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Netlinkz

NETLINKZ LIMITED

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

ACN 141 509 426

CORPORATE DIRECTORY

Directors	Stephen Gibbs James Tsiolis Grant Booker	Non-Executive Chairman Managing Director and Chief Executive Officer Non-Executive Director
Company secretary	Guy Robertson	
Registered office	65 Stanley Street Darlinghurst NSW 2010	
Principal place of business	65 Stanley Street Darlinghurst NSW 2010	
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Australia	
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney, NSW, 2000 Australia	
Stock exchange listing	Netlinkz Limited shares are listed on the Australian Securities Exchange ASX code: NET	
Website	www.netlinkz.com	

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DIRECTORS' REPORT

DIRECTORS

The names of directors who held office during or since the end of the half year are:

- Stephen Gibbs Non-Executive Chairman
- James Tsiolis Managing Director and Chief Executive Officer
- Grant Booker Non-Executive Director
- James Stickland Non-Executive Director (resigned 15 March 2024)
- Geoff Raby AO Non-Executive Director (resigned 15 March 2024)
- Hakan Eriksson Non-Executive Director (resigned 15 March 2024)

PRINCIPAL ACTIVITIES

Netlinkz Limited and its controlled entities (Netlinkz or the Company) (ASX:NET) provides secure and efficient cloud networking solutions. The Company provides a physical and virtual secure 'Network as an Application' (NaaP) for enterprises of all sizes with its patented technology and products. Netlinkz is focused on cloud-first, security, scalability, and simplicity, allowing its customers to concentrate on business growth, team collaboration, and global sharing of critical data. The technology makes security commercially available for organisations of all sizes with the technology being secured by patents.

REVIEW OF OPERATIONS

The Directors of Netlinkz are pleased to present their report on the Company at the end of the half year period ended 31 December 2023.

Revenue for the half year ended 31 December 2023 of \$10,646,439 was 2% up on the prior half year (31 December 2022: \$10,433,174). The total comprehensive loss for the half year ended 31 December 2023 was \$9,326,550 (31 December 2022: loss of \$6,307,022), primarily due to an increase in borrowing costs, local administration and support services for Starlink, and research and development costs.

The increase in the loss over the prior period was largely attributable to an increase in borrowing costs by approximately \$3 million. The Board determined that it was appropriate to borrow funds rather than undertake a capital raising which would result in significant dilution to shareholders given the prevailing low share price.

During the period under review additional costs were also incurred on integration of the VSN with Starlink and establishment of partnerships in south east Asia as sales channels also providing billing, inventory management, and customer support. Offices were opened during the period in Thailand, Malaysia, Pakistan, Chile and in progress in Dubai and Philippines. Further costs were incurred in establishing operational systems to support growing business and further investment in customer delivery and customer services to support continued growth.

The operating cash outflow for the period is in line with the prior year period. However, to reduce the cost of debt the Company has taken steps to significantly cut operating costs, including a reduction in the board from six directors to three, as announced to the ASX.

In addition, the Company reached agreement to sell the bulk of its Starlink inventory for \$4.6 million and will use a portion the proceeds to reduce its borrowings. The Company will order Starlink inventory going forward based on customer orders.

A further reduction in borrowings is planned following a capital raising which will require a general meeting of Shareholders, a proposed share consolidation, and a prospectus. The Group has prepared a detailed cash flow forecast which estimates a positive cash position over the 12-month period from the date of authorisation of this report. However, this forecast is reliant upon the receipt of additional financing, its success in extending current loans during the forecast period and the successful securement of various large overseas sales contracts from the Starlink business.

The key material risks are identified by the Board and management and reviewed on a regular basis. Risks are specifically reviewed on a half-yearly basis by the Audit and Risk Committee (now the Board), as governed by the Company's risk management policy.

The key risks for the business are as outlined in the Annual Report 30 June 2023 and include the following:

- **Funding:** The company is currently not profitable and needs to reduce its borrowings. The planned capital raising may not be successful. The Company has already taken steps to reduce its borrowings following the bulk sale of inventory, and has the support of major shareholders in a capital raise.
- **Starlink:** The Company could lose its distribution agreement with Starlink. The Company has built a significant infrastructure in south east Asia and other countries to provide the support required for the roll out of Starlink. The Company has a good relationship with this supplier and work co-operatively for the success of this business.
- **Customer acquisition and retention risk.** The rate of customer acquisition across NaaS and Starlink is a key driver of overall revenue and profitability improvement for the group. This is dependent to some degree on partners and their support in driving sales opportunities. This risk is mitigated by investing and developing in strong partnerships, and on operational delivery.
- **Product development risk.** There is a risk that products developed become obsolete, have poor functionality, or do not meet the needs of customers in the market. To mitigate this, all software products are managed and reviewed on a regular basis, with clear product development roadmaps. Customer feedback is also included in product development.
- **Loss of key personnel and inability to attract talent.** The Company operates in specialised areas which requires certain key skill sets. There are limited people available with the appropriate skills. To mitigate this the business reviews remuneration in the industry to and designs employment packages to attract and retain staff in key areas supplemented by consultants.

