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Secure. Fast. Simple.



QUARTERLY ACTIVITIES REPORT & APPENDIX 4C DECEMBER 2022

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 31 December 2022 ("December Quarter"), together with its Appendix 4C.

Highlights

- **Revenue** for the quarter at \$5.8m was a 26% increase on the previous quarter and a 12% increase over Q2 FY2022.
- **Cash receipts** for the quarter at \$6.7m was a 29% increase on the previous quarter and a 22% increase over Q2 FY2022.
- **Global Reseller Agreement** executed with SpaceX with enquiries for VSN Starlink Services exceeding 30,000 units.
- **New** significant recurring revenue contract for lawful interception product results in an increase in revenue of 49% over the prior year quarter, for this division.
- **Letter of Intent** received from ALT Telecom Thailand to distribute Netlinkz services and product for enterprise in Thailand, then followed by other south-east Asian countries.
- **Facility** drawdowns of \$5.3m during the quarter to fund Starlink unit purchases and growth.
- **Board and management appointments** to manage and drive expanding business.

Operational and Corporate overview

Results for the quarter (unaudited)

Revenue of \$5.8m for the quarter was a 26% increase on the prior quarter and a 12% increase on Q2FY22.

Contributors to this growth included revenues from enterprise customers for the suite of VSN Express™ suite products, and from the new ongoing contract with a telecommunications company based in Australia and New Zealand for its interception software business.

Late in the quarter the Company entered into an agreement with Space Exploration Technology Corp. (SpaceX) for Netlinkz to be a non-exclusive global reseller of the Starlink satellite based high-speed, low-latency broadband internet.

The agreement with Starlink creates a direct channel to market for the Company's proprietary network solution called the Virtual Secure Network (VSN). By bundling the VSN with Starlink, end users are provided with a fully encrypted invisible private network for all devices connected to the network that access the internet. This will provide enterprises, governments, rural and indigenous communities with enhanced security as protection against growing cybercrime without compromising the network performance.

Netlinkz has already received enquiries from Australian and foreign governments, multi-national business, local and overseas telecommunication businesses, and rural and remote businesses and communities for more than 30,000 VSN Starlink units. Netlinkz expects to commence to finalise contractual terms with the initial enquiries received from as early as February 2023.

Netlinkz is targeting sales to rural and remote businesses offering a bundled service that provides access to reliable fast and secure internet in rural and remote areas. Sale of the bundled service commenced mid December 2022 for Australia and New Zealand, with other markets to follow via Netlinkz’s distribution network that has been developed over the last three years.

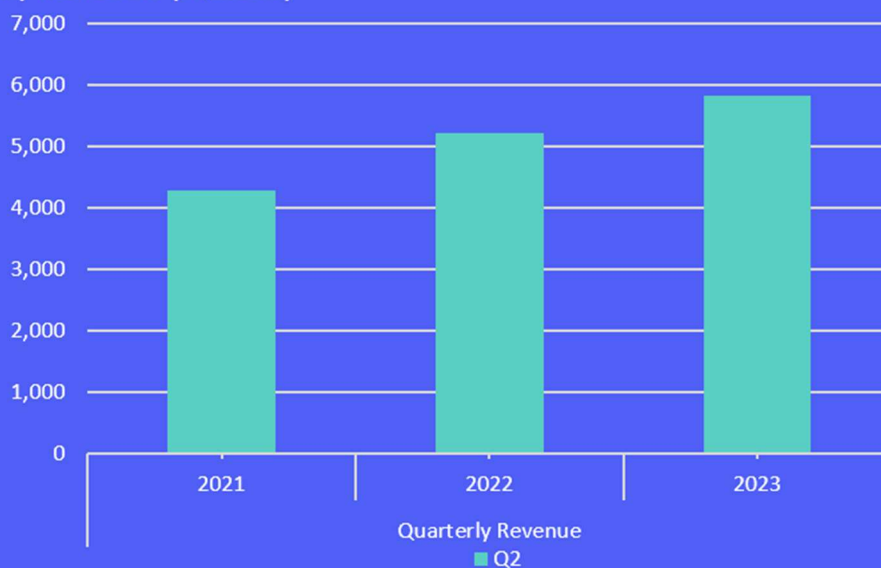
The Company will generate revenue streams from hardware sales, service, and licensing fees.

