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**NETLINKZ LIMITED**

**APPENDIX 4E – PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**ACN 141 509 426**

**Netlinkz Limited**  
**Results for announcement to the market**  
For the year ended 30 June 2023

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**APPENDIX 4E (RULE 4.3A)**

Preliminary final report for the year ended 30 June 2023

**Company details**

Name of entity: Netlinkz Limited  
ABN: 55 141 509 426  
Reporting year: For the year ended 30 June 2023  
Previous year: For the year ended 30 June 2022

**Results for announcement to the market**

(All comparisons to year ended 30 June 2022)

	30 Jun 2023	30 Jun 2022	Change
	\$	\$	%
Revenue from ordinary activities	20,670,998	15,701,430	32
Income	21,079,848	15,998,080	32
Net comprehensive loss attributable to members	(11,887,699)	(8,405,831)	41
Loss after tax from ordinary activities	(11,887,699)	(8,405,831)	41
Net comprehensive loss after tax from ordinary activities	(12,012,686)	(8,163,760)	47

**Loss per share**

	30 Jun 2023	30 Jun 2022	Change
	\$	\$	%
Basic loss per share	(\$0.0034)	(\$0.0026)	(29)
Diluted loss per share	(\$0.0034)	(\$0.0026)	(29)

**Net tangible assets per security**

	30 Jun 2023	30 Jun 2022
	\$	\$
Net tangible assets per security	0.0002	0.0012

**Control gained or lost over entities in the year**

Not applicable.

**Dividends**

**Current year**

There were no dividends paid, recommended or declared during the current financial year.

**Previous year**

There were no dividends paid, recommended or declared during the previous financial year.

**Dividend reinvestment plan**

Not applicable.

## **Netlinkz Limited**

### **Results for announcement to the market**

For the year ended 30 June 2023

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#### **Dividends per security**

Not applicable.

#### **Details of associates and joint venture entities**

The Company does not have any associates or joint venture entities. Refer to Note 20 Interests in material subsidiaries for further information.

#### **Foreign entity accounting standards**

The Company compiled the consolidated financial information in accordance with International Financial Reporting Standards for all foreign entities.

#### **Audit**

The financial information provided in this Appendix 4E is based on accounts which are in the process of being audited. It is not considered likely that any audit modification will arise.

These financial statements have been prepared on a 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. Refer to note 1 for further detail.

#### **Attachments**

The preliminary final report of Netlinkz Limited for the year ended 30 June 2023 is attached.

#### **Commentary on results**

Netlinkz Limited ("Netlinkz" or the "Company or the "Group") (ASX: NET) is pleased to provide its Appendix 4E Preliminary Financial Report (unaudited) for the financial year ended 30 June 2023 (FY23), together with the following commentary.

Netlinkz's business operations have been materially transformed over FY23. This period saw the opening of two key routes to market for the Company's core Network as a Service product, the first via the global reseller agreement with Starlink, and the second joint activity with Hutchison Global Telecommunications. At the same time, Netlinkz also invested heavily in business development, marketing, R&D, people, and assets (inventory), in order to both maximise these opportunities and enable the Company to deliver on them. This has set a good platform for the Netlinkz business to grow further in FY24 and beyond, taking it closer to becoming cash flow positive at the operating activities line.

### **HIGHLIGHTS**

- Total revenue from customers of \$20.7m, up 32% on the previous corresponding period (PCP)
- The Satellites Division (Starlink) contributed around \$1m in sales revenue during FY23; its future sales pipeline was strengthened by partnership deals with Spark in New Zealand, PT&T in the Philippines, LNS in Malaysia, Telesar Communications in Australia, and Telespazio in South America signed over FY23 and early FY24
- Netlinkz's Network-as-a-Service (NaaS) joint product development with Hutchison Global Communications (HGC) continued in FY23, with customer trials expected to commence in October 2023
- The SSI Telecom Surveillance business reported an 83% increase in revenue over FY23, and simultaneously maintained strong net margins
- Netlinkz's China Network Engineering business recorded a 20% increase in revenue over FY23
- Netlinkz was recognised as a Fast Global Company (ranked #20) by the Australian Financial Review, on the back of the commercial growth it achieved in international markets between 2019 and 2022.



## **Netlinkz Limited**

### **Results for announcement to the market**

For the year ended 30 June 2023

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*Refer to comments by division as follows:*

#### **Satellites Division (Starlink)**

In November 2022, Netlinkz entered into an agreement with Space Exploration Technology Corp. (SpaceX). It saw the Company become a global reseller of the enterprise, mobile and maritime Starlink satellite-based high-speed, low-latency broadband internet.