Starlink

The Company has invested heavily in support and administrative services over the last 12 months. However, global logistics and warehousing costs have led to a review of the operations resulting in a pivot in strategy. Whilst the Company has generated significant sales of Starlink hardware and broadband services the cost of delivering and maintaining the customer base is significant, particularly with logistics and support.

The strategy of developing a sales channel for VSN in the satellite broadband sector will continue for the Company but not as a reseller of hardware. The Company is pursuing sales channels with telecommunication entities where VSN is bundled into the solution offering satellite broadband.

China

China revenue totalled \$7.6m for the half-year (31 December 2022: \$8.3m). Key sources of revenue included VSN and NaaS based services, including secure networking design, implementation, and engineering work. China continues to focus on its contracted recurring revenue base with enterprise customers, which are predominantly foreign companies based in China. The business previously completed its restructure to facilitate a focus on progressing to profitability.

Australia

SSI revenue totalled \$1.6m for the half-year (31 December 2022: \$1.6m). The business has continued to perform strongly. Telecommunications were the key drivers of revenue. Lawful interception, security and data management services continue to grow.

Funding

Netlinkz arranged additional debt facilities during the half year to fund growth. These facilities included \$6,365,000 in borrowings and \$2,250,000 via a convertible note.

Of the borrowings \$2 million was provided by an entity associated with Mr Grant Booker, a Director of the Company.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

It is the opinion of the Directors that there were no significant changes in the state of affairs of the Company during the half year period ended 31 December 2023, except as otherwise noted in this report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 22 April 2024, the Company entered into a sale/purchase agreement to sell its complete holding of its satellite internet hardware. The total sale proceeds are expected to amount to A\$4.6 million, of which the Company received A\$3.3 million on 3 June 2024.

The Company has significantly reduced its operating and administration costs in the third quarter of its financial year as a result of a restructure of its management and operations.

On 4 March 2024, the Company appointed Ariel Sivikofsky as Chief Financial Officer. On 15 March 2024, James Stickland, Geoff Raby, and Hakan Eriksson resigned as Directors of the Company, effective as at that date.

The Company's auditor, BDO Audit Pty Ltd, has given notice to the Board of its intention to resign upon signing this Interim Financial Report. This application has been made to Australian Securities and Investments Commission (ASIC) with ASIC required to approve the resignation, and appointment of an incoming auditor.

There were no matters or circumstances that have arisen since 31 December 2023, other than those described above, that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

DIVIDENDS

No dividends have been declared for the half-year period ended 31 December 2023 or for the previous corresponding period.

INDEMNIFICATION OF AUDITORS

The Company has not, during or since the end of the half-year period ended 31 December 2023, indemnified, or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the half year period ended 31 December 2023, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR INDEPENDENCE

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included in this report.

AUDITOR

BDO Audit Pty Ltd has notified the Board of its intention to resign as auditor of the Company and has made such application with ASIC.

This report is made in accordance with a resolution of the Board of Directors.



James Tsiolis
Director
Sydney NSW

Dated this 11 day of June 2024.

DECLARATION OF INDEPENDENCE BY TINA HAN TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor for the review of Netlinkz Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Netlinkz Limited and the entities it controlled during the period.



