

Netlinkz Limited

ABN 55 141 509 426

Appendix 4E Preliminary Final Report for the year ended 30 June 2018

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Audit / review

This report is based on the consolidated financial statements which are in the process of being audited by BDO Audit (WA) Pty Ltd.

Reporting period: For the year ended 30 June 2018
 Previous period: For the year ended 30 June 2017

Results for announcement to the market

| | | | | \$'000 |
|--|------|--------|----|---------------|
| Revenues from ordinary activities | down | 45.92% | to | 126 |
| Loss from ordinary activities after tax attributable to the owners of Netlinkz Limited | down | 10.05% | to | (7,151) |
| Loss for the year attributable to the owners of Netlinkz Limited | up | 10.05% | to | (7,151) |

Dividends

No dividends have been declared for the year ended 30 June 2018 or for the previous corresponding period.

Net tangible assets

| | Reporting period | Previous period |
|---|------------------|-----------------|
| | Cents | Cents |
| Net tangible assets per ordinary security | <u>(0.0073)</u> | <u>(0.0065)</u> |

Control gained / lost over entities

Name of entities (or group of entities) Netlinkz (Hong Kong) Limited

Details of associates and joint venture entities

None

About Netlinkz

Netlinkz Limited (Netlinkz or the Company) provides secure and efficient cloud network solutions and provides a fully meshed peer-to-peer network. The Company's technology makes Fortune-500 security commercially available for organisations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

Re-listing and Fund raised

The Company has substantially completed a restructure of its business and resumed trading on the ASX on 23 August, 2017.

As part of this restructure, changes have been made to the Board and senior management. Non-Executive Directors Darren Patterson, Robert Turner, John Galt and Peter Apostolopoulos have resigned. David O'Dowd was appointed and remains non-executive Director. Xiaowen Shi has joined the Board as a non-executive Director to oversee Chinese operations. Executive Chairman James Tsiolis continues in the role of CEO of the Company.

Reseller Arrangements

The Company has entered into a reseller agreement to distribute its software to China Telecom via an agency in China. The agency is in the process of establishing all licensing required for the roll out of the software in the province of Jiangsu and eventually the rest of China.

The reseller with China Telecom Wuxi remains a key part of the Company's strategy for the eventual roll-out of its product across China. Sales have been made to select group of China Telecom customers in Wuxi, comprising over 12,000 VINs which are charged to the customers on a per month and per VIN basis. This has created a recurring revenue model in respect of which revenue for the existing VIN sales is being accumulated. This "Pilot Program" will run until the end of September 2018 after which sales will be expanded to the other Districts of Wuxi and other cities in the Jiangsu Province. These cities include Nanjing (9 million population) and Suzhou (13 million population).

Negotiations are continuing with at least two Chinese multinational enterprises with a view to the appointment of a national re-seller for the expanded Chinese operations - initially for Jiangsu Province and then for a national roll-out in China. Under the business model, the bulk of the costs associated with the marketing, sales and technical support for the China roll out will be borne by the re-seller, with Netlinkz receiving a fixed share of the gross revenue from each sale.

Preliminary discussions are ongoing in the USA to identify a suitable reseller for the next phase of the Company's expansion beyond China.

Financial Position

A recent capital raising to sophisticated investors of \$1.5m was completed for working capital through the issue of ordinary shares. The 3 year debt facility which was arranged with QMAC Capital International Partners LP (QMAC) for USD 3.7m secured over the Company's assets, has been drawn down by USD 2.5m to date.

However, having regard to the direction of the Company and its business model, namely the re-seller agreements that are intended to form an integral part of the sales and technical support model going forward and the resulting reduced outgoings for Netlinkz that will follow, the Board has resolved not to draw down on the remainder of the QMAC facility so as not to unnecessarily dilute its equity base.

The Board has also embarked upon a determined effort to improve its balance sheet by the repayment of any undisputed debt and, in some cases, agreeing or seeking agreement with creditors for the conversion of part or all of their debt to equity.

Overview of Results

The net loss for the consolidated entity amounted to \$7,168,666 (Prior year loss: 30 June 2017 \$7,954,794).

The loss included financing and restructuring costs of \$1,056,899 including \$157,977 interest costs.