In late December the Company received a Letter of Intent from ALT Telecom Public Company Limited (ALT), a listed Thailand Stock Exchange company, to form a partnership to distribute Netlinkz services, and VSN as network product bundles, for enterprise in Thailand to be followed by other Southeast Asian markets.

ALT is a fully integrated telecommunication infrastructure provider, providing internet services, wholesale bandwidth, digital and renewable energy infrastructure planning and construction. ALT holds a Type-III telecommunications license in Thailand.

The partnership will have an initial focus on an integrated communication platform, Network as a Service (NaaS) for enterprises based in Thailand. This will be followed across the south-east Asian region which is seeing increasing demand for manufacturing as a result of global supply chain issues. ALT see a significant opportunity to support digitisation for enterprise which is leading to an increasing demand for NaaS integrated with a multi-Cloud approach.

Quarterly Revenue (A\$000s)



Total cash receipts from customers for Q2 FY2023 was \$6.7m a 29% increase over the previous quarter and a 22% increase over Q2 FY2022.

Payments for operating costs For Q2 FY2023 increased to \$7.4 million, predominantly as a result of \$2.0m spent in relation to the first part of a 5,000 unit order from SpaceX, with \$1m in inventory and a further \$1m prepayment on product yet to be received.

Gross margins were lower at 19% for the quarter (2022: 24%) impacted by onboarding of the Southcloud business and pre the roll out of VSN across the Southcloud customer base. Product manufacturing and operating costs/cost of sales on accounting (AASB15) revenue recognition basis shows a gross margin currently at 23%. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Research and development costs increased to \$591k for the quarter, a 285% increase on the same period in the prior year. as the Company continues to develop enhancements to its VSN Express™ suite of products and services, and invest in the product as VSN Starlink Services are rolled out.

Staff costs and administration and corporate costs of \$3.3m were consistent with the prior quarter of \$3m.

Cash at the end of the quarter was \$2.3m.

Other

Equity placement facility

The Company drew down \$3m of the Regal Funds Management \$20.5m facility during the quarter. On settlement the Company issued 196,078,431 shares, at an effective price of \$0.0153 per share.

Debt facilities

Amounts drawn under debt facilities at period end amount to \$3.815m. Of this amount \$1.815m was provided by Booker Super Services Pty Limited (see ASX Announcement 9 May 2022) and a further short term facility of \$2m million was provided by Juel Litigation Finance Pty Ltd to fund an inventory purchase from Starlink Internet Services Pte Limited, repayable on 23 February 2023.

Board and Management

On 20 October 2022 the Company appointed Mr Hakan Eriksson as an independent non-executive director. Mr Eriksson is a globally experienced board director and technology leader, having worked extensively with R&D, innovation and strategy in multiple functions, organisations and countries. Mr Eriksson's corporate experience includes Chief Technology Officer at Telstra from 2017 to 2020, and a number of roles with Ericsson from 1998 to 2017, including Group Chief Technology Officer 2003-2012, culminating in the role of Chief Strategy Officer South East Asia and Oceania. Mr Eriksson has a Master of Science, Electrical Engineering and an Honorary PhD from Linkoping University, Sweden.

Mr Hualin Zhang, retired as a Director on 25 November 2022.

Ms Anthea Ye was appointed Chief operating Officer on 15 October 2022. Ms Ye has been the CEO – Australia and Oceania for China Telecom since 2010. Ms Ye has 19+ years' Asia Pacific experience, in building and managing, cross-functional, cross-border teams, delivering programs and project excellence, for complex Telecommunication / ICT projects. Ms Ye has a Bachelor of Computer Science, Nanjing University of Posts and Telecommunications, Nanjing, China, a Master of Computer Science, Beijing University of Posts and Telecommunications, Beijing, China and an MBA, Hong Kong University of Science and Technology, Hong Kong.

The Company paid directors \$0.216m during the quarter comprised of salaries, superannuation, and expense reimbursements.