TINA HAN
Director

BDO Audit Pty Ltd

Sydney, 11 June 2024

Continuing operations	Note	Consolidated for the half year ended	
		31 Dec 2023	31 Dec 2022
		\$	\$
Revenue	3	10,646,439	10,433,174
Cost of sales		(7,783,449)	(8,218,088)
Gross profit		2,862,990	2,215,086
Other income	3	67,263	36,273
Employee, consultant, administrative and corporate expenses		(5,703,512)	(4,214,615)
Research and development expenses		(1,188,064)	(712,942)
Business development and marketing expenses		(509,984)	(660,812)
Share based payment expenses		(154,260)	(1,574,341)
Finance costs		(3,179,368)	(162,854)
Depreciation and amortisation		(446,426)	(517,015)
Other expenses		(881,289)	(771,998)
Loss before income tax expense	4	(9,132,650)	(6,363,218)
Income tax expense		-	-
Loss after income tax expense for the half year		(9,132,650)	(6,363,218)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(193,900)	56,196
Other comprehensive income for the half year, net of tax		(193,900)	56,196
Total comprehensive loss for the half year		(9,326,550)	(6,307,022)
<i>Loss for the half year is attributable to:</i>			
Members of the parent entity		(9,135,896)	(6,328,357)
Non-controlling interests		3,246	(34,861)
		(9,132,650)	(6,363,218)
<i>Total comprehensive loss for the half year is attributable to:</i>			
Members of the parent entity		(9,332,466)	(6,270,274)
Non-controlling interests		5,916	(36,748)
		(9,326,550)	(6,307,022)
Loss per share from continuing operations		\$	\$
Basic loss per share	18	(0.0024)	(0.0019)
Diluted loss share	18	(0.0024)	(0.0019)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	Consolidated as at	
		31 Dec 2023	30 Jun 2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,467,199	712,852
Trade and other receivables	6	7,849,735	3,573,903
Inventory	7	6,087,357	6,604,126
Other assets		201,748	584,937
Total current assets		15,606,039	11,475,818
Non-current assets			
Plant and equipment		34,926	16,327
Investments		100,000	100,000
Right of use assets		110,344	233,017
Intangible assets	8	1,502,618	1,879,743
Goodwill	8	9,531,080	9,531,080
Total non-current assets		11,278,968	11,760,167
Total assets		26,885,007	23,235,985
LIABILITIES			
Current liabilities			
Trade and other payables	9	4,281,471	2,530,618
Employee benefits	10	111,287	146,707
Convertible note	12	2,013,054	-
Borrowings	11	8,365,000	4,000,000
Other current liabilities	13	5,387,784	1,062,244
Total current liabilities		20,158,596	7,739,569
Non-current liabilities			
Borrowings	11	3,250,000	3,250,000
Other non-current liabilities	13	39,619	53,692
Total non-current liabilities		3,289,619	3,303,692
Total liabilities		23,448,215	11,043,261
Net assets		3,436,792	12,192,724
Equity			
Issued capital	14	130,725,041	130,077,646
Reserves	16	(324,502)	14,188,023
Accumulated losses	17	(126,655,224)	(132,027,248)
Capital and reserves attributable to members of the parent		3,745,315	12,238,421
Non-controlling interests		(308,523)	(45,697)
Total equity		3,436,792	12,192,724

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Attributable to owners of Netlinkz Limited						
	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	130,077,646	14,188,023	(132,027,248)	12,238,421	(45,697)	12,192,724
Loss for the half year	-	-	(9,135,896)	(9,135,896)	3,246	(9,132,650)
Other comprehensive income	-	(158,865)	-	(158,865)	2,670	(156,195)
Total comprehensive loss for the half year	-	(158,865)	(9,135,896)	(9,294,761)	5,916	(9,288,845)
Transactions with owners in their capacity as owners:						
Share issue	2,447,395	-	-	2,447,395	-	2,447,395
Amendment to prior share issue	(1,800,000)	-	-	(1,800,000)	-	(1,800,000)
Transfers	-	(14,507,920)	14,507,920	-	(268,742)	(268,742)
Share based payments	-	154,260	-	154,260	-	154,260
Balance at 31 December 2023	130,725,041	(324,502)	(126,655,224)	3,745,315	(308,523)	3,436,792

Attributable to owners of Netlinkz Limited						
	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	122,528,735	13,372,400	(120,200,785)	15,700,350	110,338	15,810,688
Loss for the half year	-	-	(6,328,357)	(6,328,357)	(34,861)	(6,363,218)
Other comprehensive income	-	58,083	-	58,083	(1,887)	56,196
Total comprehensive loss for the half year	-	58,083	(6,328,357)	(6,270,274)	(36,748)	(6,307,022)
Transactions with owners in their capacity as owners:						
Share issue	3,526,393	-	-	3,526,393	-	3,526,393
Shares issued on vesting of performance rights	91,667	(91,667)	-	-	-	-
Share based payments	-	1,193,341	-	1,193,341	-	1,193,341
Capital raising costs	(500,000)	-	-	(500,000)	-	(500,000)
Balance at 31 December 2022	125,646,795	14,532,157	(126,529,142)	13,649,810	73,590	13,723,400