The loss includes costs associated with business development, marketing, travel costs and administration costs. The Company continues to invest heavily into core product development.

The consolidated financial statements are in the process of being audited.

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 year. 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.

Netlinkz Limited
Preliminary consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



| | Note | Consolidated | |
|---|-------------|---------------------------|---------------------------|
| | | 2018 | 2017 |
| | | \$ | \$ |
| Revenue | 1 | 122,014 | 90,525 |
| Other Income | 1 | 4,316 | 141,868 |
| Expenses | | | |
| Sales, Business Development, Marketing, Travel | | 2,170,137 | 2,793,922 |
| Admin, Office, Corporate | | 2,214,246 | 1,252,395 |
| Development & Commercialisation | | 235,000 | 2,756,095 |
| Finance & restructuring costs (one off) | 2 | 2,657,954 | 729,096 |
| Share based payments | 11 | - | 651,007 |
| | | <u>7,277,338</u> | <u>8,182,515</u> |
| (Loss) before income tax expense | | (7,151,008) | (7,950,122) |
| Income tax expense | | - | - |
| (Loss) after income tax expense for the year | | (7,151,008) | (7,950,122) |
| Other comprehensive income | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | <u>(17,658)</u> | <u>(4,672)</u> |
| Other comprehensive income (loss) for the year, net of tax | | <u>(17,658)</u> | <u>(4,672)</u> |
| Total comprehensive loss for the year | | <u><u>(7,168,666)</u></u> | <u><u>(7,954,794)</u></u> |
| (Loss) attributable to members of the parent entity | | (7,151,008) | (7,950,122) |
| Total comprehensive loss attributable to members of the parent entity | | (7,168,666) | (7,954,794) |
| | | Cents | Cents |
| (Loss) per share from continuing operations | | | |
| Basic earnings/(loss) per share | | (0.006) | (0.01) |
| Diluted earnings per/(loss) share | | (0.006) | (0.01) |

The above preliminary consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Netlinkz Limited
Preliminary consolidated statement of financial position
As at 30 June 2018



| | Note | Consolidated 2018 \$ | 2017 \$ |
|----------------------------------|------|----------------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 46,431 | 33,903 |
| Trade and other receivables | 4 | 463,372 | 194,434 |
| Total current assets | | <u>509,803</u> | <u>228,337</u> |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 555 | 1,633 |
| Total non-current assets | | <u>555</u> | <u>1,633</u> |
| Total assets | | <u>510,358</u> | <u>229,970</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 6 | 4,163,288 | 3,897,118 |
| Employee benefits | 7 | 41,342 | 94,190 |
| Borrowings | 9 | - | 262,397 |
| Other | 8 | - | 976 |
| Total current liabilities | | <u>4,204,630</u> | <u>4,254,681</u> |
| Non-current liabilities | | | |
| Borrowings | 10 | 3,690,200 | 1,509,166 |
| Total non-current liabilities | | <u>3,690,200</u> | <u>1,509,166</u> |
| Total liabilities | | <u>7,894,830</u> | <u>5,763,847</u> |
| Net liabilities | | <u>(7,384,472)</u> | <u>(5,533,877)</u> |
| Equity | | | |
| Issued capital | 11 | 27,471,059 | 24,140,363 |
| Reserves | 12 | 3,382,526 | 1,395,151 |
| Accumulated losses | 13 | <u>(38,238,057)</u> | <u>(31,069,391)</u> |
| Total equity / deficiency | | <u>(7,384,472)</u> | <u>(5,533,877)</u> |

*The above preliminary consolidated statement of financial position
should be read in conjunction with the accompanying notes*

Netlinkz Limited
Preliminary consolidated statement of changes in equity
For the year ended 30 June 2018



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total Equity / deficiency \$ |
|--|----------------------------------|------------------------|--------------------------------------|---|
| Balance at 1 July 2016 | 15,682,329 | 916,512 | (23,119,269) | (6,688,122) |
| Total comprehensive loss for the year | - | (4,672) | (7,950,122) | (7,954,794) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share issue | 8,933,332 | - | - | 8,933,332 |
| Options issued | - | 651,007 | - | 651,007 |
| Capital raising costs | (475,298) | - | - | (475,298) |
| Balance at 30 June 2017 | <u>24,140,363</u> | <u>1,567,519</u> | <u>(31,069,391)</u> | <u>(5,533,875)</u> |

