

29 October 2018

## **APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

**29 October 2018:** Netlinkz Ltd (ASX:NET) ('Netlinkz' or the 'Company'), today lodged its Appendix 4C quarterly report of cashflows for the quarter ended 30<sup>th</sup> September 2018 with the Australian Securities Exchange (ASX).

### **Operating Activities:**

Netlinkz reported a cash balance of \$0.327 million at 30 September 2018.

Net operating cashflow for the quarter was \$1.299 million (previous quarter \$1.0 million) reflecting the ongoing development and commercialisation of the Company's software (Virtual Invisible Network; known as VIN) and the global market expansion, predominantly in China.

During this quarter, Netlinkz appointed Ms Xiaowen Shi to the board of directors. Ms Shi is a chartered accountant and has extensive experience in conducting advisory services with respect to investing and establishing contracts in China.

On 3 July 2018, the Company announced that China Telecom confirmed Netlinkz' product was an integral part of its own cloud strategy and extended the current Xinwu pilot program to 3 new cities in Jiangsu Province.

Following the success in Wuxi, Netlinkz announced on 18 July 2018, that it is reviewing candidate organisations to head up a Netlinkz' national training and recruitment arm to work with China Telecom and roll out the VIN's to 13 cities in Jiangsu followed by the rest of China.

### **Placement**

Cash inflows during this quarter were \$1.502 million from gross proceeds from the placement of 48,458,324 shares as announced on 12 July 2018 at \$0.031 cents from professional and sophisticated investors. The funds raised under the Placement was for general working capital purposes.

Pursuant to the EGM held on 6 June 2018, Settlement of 219,517,409 shares, issued on 2 July 2018 to pay outstanding creditors, directors and advisors reducing the debt by \$3,755,645.

### **Cash flows for Q2 FY2019**

In Quarter 2 Netlinkz will lodge their R&D refund of approx. \$620,000 in line with the past R&D claims. Cash outflows in Q2 2019 will reflect an extended pilot program of Netlinkz' product in 4 cities in Jiangsu Province generating a minimum of \$11,500 per month in royalties.

From January 2019 IT Development & Sales costs will be absorbed by the Chinese reseller pursuant to the Reseller Agreement between the reseller and Netlinkz thus will reflect a lower spend on development.

**Finance Facilities**

Netlinkz has not drawn on the QMAC facility this quarter.

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:**

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**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 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) research and development	(752)	(752)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs (other employment costs)	(136)	(136)
(f) administration and corporate costs	(627) (45)	(627) (45)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance (paid) / received	-	-
1.6 Income taxes paid/ GST Refunds	29	29
1.7 Government grants and tax incentives	350	350
1.8 Other (provide details if material)	-	-
- Office costs	(114)	(114)
- Travel costs	(14)	(14)
- Other (restructuring & Perth office)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,299)</b>	<b>(1,299)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(18)	(18)
	(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	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	10	10
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(8)</b>	<b>(8)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,502	1,502
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	369	369
3.4	Transaction costs related to issues of shares, convertible notes or options	(164)	(164)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(119)	(119)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,588</b>	<b>1,588</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	46	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,299)	(1,299)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,588	1,588
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>327</b>	<b>327</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	327	327
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>327</b>	<b>327</b>

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	225
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	

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	1,441	1,441
8.2	Credit standby arrangements	-	-
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.		

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	225
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	100
9.4	Leased assets	-
9.5	Staff costs (other employment costs)	144
9.6	Administration and Corporate costs	240 30
9.7	Other (provide details if material)	
	- ATO & OSR	36
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>775</b>

Netlinkz expect the 2018 Research & Development Grant refund of approx. \$620,000 in line with the past R&D claims to be received in November 2018. Given the deployment of the software (VIN) throughout Wuxi province in Jiangsu Netlinkz is expecting to generate a minimum of \$11,500 per month in licence fees received quarterly in arrears. If additional funding is required, it should be noted that the company has successfully raised working capital in the past and has approval to raise a further \$1.5m as per the last EGM.