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	Consolidated for the half year ended	
		31-Dec-23	31-Dec-22
		\$	\$
Cash flows from operating activities			
Receipts from customers		11,579,349	12,483,437
Payments to suppliers and employees		(16,832,434)	(19,222,569)
Research and development tax offset		349,546	249,808
Interest received		-	3,875
Interest paid		(963,570)	(160,761)
Net cashflows used in operating activities		(5,867,109)	(6,646,210)
Cash flows from investing activities			
Purchase of plant and equipment		(51,121)	-
Net cashflows used in investing activities		(51,121)	-
Cash flows from financing activities			
Proceeds from issue of shares		-	3,000,000
Capital raising expenses		-	(500,000)
Proceeds from borrowings		8,615,000	4,815,000
Repayments of borrowings		(2,000,000)	(1,000,000)
Principle lease payments		(57,238)	(77,876)
Net cashflows from financing activities		6,557,762	6,237,124
Net increase/(decrease) in cash and cash equivalents		639,532	(409,086)
Effect of foreign exchange movements on cash		114,815	17,015
Cash and cash equivalents at the beginning of the half year		712,852	2,689,024
Cash and cash equivalents at the end of the half year	5	1,467,199	2,296,953

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General information

The financial statements cover Netlinkz Limited as a consolidated entity, consisting of Netlinkz Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency. Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2023.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. For the period ended 31 December 2023, the Group incurred a total loss after tax of \$9,132,650 (31 December 2022: \$6,363,218), had net cash outflows from operating activities of \$5,867,109 (31 December 2022: \$6,646,210) for the half year, and had a net current assets deficit of \$4,552,557 as at 31 December 2023 (30 June 2023: Surplus \$3,736,249). On 20 September 2023, the loan facility with Booker Super Service Pty Ltd was terminated. The Company was informed by Booker Super Services that it will be unable to provide additional funding under the facility. The loan balance will not be repaid early and maintains its existing maturity date of 30 June 2025.

The Group has prepared a detailed cash flow forecast which estimates a positive cash position over the 12-month period from the date of authorisation of this report. However, this forecast is reliant upon the receipt of additional financing, its success in extending current loans during the forecast period and the successful securement of various large overseas sales contracts from the Starlink business. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above, the Directors believe that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following:

1. The company has signed a letter of funding with Oakley Capital to raise a minimum of \$5 million over the next 12 months.
2. The company has a proven record in further extending loan repayment dates when they are due.
3. Approximately \$2.9 million of loans can be accessed by Netlinkz through executed existing Syndicated Loan facility.
4. During April 2024, the company entered into a sale/purchase agreement to sell its complete holding of its satellite internet hardware. The total sale proceeds are expected to amount to A\$4.6 million, of which the Company received A\$3.3 million on 3 June 2024.

To date, the Directors have been successful in obtaining financing through the issuance of equity and convertible notes or debts and therefore, there is a strong expectation that alternate sources of funding can be sourced. As such, the financial report has been prepared on a going concern basis. The Directors are confident that the above strategies will eventuate and that the Company is a going concern, however, should the above not eventuate the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not

NOTE 2. OPERATING SEGMENTS

include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in geography: Australia & New Zealand and International, of which China is currently the major part. Each country has a management team to oversee the local operations and undertake local research and development, including source code specific to that country and/or region. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews monthly management and financial reports, including EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information is reported to the CODM on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

- i) Software & licensing revenue: the sale, licensing and support of software.
- ii) Consulting, design & implementation services: the design and execution of secure network migration and deployment services and hardware.

Intersegment transactions

No intersegment transactions occurred during the period.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised as the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information - continued

For the half year ended 31 December 2023	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	3,073,654	7,572,785	-	10,646,439
Other income	36,554	10,323	20,386	67,263
Total revenue	3,110,208	7,583,108	20,386	10,713,702
Cost of sales	(1,359,004)	(6,424,445)	-	(7,783,449)
Share based payment expenses	-	-	(154,260)	(154,260)
Business development and marketing expenses	(509,984)	-	-	(509,984)
Employee, consultant, administrative and corporate expenses	(5,340,172)	(363,340)	-	(5,703,512)
Research and development expenses	(398,416)	(789,648)	-	(1,188,064)
Other	(804,440)	(76,849)	-	(881,289)
Total earnings before interest, tax, depreciation and amortisation	(5,301,808)	(71,174)	(133,874)	(5,506,856)
Depreciation and amortisation	(418,956)	(27,470)	-	(446,426)
Finance costs	(3,178,718)	(650)	-	(3,179,368)
Loss before income tax from continuing operations	(8,899,482)	(99,294)	(133,874)	(9,132,650)
For the half year ended 31 December 2022	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	2,180,668	8,252,506	-	10,433,174
Other income	-	4	36,269	36,273
Total revenue	2,180,668	8,252,510	36,269	10,469,447
Cost of sales	(869,050)	(7,349,038)	-	(8,218,088)
Share based payment expenses	-	-	(1,574,341)	(1,574,341)
Business development and marketing expenses	(660,812)	-	-	(660,812)
Employee, consultant, administrative and corporate expenses	(3,080,814)	(1,133,801)	-	(4,214,615)
Research and development expenses	(17,513)	(695,429)	-	(712,942)
Other	(699,443)	(72,555)	-	(771,998)
Total earnings before interest, tax, depreciation and amortisation	(3,146,964)	(998,313)	(1,538,072)	(5,683,349)
Depreciation and amortisation	(458,247)	(58,768)	-	(517,015)
Finance costs	(162,854)	-	-	(162,854)
Loss before income tax from continuing operations	(3,768,065)	(1,057,081)	(1,538,072)	(6,363,218)