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total Equity / deficiency \$ |
|--|----------------------------------|------------------------|--------------------------------------|---|
| Balance at 1 July 2017 | 24,140,363 | 1,567,519 | (31,069,391) | (5,533,875) |
| Total comprehensive loss for the year | - | - | (7,168,666) | (7,168,666) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share issue | 3,691,875 | - | - | 3,691,875 |
| Options issued | - | 649,066 | - | 649,066 |
| General Reserve | - | 1,165,941 | - | 1,165,941 |
| Capital raising costs | (361,179) | - | - | (361,179) |
| Balance at 30 June 2018 | <u>27,471,059</u> | <u>3,382,526</u> | <u>(38,238,057)</u> | <u>(7,384,472)</u> |

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Netlinkz Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2018



| | Note | Consolidated | |
|--|------|----------------------|----------------------|
| | | 2018 \$ | 2017 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 382,186 | 80,665 |
| Payments to suppliers and employees | | (4,389,144) | (4,940,124) |
| | | <u>(4,006,958)</u> | <u>(4,859,459)</u> |
| Grants received | | 141,868 | - |
| Interest received | | 1,744 | 6,503 |
| Interest and other finance costs paid | | <u>(81,359)</u> | <u>(75,771)</u> |
| Net cash used in operating activities | 14 | <u>(3,944,705)</u> | <u>(4,928,727)</u> |
| Cash flows from investing activities | | | |
| Disposal (Payments) for property, plant and equipment | | 888,981 | (14,654) |
| Refund (Payments) for security deposits | | 10,450 | 28,389 |
| Cash acquired on acquisition | | - | - |
| Net cash from (used in) investing activities | | <u>899,431</u> | <u>44,043</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 222,456 | 7,714,999 |
| Share issue transaction costs | | (381,897) | (475,298) |
| Loan advanced | | - | - |
| Proceeds from borrowings | | (8,412) | 315,005 |
| Repayment of borrowings | | - | (3,013,164) |
| Subscriptions held in advance | | 3,107,654 | - |
| Director Loan | | 118,000 | - |
| Borrowing transaction costs | | - | - |
| Net cash from financing activities | | <u>3,057,802</u> | <u>4,541,542</u> |
| Net increase/(decrease) in cash and cash equivalents | | 12,528 | (343,141) |
| Cash and cash equivalents at the beginning of the financial year | | <u>33,903</u> | <u>377,045</u> |
| Cash and cash equivalents at the end of the financial year | 3 | <u><u>46,431</u></u> | <u><u>33,903</u></u> |

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes

Netlinkz Limited
Notes to the preliminary financial statements
30 June 2018

Note 1. Revenue

Revenue

| | Consolidated | |
|------------------------------------|---------------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Sales revenue | 62,060 | 84,022 |
| Interest | 4,525 | 6,503 |
| Rent | 55,530 | |
| Revenue from continuing operations | <u>122,014</u> | <u>90,525</u> |
| <i>Other Income</i> | | |
| Grants and R&D Refund | <u>4,316</u> | <u>141,868</u> |

Note 2. Expenses

Finance costs

| | Consolidated | |
|---|---------------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Borrowing costs | | |
| - Other debt facility charge at fair value (see note 9) | - | 147,983 |
| - Options debt facility charge at fair value (see Note 9) | - | - |
| | <u>-</u> | <u>147,983</u> |
| Borrowing transaction cost | - | - |
| Legal and other costs | 264,210 | 254,271 |
| Advisor costs relating to funding and restructuring | 2,235,767 | 168,300 |
| Interest paid/payable | <u>157,977</u> | <u>158,542</u> |
| | <u>2,657,954</u> | <u>729,097</u> |

Note 3. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|---------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Cash at bank | <u>46,431</u> | <u>33,903</u> |

