

26 April 2019

APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 31 MARCH 2019

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

Operating Activities:

Netlinkz reported a cash balance of \$0.063 million at 31 March 2019.

Net operating cashflow for the quarter was \$0.38 million (significantly reduced from the previous quarter spend of \$0.596 million as many of the costs were absorbed by the Chinese resellers). There continues to be a high R&D spend reflecting 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.

On 1 March 2019 Netlinkz announced an agreement with iSoftStone, establishing an Internet of Things (IoT) Lab in Beijing to support an accelerated program for large-scale usage. iSoftStone has lab tested the Product and over the next 6 months will expand into mobile devices and deploy a secure hybrid cloud solution. The IoT Lab will continue to enhance the VPN replacement product and develop an SD WAN solution for Cloud/IoT/5G but Netlinkz is shifting its focus from telecommunication operators to the larger cloud service providers to support a roll-out of the product in China.

During this quarter, Netlinkz appointed Mr Zhang (Senior President China Telecom Wuxi) as its China based director to the board of directors. At the same time Ms Xiaowen Shi stepped off the board. Mr Zhang has over 30 years extensive experience in the technology sectors in China and will be invaluable in implementing a national distribution strategy for its software products in China. The Company also announced a change in Company Secretary, appointing Sydney based Mr Robert Lees.

Following the success in Wuxi, Netlinkz further announced on 14 March 2019 that Blue Tech Inc, based in California USA, will begin Lab testing of the Cyber Security functionality of the latest version of Netlinkz software. If satisfied with the test results, Blue Tech will offer the software to their US Federal customer base for use in Cloud, SD WAN and IoT security solutions.

Finance Facilities

On 31 January 2019 Netlinkz announced it secured a three year AUD\$29m Facility from GEM Global, and this next quarter will see the Company issue a draw down notice which will provide working capital of \$6.2m.

Consonant with recent announcements, Netlinkz has not drawn on the QMAC Facility. Settlement has been reached for the repayment of the loan and the release of the charge.

Cashflow next quarter

Next quarter's projected expenditure includes costs covering the "China Go To Market" strategy. These costs include Netlinkz' newly engaged public relations company, the IoT lab to be established in Australia and the costs associated with the newly appointed Product Director, IoT Solutions Director, Senior Sales Director and Senior Business Development Manager. 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 Beijing and Australia, as well as testing by iSoftStone & BlueTech. Costs will be funded largely through the drawdown of the GEM Global Facility but also with additional capital from investors exercising their options (representing \$285,750 since 1 January 2019). It is anticipated that Netlinkz will continue to see more options being exercised as the share price increases.

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")

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	28	
1.2 Payments for			
(a) research and development	(514)	(1,393)	
(b) product manufacturing and operating costs	-	-	
(c) advertising and marketing	(2)	(79)	
(d) leased assets	-	-	
(e) staff costs (other employment costs)	(183)	(394)	
(f) administration and corporate costs	(239)	(924)	
	(168)	(475)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	0	1	
1.5 Interest and other costs of finance (paid) / received	-	-	
1.6 Income taxes paid/ GST Refunds	43	123	
1.7 Government grants and tax incentives	732	1,082	
1.8 Other (provide details if material)	-	-	
- Office costs	(52)	(219)	
- Travel costs	(1)	(28)	
- Other (restructuring & Perth office)	-	-	
1.9 Net cash from / (used in) operating activities	(384)	(2,278)	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(10)	(10)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(3)	(27)
	(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)	-	10
2.6	Net cash from / (used in) investing activities	(13)	23

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,502
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	43	463
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(164)
3.5	Proceeds from borrowings	327	627
3.6	Repayment of borrowings	-	(156)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	370	2,272

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	90	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(384)	(2,278)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	23
4.4	Net cash from / (used in) financing activities (item 3.10 above)	370	2,272
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	63	63

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	63	90
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)	63	90

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	115
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	1,550	1,550
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	1,450	1,450
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.		
<p>The repayment of the QMAC Facility is currently under negotiation to finalise this facility by issue of shares and extinguish all charges over the assets of Netlinkz.</p> <p>During this quarter Netlinkz announced it signed a three year Capital Commitment Agreement with GEM Global Yield Fund which has agreed to provide the Company with up to \$29m through a Share Issuance Funding Facility where the funds drawn will be used for working capital requirements. As the share price and trading volume have improved GEM Global draw down proceeds next quarter are higher than expected, and as announced will be \$6.2m.</p> <p>During the quarter, Netlinkz drew down on a short term loan facility of \$1.45m for working capital purposes.</p>		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,065
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	100
9.4 Leased assets	-
9.5 Staff costs (other employment costs)	33
9.6 Administration and Corporate costs	420
9.7 Other (provide details if material)	30
- ATO	36
9.8 Total estimated cash outflows	1,914

GEM Global draw down proceeds will fund all activities of the Company for the next three quarters. The initial draw down will be significantly higher than first anticipated, thus Netlinkz together with iSoftStone has commenced a “China Go to Market” strategy now funded by the initial draw down on the GEM Global facility of \$6.2m.

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 J. Sol

Sign here: _____ Date: 26 April 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.