As at 31 December 2023	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
Summarised balance sheet	\$	\$	\$	\$
Current assets	12,107,985	2,833,922	664,132	15,606,039
Current liabilities	(6,008,477)	(532,094)	(13,618,025)	(20,158,596)
Current net assets	6,099,508	2,301,828	(12,953,893)	(4,552,557)
Non-current assets	7,612,864	2,987,720	678,384	11,278,968
Non-current liabilities	(53,692)	-	(3,235,927)	(3,289,619)
Non-current net assets	7,559,172	2,987,720	(2,557,543)	7,989,349
Net assets	13,658,680	5,289,548	(15,511,436)	3,436,792

As at 30 June 2023	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
Summarised balance sheet	\$	\$	\$	\$
Current assets	8,155,651	2,825,405	494,762	11,475,818
Current liabilities	(5,639,017)	(262,241)	(1,838,311)	(7,739,569)
Current net assets	2,516,634	2,563,164	(1,343,549)	3,736,249
Non-current assets	7,563,451	2,939,486	1,257,230	11,760,167
Non-current liabilities	(3,303,692)	-	-	(3,303,692)
Non-current net assets	4,259,759	2,939,486	1,257,230	8,456,475
Net assets	6,776,393	5,502,650	(86,319)	12,192,724

NOTE 3. REVENUE AND OTHER INCOME

Disaggregation of revenue

	Consolidated for the half year ended	
	31 Dec 23	31 Dec 22
	\$	\$
Consulting, design and implementation revenue	8,207,297	8,473,126
Software, service and licensing revenue	2,439,142	1,960,048
Total revenue	10,646,439	10,433,174
Other Income		
Interest income	-	3,875
Other income	67,263	32,398
Total other income	67,263	36,273

Revenue	Consulting, design & implementation revenue 31 Dec 23 \$	Software and licensing revenue 31 Dec 23 \$	Total 31 Dec 23 \$
Primary Geographical markets			
Australia	634,512	1,574,957	2,209,469
New Zealand	-	864,185	864,185
China	7,572,785	-	7,572,785
	<u>8,207,297</u>	<u>2,439,142</u>	<u>10,646,439</u>
Timing of revenue Recognition			
Products transferred at point in time	634,512	1,239,346	1,873,858
Products and services transferred over time	7,572,785	1,199,796	8,772,581
	<u>8,207,297</u>	<u>2,439,142</u>	<u>10,646,439</u>

Revenue	Consulting, design & implementation revenue 31 Dec 22 \$	Software and licensing revenue 31 Dec 22 \$	Total 31 Dec 22 \$
Primary Geographical markets			
Australia	220,620	1,135,149	1,355,769
New Zealand	-	824,899	824,899
China	8,252,506	-	8,252,506
	<u>8,473,126</u>	<u>1,960,048</u>	<u>10,433,174</u>
Timing of revenue Recognition			
Products transferred at point in time	220,620	677,964	898,584
Products and services transferred over time	8,252,506	1,282,084	9,534,590
	<u>8,473,126</u>	<u>1,960,048</u>	<u>10,433,174</u>

NOTE 4. EXPENSES

Included in expenses are the following costs:

	Consolidated for the half year ended	
	31 Dec 23 \$	31 Dec 22 \$
Employee salary and wages expense	2,703,058	1,947,847
Consulting and contractor expense	1,767,318	1,199,888
Foreign exchange loss	147,962	7,726
Amortisation expense	377,125	377,743
Compliance and listing costs	53,294	105,194
Depreciation expense	<u>69,301</u>	<u>157,853</u>

NOTE 5. CASH AND CASH EQUIVALENTS

	Consolidated as at	
	31 Dec 23	30 Jun 23
	\$	\$
Cash at bank	1,467,199	712,582

NOTE 6. TRADE AND OTHER RECEIVABLES

Trade receivables	6,693,434	2,386,844
GST/VAT receivable	267,489	57,939
Security deposits	116,358	3,577
Prepayments	772,454	1,125,543
Trade and other receivables	7,849,735	3,573,903

NOTE 7. INVENTORY

Inventory	6,087,357	6,604,126
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Inventory predominantly relates to Starlink satellite equipment.