Note 4. Current assets - trade and other receivables

| | Consolidated | |
|---|---------------------|---------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Trade receivables | 1,358 | 3,357 |
| Grants and R&D Refund | - | 141,868 |
| Security deposits | 59,790 | 49,209 |
| Other receivables | 402,224 | - |
| Less: Provision for impairment of receivables | - | - |
| | <u>463,372</u> | <u>78,598</u> |

Note 5. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|-----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Plant and equipment - at cost | 44,751 | 66,807 |
| Less: Accumulated depreciation | <u>(44,196)</u> | <u>(65,174)</u> |
| | <u>555</u> | <u>1,633</u> |

Netlinkz Limited
Notes to the financial statements
30 June 2018

| Note 6. Current liabilities - trade and other payables | Consolidated | |
|---|---------------------|-------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Trade payables and accruals | 4,163,288 | 3,897,118 |

| Note 7. Current liabilities - Employee benefits | Consolidated | |
|--|---------------------|-------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Employee benefits | 41,342 | 94,190 |

| Note 8. Current liabilities - other | Consolidated | |
|--|---------------------|-------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Subscription funds received in advance | - | 976 |
| | - | 976 |

| Note 9. Current liabilities - borrowings | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| February 2017 finance facility ¹ | - | 262,397 |
| Other loans | - | - |
| | - | 262,397 |

| Note 10. Non-current liabilities - borrowings | Consolidated | |
|--|---------------------|-------------|
| | 2018 | 2017 |
| | \$ | \$ |
| March 2018 finance facility [#] | - | - |
| Related party loans | 776,966 | 520,957 |
| Other loans | 2,913,234 | 988,209 |
| | 3,690,200 | 1,509,166 |

(#: James Tsiolis, Charlie Gargett & Robert Turner Loan)

Netlinkz Limited
Notes to the financial statements
30 June 2018

Note 11. Equity

| Issued capital | 2018 | Consolidated | | 2017 |
|------------------------------|----------------------|---------------------|-------------------|-------------------|
| | Shares | 2017 | 2018 | 2017 |
| | | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>1,014,094,154</u> | <u>848,225,547</u> | <u>27,471,059</u> | <u>24,140,363</u> |

Movements in ordinary share capital

| Details | Date | No of shares | Issue price | \$ |
|-----------------------------|-------------|----------------------|--------------------|-------------------|
| Opening balance | 30 Jun 2017 | 848,225,547 | | 24,140,363 |
| Issue of shares | 05 Jul 2017 | 32,375,000 | \$0.0200 | \$647,500 |
| Issue of shares | 30 Nov 2017 | 25,000,000 | \$0.0200 | \$500,000 |
| Issue of shares | 15 Dec 2017 | 43,500,000 | \$0.0200 | \$870,000 |
| Issue of shares | 21 Dec 2017 | 5,000,000 | \$0.0200 | \$100,000 |
| Closing balance | 30 Dec 2017 | <u>954,100,547</u> | | <u>26,257,863</u> |
| Opening balance | 1 Jul 2017 | 954,100,547 | | 26,257,863 |
| Issue of shares - placement | 12 Jan 2018 | 2,129,240 | \$0.0200 | 42,585 |
| Issue of shares – placement | 12 Jan 2018 | 8,327,372 | \$0.0216 | 179,871 |
| Issue of shares – placement | 7 Mar 2018 | 49,536,995 | \$0.0200 | 990,740 |
| Closing balance | 30 Jun 2018 | <u>1,014,094,154</u> | | <u>27,471,059</u> |

Netlinkz Limited
Notes to the financial statements
30 June 2018

| Options | Consolidated | |
|---------|--------------------|--------------------|
| | 2018 Options | 2017 Options |
| Options | <u>143,424,036</u> | <u>119,907,857</u> |

Movements in options

| Details | Date | No of options | Exercise price |
|-------------------------------|------------|---------------------------|----------------|
| Opening balance 1 July 2017 | 30/06/2017 | 119,907,857 | |
| Expiry date of 24 August 2020 | 28/08/2017 | 35,285,000 | \$0.0200 |
| Options Lapsed | 31/10/17 | <u>(11,768,821)</u> | |
| Closing Balance 30/06/2018 | | <u>143,424,036</u> | |

The options that lapsed were options not exercised by their expiry date on 31 October 2017.