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

Name of Entity: **Netlinkz Limited**

ABN: **55 141 509 426**

Quarter ended ("current quarter"): **31 December 2022**

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | 6,695 | 11,899 |
| 1.2 | Payments for | | |
| | research and development | (591) | (881) |
| | product manufacturing and operating costs | (7,394) | (10,202) |
| | advertising and marketing | (279) | (321) |
| | leased assets | (30) | (55) |
| | staff costs | (1,274) | (2,513) |
| | administration and corporate costs | (2,017) | (4,109) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 1 | 1 |
| 1.5 | Interest and other costs of finance paid | (128) | (140) |
| 1.6 | Income taxes paid | (69) | (101) |
| 1.7 | Government grants and tax incentives | 250 | 250 |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash used in operating activities | (4,836) | (6,172) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (15) | (84) |
| | (d) investments | - | - |
| | (e) intellectual property | (2) | (2) |
| | (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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (17) | (86) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 3,000 | 3,000 |
| 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 | (550) | (550) |
| 3.5 | Proceeds from borrowings | 3,315 | 4,815 |
| 3.6 | Repayment of borrowings | (1,000) | (1,000) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | (137) | (227) |
| 3.10 | Net cash from / (used in) financing activities | 4,628 | 6,038 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
|--------------------------------------|--|----------------------------|---------------------------------------|

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,513 | 2,689 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (4,836) | (6,172) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (17) | (85) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,628 | 6,038 |
| 4.5 | Effect of movement in exchange rates on cash held | 9 | (173) |
| 4.6 | Cash and cash equivalents at end of period | 2,297 | 2,297 |

| | | | |
|------------|---|------------------------------------|-------------------------------------|
| 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 | 2,297 | 2,513 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,297 | 2,513 |

| | | |
|---|---|------------------------------------|
| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 216 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <i>Amounts shown in item 6.1 relate to remuneration payments made to Directors.</i> | | |

CONSOLIDATED STATEMENT OF CASH FLOWS



| 7. | Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|-----|---|--|-------------------------------------|
| 7.1 | Loan facilities | 12,000 | 3,815 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other | 17,500 | - |
| 7.4 | Total financing facilities | 29,500 | 3,815 |
| 7.5 | Unused financing facilities available at quarter end | | 25,685 |
| 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. | | |

See ASX Announcement 9 May 2022 – Lender Booker Super Services Pty Ltd, initial interest rate 6.8%, adjusted by increases in cash rate by Reserve Bank of Australia. The facility is unsecured, with a maturity date of 30 June 2025.

The Company entered an unsecured short term facility of \$2m provided by Juel Litigation Finance Pty Ltd to fund an inventory purchase from Starlink Internet Services Pte Limited, at an interest rate of 20% per annum. The facility is unsecured, with a maturity date of 23 February 2023.

See ASX Announcement 1 August 2022. The Company has entered into an equity facility agreement with Regal Funds Management Pty Limited for an amount up to \$20.5m. The facility is for a period of 3 years, with terms as outlined in the ASX announcement. The Company has drawn \$3m of this facility and settled the amount in shares.

| 8. | Estimated cash available for future operating activities | \$A'000 |
|-------|--|---------|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (4,836) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 2,297 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 26,185 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 28,482 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 5.9 |
| | <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 | If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 | 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? | |
| | Answer: N/A | |
| 8.6.2 | 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? | |
| | Answer: N/A | |
| 8.6.3 | Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| | Answer: N/A | |
| | <i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i> | |

COMPLIANCE STATEMENT 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.

25.01.2023

Authorised by: The Board

Notes:

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

See chapter 19 of the ASX Listing Rules for defined terms

Netlinkz Limited (Netlinkz or the Company) (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz VSN solution is a NaaS (Network-as-a-Service) proposition that is user-centric, creating a per-user private network that is available, secure and performance optimised, for authorised users regardless of their location.

The Netlinkz VSN allows enterprises to embrace their new-normal by allowing IT departments to consistently enforce employee connectivity policies (compliance), simplifying operations (cost), improving security (business continuity), while directly correlating technology investment to user-productivity (value).

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

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