

APPENDIX 4C

Quarterly Activities and Cashflow Report for quarter ended 30 June 2024

Netlinkz Limited (ASX:NET) and its consolidated subsidiaries (“Netlinkz” or “the Company”) is pleased to provide its Appendix 4C for the quarter ended 30 June 2024 (4th Quarter, June quarter) along with the following operational update for its key business divisions.

Fourth Quarter highlights

- Receipts from customers were \$5.9 million for quarter, including \$3.1 million from hardware disposal
- Cost cutting continued in the quarter with a substantial reduction of staff in China operations by 50%, to focus on higher margin business
- VSN Plus in final stages of testing for several key customers in South-East Asia
- Continued effort and progress in extending debt terms, and refinancing of all short-term debt (~\$10m)

Operations

Receipts from customers for the quarter were \$5.9 million, which included \$3.1 million from the sale of Starlink hardware.

The Company’s operations are focused on scaling its VSN Plus product offering in South-East Asia which is the key focus for future revenue growth generated from VSN Plus sales in the region. Further cost savings have been implemented which will take effect from the September quarter.

The SSI business remains stable with revenues in line with budget.

China operating receipts of A\$1.3 million for the quarter were significantly lower than the previous quarter and the same quarter last year. This is a result of poor economic conditions in China as small to medium enterprises reduce their network investment, in conjunction with Netlinkz cutting back on short term non-recurring low margin projects.

By cutting back the low profit margin business, the operational and engineering work force has been reduced by fifty percent, from 160 staff to the current level of 80 staff with cost savings in excess of 40%.

The China businesses, iLinkall and AOFA, will focus on VSN applications in factory machine-to-machine (IOT) data collection and secured data transfer. This includes robotics in manufacturing and warehousing logistics. This will allow the business to focus on long dated lucrative contracts with large enterprises that continue to make investment in network security and performance.

VSN

The company is finalising proof of concept (POC) testing with its partners and their enterprise clients with VSN Plus. There is particular focus on financial services, education, manufacturing and infrastructure projects utilizing the HGC Global Communications and PT&T (Philippine Telegraph and Telephone Corporation) networks to enable the POCs in South-East Asia.

Part of the POCs include the VSN being delivered in hardware devices for plug and play for customers wanting to enhance security performance with Satellite delivered broadband in remote locations.

Starlink

The transition of Starlink enterprise customers to Starlink directly or other resellers is well underway leading to significant cost savings for the company as it continues to reduce head count, service providers and inventory management expenses.

The company will continue to collaborate with Starlink customers using VSN plus and related services to grow its revenue base in Australia and South-East Asia.

SouthCloud

The company has discontinued the business as a result of poor revenue growth and poor profit margin.

Corporate

As a result of employee departures and performance hurdles not being met, the Company lapsed all performance rights and options at the end of the quarter.

In accordance with ASX recommendations the Company will implement a system of periodic disclosures to ensure that the market and its security holders are provided with regular updates as to its status and the plans it has for trading in its securities to resume and its progress in implementing those plans.

The Company is currently focused on restructuring its debt to extend the terms and reduce costs. The current facilities are as outlined in section 7.6 below of the Appendix 4C. Where no maturity date is stated, the facility term is in the process of being extended or part of an proposed debt reconstruction which has yet to be finalized.

Payments to directors during the quarter for director fees and salaries amounted to \$240,000.

This report has been approved by the Board for release to the ASX.

**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"): 30 June 2024

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	5,869	21,817
1.2	Payments for		
	research and development		(1,108)
	product manufacturing and operating costs	(798)	(10,151)
	advertising and marketing		(313)
	leased assets		(146)
	staff costs	(1,838)	(5,448)
	administration and corporate costs	(2,087)	(8,778)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(623)	(1,560)
1.6	Income taxes paid		(129)
1.7	Government grants and tax incentives		
1.8	Other	-	(56)
1.9	Net cash used in operating activities	523	(5,872)

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 or for:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	(45)
	d) investments	-	-
	e) intellectual property	-	-
	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)	-	(8)
2.6	Net cash from / (used in) investing activities	-	(53)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	2,250
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(135)
3.5	Proceeds from borrowings		6,954
3.6	Repayment of borrowings		(2,500)
3.7	Transaction costs related to loans and borrowings		(375)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	12
3.10	Net cash from / (used in) financing activities	-	6,206

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 period	362	715
4.2	Net cash from / (used in) operating activities (item 1.9 above)	523	(5,872)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(53)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		6,206
4.5	Effect of movement in exchange rates on cash held		(111)
4.6	Cash and cash equivalents at end of period	885	885

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	885	362
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)	885	362

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	240
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Amounts shown in item 6.1 relate to remuneration payments made to Directors.		

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	13,662	13,662
7.2	Credit standby arrangements	-	-
7.3	Other	3,000	
7.4	Total financing facilities	16,662	13,662
7.5	Unused financing facilities available at quarter end of \$3 million.		-
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.		

The Company had the following current borrowings at 30 June 2024:

<i>Lender</i>	<i>Secured/unsecured</i>	<i>Principal outstanding \$</i>	<i>Maturity date</i>
Juel Finance Pty Ltd	Secured	2,500,000	March 2025
Syndicate	Secured	2,055,000	Being re-negotiated
Loan Notes	Unsecured	2,310,000	September 2024
Akuna Finance Pty Ltd	Unsecured	500,000	Being re-negotiated
Others	Unsecured	1,000,000	Being re-negotiated
Booker Super Services Pty Ltd	Unsecured	3,250,000	June 2025
Convertible note	Unsecured	2,047,000	
Total		13,662,000	

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	523
8.2	Cash and cash equivalents at quarter end (item 4.6)	885
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	885
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	See Commentary
	<p>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.</p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p>	
	<p>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?</p>	
	<p>Answer: No. Included in the quarter results is approximately \$3.1 million from the sale of hardware. The quarter also includes restructure costs including employee redundancies from the significant reduction in headcount.</p> <p>Additionally, the cash outflows /payments for future quarters is expected to reduce significantly as the Group continues to reduce operating costs.</p> <p>The company is forecast to be cash flow positive for the next quarter.</p>	
	<p>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?</p>	
	<p>Answer: The Company has access to debt and to capital markets. The Company has the support of its current lenders and an undrawn facility of ~\$3m currently available.</p> <p>As part of its plan to lift the current trading suspension, the Company is preparing a prospectus, which in turn once trading recommences, should enable it to raise capital.</p>	

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: Yes.

Management is focusing on operating profitably, ensuring that the Company has access to debt funding, and the ability to raise capital; to enable it to meet its obligations going forward.

Treasury management is the key focus as the business restructures to enable consistent profitable growth.

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.

COMPLIANCE STATEMENT has been prepared in accordance with accounting standards and policies which

1 comply with Listing Rule 19.11A.



2 This statement gives a true and fair view of the matters disclosed.

31 July 2024 Authorised by: The Board

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About Netlinkz Limited (ASX:NET)

Netlinkz Limited (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz Network-as-a-Service (NaaS) 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.

Netlinkz 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).

The company offers a range of products across three broad categories:

- Secure Internet, with Netlinkz transforming Starlink technology into a business grade service providing secure high-speed internet and an invisible cloud network.
- Network Security, which future proofs clients' business with Netlinkz's high-speed, secure cloud first private work solutions.
- Secure CCTV and IoT, with Netlinkz ensuring that all clients' video feeds and data from their CCTV and IoT systems are securely transferred, integrity checked and securely stored.

To learn more, please visit: <http://www.netlinkz.com>

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