This announcement has been approved for release to ASX by the Board of Directors of the Company.

## About Linius Technologies Limited

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

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

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

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

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

### For more information please contact:

Chris Richardson, Chief Executive Officer

### Linius Technologies Limited

[www.linius.com](http://www.linius.com) / T: +61 3 8672 7186

Press and Media: [pr@linius.com](mailto:pr@linius.com)

Investor Enquiries: [ir@linius.com](mailto:ir@linius.com)

General: [info@linius.com](mailto:info@linius.com)

## Appendix 4C

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

**Name of entity**

Linius Technologies Limited

**ABN**

84 149 796 332

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

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	21	40
1.2 Payments for		
(a) research and development	(917)	(2,837)
(b) operating costs	(170)	(554)
(c) advertising and marketing	(84)	(269)
(d) leased assets	-	-
(e) staff and consultant costs	(512)	(1,982)
- recruitment fees	-	(70)
(f) administration, travel and corporate costs	(94)	(365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (legal and patent costs)	(66)	(135)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,820)</b>	<b>(6,166)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(30)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(30)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities* (excluding convertible debt securities)	-	5,254
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>5,254</b>

\*net of costs incurred

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	3,182	2,298
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,820)	(6,166)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(30)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,254
4.5	Effect of movement in exchange rates on cash held		-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,356</b>	<b>1,356</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,305	3,103
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	51	51
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,356</b>	<b>3,182</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1  
*Director fees and CEO remuneration*
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
137
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
-7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,820)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,356
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,356
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>0.75</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No, we expect the net operating cash outflows to decrease to approximately \$1.2m per quarter.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, as announced on 24 April 2020 the Company announced the completion of a \$1.7m capital raise, excluding raise costs.

The receipt of proceeds from the capital raise, along with a reduction in expected net operating cash outflows and cash on hand as at 31 March 2020 will result in approximately 2.54 quarters cash on hand.



3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes – based on the above, the Company fully expects to be able to continue its operations and meet its business objectives.

### **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.

Date: 30 April 2020

Authorised by: By the board