NOTE 8. INTANGIBLE ASSETS

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
For the half year period ended 31 Dec 2023				
Opening net book amount	9,531,080	1,130,690	749,053	11,410,823
Amortisation charge	-	(151,700)	(225,425)	(377,125)
Closing net book amount	9,531,080	978,990	523,628	11,033,698
As at 31 Dec 2023				
Cost	9,531,080	2,196,000	2,399,082	14,126,162
Accumulated amortisation and impairment	-	(1,217,010)	(1,875,454)	(3,092,464)
Net book amount	9,531,080	978,990	523,628	11,033,698

NOTE 9. TRADE AND OTHER PAYABLES

	Consolidated as at	
	31 Dec 23	30 Jun 23
	\$	\$
Trade payables and accruals	4,281,471	2,530,618

Trade payables and accruals include an accrual for \$1.8 million in relation to the Equity Placement Facility that was previously in place with Regal Funds Management. The Company has agreed with Regal to return an amount of approximately \$1.8 million instead of issuing further shares to Regal under the Equity Placement Facility.

NOTE 10. EMPLOYEE BENEFITS

	Consolidated as at	
	31 Dec 23	30 Jun 23
	\$	\$
Employee benefits	111,287	146,707

Amounts are not expected to be settled within the next 12 months. The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The above amounts reflect annual leave that has accrued as at the reporting date.

NOTE 11. BORROWINGS

	Consolidated as at	
	31 Dec 23	30 Jun 23
	\$	\$
Current		
Borrowings - secured	4,055,000	2,000,000
Borrowings - unsecured	2,310,000	2,000,000
Borrowings - related party	2,000,000	-
	8,365,000	4,000,000
Non-current		
Borrowings - unsecured - related party	3,250,000	3,250,000
	3,250,000	3,250,000

NOTE 11. BORROWINGS

Current

The Company had the following current borrowings at 31 December 2023:

Lender	Secured/unsecured	Principal outstanding \$	Maturity date	Interest rate Per annum
Juel Finance Pty Ltd	Secured	2,000,000	March 2025	20%
Syndicate	Secured	2,055,000	July 2024	42%
AFSG Capital Pty Ltd	Unsecured	500,000	January 2024	48%
Loan Note - related party	Unsecured	2,000,000	September 2024	18%
Loan Note	Unsecured	310,000	September 2024	18%
Akuna Finance Pty Ltd	Unsecured	500,000	June 2024	18%
Others	Unsecured	1,000,000	June 2024	48%
Total		8,365,000		

Non-current

The Company had a \$10 million loan facility with Booker Super Services Pty Ltd, an entity related to a Director of the Company. At 31 December 2023 the Company had drawn \$3.25m of funds. The facility was provided at an initial interest rate of 6.8%, which has been adjusted by the value of increased to the cash rate by the Reserve Bank of Australia. The facility is unsecured and has a maturity date of 30 June 2025. It was mutually agreed with the lender that no further funds would be drawn under the facility.

NOTE 12. CONVERTIBLE NOTE

	Consolidated as at	
	31 Dec 23	30 Jun 23
Current	\$	\$
Convertible Note - Host liability	1,345,824	-
Convertible Note - Derivative liability	667,230	-
	<u>2,013,054</u>	<u>-</u>

During the period, the Company entered into a Convertible Note for up to \$10 million. The first tranche of the note, for \$2.25 million, was drawn down on 12 October 2023. The facility has a maturity date of 6 April 2025. The first tranche can be converted in to shares from 6 January 2024. Interest of \$196,596 was recorded during the period using the effective interest rate method. The derivative liability represents the value of the conversion option included in the agreement. It is revalued at each reporting period. A revaluation loss of \$22,458 was recorded for the half-year period. 57,000,000 commitment shares were also issued as part of the arrangement at the issue price of \$0.008 per share, with a total value of \$456,000 (see note 14).

