

31 July 2019

APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 30 JUNE 2019

31 July 2019: Netlinkz Ltd (ASX:NET) ('Netlinkz' or the 'Company'), today lodged its Appendix 4C quarterly report of cashflows for the quarter ended 30 June 2019 with the Australian Securities Exchange (ASX).

Operating Activities:

Netlinkz reported a cash balance of AUD\$3.15 million at 30 June 2019.

Net operating cashflow for the quarter was (AUD\$2.46) million (significantly increased from the previous quarter spend of (AUD\$0.38) million). The increased expenditure reflects the ongoing development and enhancement of the Company's software (Virtual Invisible Network; known as VIN or the Product) to meet the demands of the Chinese market and ensure the implementation of the "China Go To Market" strategy.

The Netlinkz and iSoftStone IoT Lab in Beijing is currently developing the Product in collaboration with a selected group of iSoftStone customers. On 29 June 2019 Netlinkz received cash proceeds of AUD\$160,000 for the sale of VINs from the pilot program with China Telecom Wuxi. The China based agent – JAST, will now roll-out the Product through 51 additional cities in China.

On 25 June 2019 Netlinkz further announced that Blue Tech Inc has successfully completed lab testing of the latest version of Netlinkz software and have requested a reseller agreement to commence distribution of the SDWAN VIN product via its significant US Federal customer base.

Netlinkz has seen a significant increase in both the share price (\$0.051 31 March to \$0.165 30 June a 323% increase) and volume of the shares traded over this past quarter. The increase in the share price has allowed shareholders to exercise options and has generated approximately AUD\$1.4m worth of premium, providing additional working capital.

The appointment of Mr Jim Preketes as Chief Operations Officer and Shaun Tsiang as an additional internal software engineer was announced in June 2019 in line with the Go To Market Strategy. Further the appointment of Ian Renwood in May 2019 to the newly established advisory board was also announced.

Investment

Netlinkz has made a payment as part of a commercial transaction which is yet to finalise. The terms of the transaction are confidential and commercially sensitive. Details will be released to the market on completion of the transaction. The payment has been funded by way of a loan.

Finance Facilities

In May 2019 & June 2019 Netlinkz received proceeds from GEM Funding Facility drawdowns of AUD\$2,183,760 and AUD\$1,287,000 respectively.

In May & June 2019 the Company received proceeds under a loan agreement with Coleil Pty Ltd of \$5m which was used in part to make the payment for the commercial transaction and the balance of the funds have been used for working capital.

On 28 June 2019 Netlinkz announced that it has extinguished in full the secured loan facility from QMAC Capital Security LLC of AUD\$1,575,000 pursuant to a non-cash settlement agreement.

Cashflow next quarter

Next quarter's projected expenditure includes continuing costs for the "China Go To Market" strategy and expanding into the US market with Blue Tech. There will also be costs later in the quarter associated with the setup of the IoT lab to be established in Australia. There is also a continuation of the R&D spend reflecting the ongoing development and enhancement of the Company's software establishing an IoT cloud solution in Australia.

Majority of these costs are to be funded through the existing GEM Capital Commitment Facility. The company also anticipates additional funding from the exercise of options by shareholders.

The Appendix 4C is attached.

-END-

Forward-Looking Statements

This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning NET's potential business development, corporate activities and any, and all, statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should" and similar expressions are forward-looking statements. NET believes that its forward-looking statements are reasonable; however, forward-looking statements involve risks and uncertainties and no assurance can be given that actual future results will be consistent with these forward-looking statements. All figures presented in this document are unaudited and this document does not contain any forecasts of profitability or loss.

For more information, please contact:



James Tsiolis

Executive Director

About NetLinkz Limited

Netlinkz provides secure and efficient cloud network 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.

+Rule 4.7B

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 June 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		160	188
1.2 Payments for			
(a) research and development		(1,346)	(2,739)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(55)	(134)
(d) leased assets		-	-
(e) staff costs (other employment costs)		(104)	(498)
(f) administration and corporate costs		(633)	(1,557)
		(250)	(725)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		0	1
1.5 Interest and other costs of finance (paid) / received		(175)	(175)
1.6 Income taxes paid/ GST Refunds		18	141
1.7 Government grants and tax incentives		-	1,082
1.8 Other (provide details if material)		-	-
- Office costs		(68)	(287)
- Travel costs		(7)	(35)
- Other (restructuring & Perth office)		-	-
1.9 Net cash from / (used in) operating activities		(2,460)	(4,738)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(19)	(29)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(8)	(35)
	(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	-	50
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(22)	(12)
	– Payment towards commercial transaction which has not yet completed	(2,587)	(2,587)
2.6	Net cash from / (used in) investing activities	(2,636)	(2,613)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,471	4,973
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	768	1,231
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(164)
3.5	Proceeds from borrowings	5,481	6,108
3.6	Repayment of borrowings	(38)	(194)
3.7	Transaction costs related to loans and borrowings	(1,498)	(1,498)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	8,184	10,456

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	63	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,460)	(4,738)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,636)	(2,613)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,184	10,456
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,151	3,151

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	2,401	63
5.2	Call deposits	750	-
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)	3,151	63

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	135
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	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,646	6,646
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.

Netlinkz has fully drawn on the loans (at 8.1) of \$6.646m. There are 3 separate loans where the interest rate on the unsecured loan of \$1.646m is 15% and the \$5m loans are secured, and each have an interest rate of 10%.

The QMAC Facility has been repaid in full all QMAC charges over the assets of Netlinkz have been extinguished.

Netlinkz has drawn down \$3.471m of GEM Global's three year AUD\$29m Facility.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,351
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	90
9.4 Leased assets	56
9.5 Staff costs (other employment costs)	543
9.6 Administration and Corporate costs	1,009
9.7 Other (provide details if material)	40
9.8 Total estimated cash outflows	3,539

GEM Global draw down proceeds will continue to fund the majority of activities of the Company for the next quarter, along with the additional funding from the exercise of options by shareholders and the R&D Tax Incentive refund expected to be received in the next quarter. The significant costs next quarter continue to be R&D which also includes the establishment of the IoT lab based in Australia and increased engineering & business development employment costs.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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.

James Fols

Sign here: _____ Date: 31 Jul 2019
(Director)

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.