| Details | Date | No of options | Exercise price |
|--------------------------------|-------------|------------------|----------------|
| Opening balance | 1 Jul 2015 | - | |
| Expiry date of 31 October 2017 | 23 Oct 2015 | 10,592,350 | \$0.25 |
| Expiry date of 31 October 2017 | 4 Nov 2015 | <u>1,176,471</u> | \$0.25 |
| | | 11,768,821 | |

| Note 12. Equity - reserves | Consolidated | |
|----------------------------|-------------------------|-------------------------|
| | 2018 \$ | 2017 \$ |
| General Reserve | 1,165,941 | (172,368) |
| Option reserve | <u>2,216,585</u> | <u>1,567,519</u> |
| | <u>3,382,526</u> | <u>1,395,151</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Options reserve

This reserve is used to record the value of equity benefits provided for the issue of options.

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 2018 \$ | 2017 \$ |
| Balance at the beginning of the financial year | 1,567,519 | 916,512 |
| October 2015 finance facility 2,139,036 unlisted options (see Note 9) | - | 282,253 |
| March 2017 finance facility 1,500,000 unlisted options (see Note 9) | - | 96,246 |
| March 2017 finance facility 8,500,000 unlisted options (see Note 9) | - | 537,913 |
| Options to directors and key management personnel | <u>649,066</u> | <u>651,007</u> |
| Balance at the end of the financial year | <u>2,216,585</u> | <u>1,567,519</u> |

Netlinkz Limited
Notes to the financial statements
30 June 2018

| Note 13. Accumulated losses | Consolidated | |
|---|---------------------|-------------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | 31,069,391 | 23,119,269 |
| Loss after income tax expense for the year | 7,168,666 | 7,950,122 |
| Accumulated losses at the end of the financial year | <u>38,238,057</u> | <u>31,069,391</u> |

| Note 14. Reconciliation of loss after income tax to net cash from operating activities | Consolidated | |
|---|---------------------|--------------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Loss after income tax expense for the year | (7,151,008) | (7,950,122) |
| Adjustments for: | | |
| Director share based payments (options granted) | 649,066 | 651,007 |
| Depreciation and amortisation | 1,078 | 9,857 |
| Foreign exchange differences | (5,906) | (4,672) |
| Impairment of receivables | 1,178,868 | - |
| Interest accrued on loans | - | 82,771 |
| Borrowing options finance cost (see Note 9) | - | - |
| Borrowing finance cost (see Note 9) | - | 129,802 |
| Borrowing transaction cost | - | - |
| Expenses paid in shares | 1,595,711 | 498,633 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (83,867) | (145,225) |
| Decrease/(increase) in other operating assets | (352,805) | - |
| Increase (decrease) in employee benefits and other liabilities | 551,079 | 166,927 |
| Increase/(decrease) in trade and other payables | (338,733) | 1,966,150 |
| Net cash used in operating activities | <u>(3,944,705)</u> | <u>(4,928,727)</u> |

Note 15. Events after the reporting period

On 02 July 2018 the company issued 1,874,998 shares to David O'Dowd as Director fee, 13,499,998 shares to Peter Apostolopoulos as Director fee and services, 3,410,542 shares to GDM Pty Limited for company secretarial services, 46,250,000 shares to James Tsiolis as Director salary and 40,000,000 shares to Strategic Capital Management in discharge of its loan to the Company - all shares issued at \$0.0200.

On 02 July 2018 the Company issued 105,963,846 shares to AIRE to discharge its loan to the Company at \$0.0140.

On 03 July 2018 the Company announced that Xiaowen Shi was appointed as an Executive Director, and on 2 August 2018 the resignation of Peter Apostolopoulos as Non-Executive Director.

On 16 July 2018 pursuant to a placement the company issued 26,168,302 shares at \$0.0310 per share.

On 23 July 2018 the Company issued 19,210,078 shares at \$0.0260 to Tim Gooch in repayment of his loan and 10,000,000 shares at \$0.0200 for services provided Mr. Yang.

On 06 August 2018 pursuant to a placement the Company issued 22,291,729 shares at \$0.0310 per share

Other than the above there have been no other material events subsequent to the year ended 30 June 2018.