NOTE 13. OTHER LIABILITIES

(a) Other current liabilities

	Consolidated as at	
	31 Dec 23	30 Jun 23
	\$	\$
Unearned income	4,682,274	449,923
Payroll tax and other statutory liabilities	582,622	324,428
AASB 16 lease liability	76,992	92,893
Accrued Directors fees	45,896	195,000
	<u>5,387,784</u>	<u>1,062,244</u>

(b) Other non-current liabilities

AASB 16 lease liability	<u>39,619</u>	<u>53,692</u>
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NOTE 14. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	31 Dec 23	31 Dec 23	30 Jun 23	30 Jun 23
	Shares	\$	Shares	\$
Total ordinary shares - fully paid	<u>4,100,251,937</u>	<u>130,725,041</u>	<u>3,791,966,295</u>	<u>130,077,646</u>

NOTE 14. EQUITY – ISSUED CAPITAL - continued

Movements in ordinary share capital – Half year ended 31 December 2023

	Notes	Number of shares	\$
Opening balance 1 July 2023		3,791,966,295	130,077,646
Issue of shares - convertible note fee	(i)	57,000,000	456,000
Issue of shares - borrowing fee	(i)	1,124,928	12,917
Issue of shares - borrowing fee	(i)	176,375,000	1,396,000
Issue of shares - CEO incentive	(ii)	25,000,000	175,000
Issue of shares - services performed	(ii)	29,285,714	212,478
Issue of shares - directors fees	(iii)	19,500,000	195,000
Amendment to prior share issue	(iv)	-	(1,800,000)
Closing balance 31 December 2023		4,100,251,937	130,725,041

Movements in ordinary share capital – Year ended 30 June 2023

	Number of shares	\$
Opening balance 1 July 2022	3,191,671,270	120,447,809
Issue of shares – placement	457,516,340	7,000,000
Issue of shares – services performed	54,555,554	709,218
Issue of shares – performance rights	10,000,000	194,300
Issue of shares – director's fees	3,984,695	145,393
	3,791,966,295	130,577,646
Less: Capital raising costs arising on share issues	-	(500,000)
Closing balance 30 June 2023	3,791,966,295	130,077,646

(i) Borrowing and convertible note fees

57,000,000 shares were issued to Obsidian Global LLC as a commitment fee in relation to the Convertible Note announced to the ASX on 6 October 2023.

1,124,928 shares were issued to loan note holders as part of a debt and share offer announced to the ASX on 22 September 2023.

176,375,000 shares were issued to a broker for fees related to securing debt facilities during the period.

(ii) Services performed and CEO incentive

On 30 November 2023, at the Company Annual General Meeting, 25,000,000 shares were approved to be issued to the Managing Director, James Tsiolis, in relation to services performed. The shares were issued at a deemed price of \$0.007 per share.

29,285,714 shares were issued during the period, to employees/contractors, for services performed.

(iii) Directors' fees

On 30 November 2023, at the Company Annual General Meeting, it was resolved to issue 19,500,000 shares to Directors as part of their remuneration for prior services performed, instead of making cash payments. The shares were issued at a deemed price of \$0.01 per share.

NOTE 14. EQUITY – ISSUED CAPITAL - continued

(iv) Amendment to prior share issue

On 22 February 2023 the Company issued 261,437,909 shares at a price of \$0.0153 per share to Regal Funds Management Pty Ltd on behalf of certain of its investment funds under the \$20.5m Equity Placement Facility. The final number of shares to be issued, and the related issue price for these shares were pending finalisation. During the period, the Company has agreed with Regal Funds Management to return an amount of approximately \$1.8m instead of issuing further shares to Regal under the Equity Placement Facility.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the consolidated entity may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 15. SHARE BASED PAYMENTS

Options

	31 Dec 2023 Options	30 Jun 2023 Options
Options	-	75,500,000

Unissued ordinary shares under option:

Details	Number of options	Average exercise price \$
Opening balance 1 July 2023	75,500,000	
Options granted	-	
Options forfeited	(10,000,000)	0.125
Options expired	(75,500,000)	0.171
Closing balance 31 December 2023	-	

During the period, 65,500,000 options expired, with an average exercise price of \$0.171 and 10,000,000 options were deemed forfeited with an average exercise price of \$0.125.

NOTE 15. SHARE BASED PAYMENTS - continued

Share options forfeited had the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	31 Dec 2022	30 Jun 2023
20-Oct-22	20-Oct-24	0.05	2,500,000	2,500,000
20-Oct-22	20-Oct-24	0.10	2,500,000	2,500,000
20-Oct-22	20-Oct-24	0.15	2,500,000	2,500,000
20-Oct-22	20-Oct-24	0.20	2,500,000	2,500,000

Performance rights

During the half-year ended 31 December 2023, the Company did not issue any performance rights to employees (2022: 97,000,000). 168,666,667 performance rights were on issue at 31 December 2023 (30 June 2023: 168,666,667) but were subsequently deemed forfeited. The company does not have any outstanding performance rights at the date of this report.

NOTE 16. EQUITY – RESERVES

	Consolidated as at	
	31 Dec 2023	30 Jun 2023
	\$	\$
Foreign currency translation reserve	(324,502)	(165,305)
Share based payments and options reserve	-	14,353,328
Total reserves	(324,502)	14,188,023

Share based payments and options reserve

This reserve is used to record the value of equity benefits provided for the issue of equity instruments. The reserves at 31 December 2023 are nil.

NOTE 17. EQUITY – ACCUMULATED LOSSES

	Consolidated as at	
	31 Dec 2023	30 Jun 2023
	\$	\$
Accumulated losses at the beginning of the period/year	(132,027,248)	(120,200,785)
Loss after income tax expense for the period/year	(9,135,896)	(11,826,463)
Transfer from reserves	14,507,920	-
Accumulated losses at the end of the period/year	(126,655,224)	(132,027,248)

The transfer from reserves related to historical options and performance rights that had vested.

NOTE 18. LOSS PER SHARE

	Consolidated for the half year ended	
	31 Dec 23	31 Dec 22
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(9,135,896)	(6,328,357)
Weighted average number of ordinary shares used in calculating basic diluted loss per share	3,839,051,110	3,385,018,959
	\$	\$
Basic loss per share	(0.0024)	(0.0019)
Diluted loss per share	(0.0024)	(0.0019)

NOTE 19. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
		31 Dec 23	31 Dec 22
Name	Principal place of business/ Country of incorporation	%	%
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
ISC (Australia) Pty Ltd	Australia	100%	100%
SSI Pacific Pty Ltd	Australia	100%	100%
AoFa Software Engineering (Shanghai) Co. Ltd	China	100%	100%
Beijing iLinkAll Science and Technology Co	China	80%	80%
Netlinkz Technology Hong Kong Limited	Hong Kong	100%	100%
Netlinkz Japan K.K.	Japan	100%	100%
Netlinkz (Private) Limited	Pakistan	100%	100%
Netlinkz International Technology Limited	Ireland	100%	100%
Southcloud Holdings Pty Ltd	Australia	100%	100%
Southcloud Pty Ltd	Australia	100%	100%
Southcloud Malaysia Sdn. Bhd.	Malaysia	100%	-
Netlinkz NZ Limited	New Zealand	100%	-

NOTE 20. RELATED PARTY TRANSACTIONS

Since the end of the previous reporting period, 30 June 2023, the following related party transactions occurred:

Share based payments

The Company issued 25,000,000 shares to a Director of the Company, Mr James Tsiolis, at a deemed price of \$0.007 per share.

The Company issued 19,500,000 shares to non-executive directors in lieu of cash payments, at a deemed price of \$0.01 per share.

Borrowings

Up to 31 December 2023, \$3.25 million was provided by Booker Super Services Pty Ltd, an entity related to a Director of the Company, Mr Grant Booker. These were provided under a \$10m facility that was provided at an initial interest rate of 6.8%, which has been adjusted by the value of increased to the cash rate by the Reserve Bank of Australia. The facility is unsecured and has a maturity date of 30 June 2025. Interest incurred in relation to this facility for the half year ended 31 December 2023 was \$175,500.

During the period, an additional \$2.0m was contributed by an entity controlled by Mr Grant Booker, under the terms of the Loan Notes, at an interest rate of 18% per annum.

NOTE 21. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2023.

NOTE 22. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 April 2024, the Company entered into a sale/purchase agreement to sell its complete holding of its satellite internet hardware. The total sale proceeds are expected to amount to A\$4.6 million, of which the Company received A\$3.3 million on 3 June 2024.

The Company has significantly reduced its operating and administration costs in the third quarter of its financial year as a result of a restructure of its management and operations.

On 4 March 2024, the Company appointed Ariel Sivikofsky as Chief Financial Officer. On 15 March 2024, James Stickland, Geoff Raby, and Hakan Eriksson resigned as Directors of the Company, effective as at that date.

The Company's auditor, BDO Audit Pty Ltd, has given notice to the Board of its intention to resign upon signing this Interim Financial Report. This application has been made to ASIC with ASIC requiring to approve the resignation, and appointment of an incoming auditor.

There were no matters or circumstances that have arisen since 31 December 2023, other than those described above, that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 24 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Consolidated entity's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
 - b. complying with Accounting Standard AASB 134 "Interim Financial Reporting".
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



James Tsiolis
Director
Sydney NSW

Dated this 11 day of June 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Netlinkz Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Netlinkz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Tina Han', is written over a faint, larger 'BDO' logo.

Tina Han
Director

Sydney, 11 June 2024