Subsequent to this agreement, Netlinkz commenced sales of the Starlink product in February 2023, and had already derived around \$1m in sales revenue from this source by end-FY23. The NaaS Starlink bundle is proving to be a compelling offer. It provides customers with a fully encrypted invisible private network for all devices connected to the network that access the internet.

The Company quickly moved to develop sales channels via a limited partner network, and has to date signed a number of substantial partnership agreements, including with Spark in New Zealand, PT&T in the Philippines, Telestar Communications in Australia, and Telespazio in South America. Additional partnership agreements are under negotiation, which will see Netlinkz further penetrate its target addressable markets. Netlinkz also expects new opportunities to materialise, as Starlink opens up additional eligible countries for satellite internet services. The Company is investing in operations and after sales support services to support the anticipated sustained uplift in sales of this service to end customers.

The total investment in Starlink inventory during the year was \$8.0m (including tax). This was financed via short-term loan arrangements and a portion of the funds raised from the Share Placement Facility with Regal Funds Management. The Company intends to refinance its short-term debt with longer dated facilities once the Company has delivered a sales track record. Netlinkz will also purchase additional equipment to meet demand, with these future purchases to be aligned with contractual sales arrangements.

#### **Network-as-a-Service (NaaS)**

The Company is partnering with HGC on building an integrated global communication platform, Network as a Service (NaaS) for enterprises, based on a Virtual Service Network (VSN). Phase 1 of this platform roll-out will be the NaaS for enterprises based in Thailand. This will be followed by a roll-out across the South-East Asia region.

During the June 2023 quarter, joint development activity was undertaken by both HGC and Netlinkz, to integrate the Company's product and enable a bundled roll-out. The NaaS V1 will be trialled with customers in October 2023.

Netlinkz has also partnered with Dipole, who has significant depth of expertise in NaaS operational requirements, systems integration and customer support capability. Dipole will specifically assist with the roll-out of the NaaS, and work with customers to implement the NaaS. It is an organization that has over 120 network engineers deployed at various customer locations in Asia, including Australia, that will provide customer support and servicing. The Dipole partnership ensures Netlinkz maintains control over its costs but at the same time does not compromise on the planned speed of the roll-out of the Company's NaaS project.

ALT which is based in Thailand, along with HGC and LNS, will provide the first customers for NaaS V1.

#### **SSI Telecom Surveillance**

Netlinkz's SSI Telecom surveillance business continued to perform strongly in its FY23, with revenue of \$3.9m reported in the year, up 83% on PCP. The increase was driven by critical project work for two key customers in Australia and New Zealand.

#### **China Network Engineering Solutions**

The China Network Engineering Solutions business (AOFA and iLinkAll) also continued to grow its revenue base. It reed \$14.9m in sales revenues over FY23, up 20% on PCP. The sustained uplift in revenues reported by the China Network Engineering Solutions business has been underpinned by its ability to foster key partner relationships with major Chinese and international technology groups.

# Netlinkz Limited

## Results for announcement to the market

For the year ended 30 June 2023

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### *Southcloud ISP*

Southcloud was acquired in June 2022. Netlinkz has just concluded a strategic review of the business, with recommended actions coming out of this review to be implemented in FY24. The business is to focus on growing its customer base and connecting enterprise customers in regional Australia to satellite internet services via Netlinkz.

### **Overall group results**

The Group derived FY23 revenues of \$20.7m, up 32% on that recorded in the previous year.

Gross margins for FY23 were in excess of 20%, and are expected to increase in FY24, once higher volume Starlink sales occur and high margin NaaS subscription revenues grow.

Research and development costs were \$1.6m over FY23, as the Company continued to develop enhancements to its Network-as-a-Service suite of products and services, and invest in the integration of the NaaS and Starlink satellites offerings.

### **Board and Management**

During the year, the Company broadened the skillsets of both its senior management team and Board of Directors. Key appointments included Hakan Eriksson, former CTO of Telstra, as Non-Executive Director, and Jordi Martin, former Asia Pacific CEO for Jones Lang LaSalle Work Dynamics, as Chief Operating Officer.

**Netlinkz Managing Director & CEO James Tsiolis said:** "We have made significant progress during our FY23, with strong growth in revenues and significant product development milestones achieved. More importantly the company has developed two significant sales channels with Starlink as a global reseller and the partnership with HGC. Both sales channels will be managed by a partner network to accelerate its sales and revenue generation. The company has signed several partnership agreements over the last 6 months. We look forward to informing the market about Netlinkz's progress towards realising the substantial growth opportunities now at hand, which will see it evolve into a sustainable business with multiple revenue streams."

James Tsiolis | CEO & Managing Director | E: [jtsiolis@netlinkz.com](mailto:jtsiolis@netlinkz.com) | P: + 61 (2) 9329 9700



**James Tsiolis**  
**Director**

Dated this 31st day of August 2023.

**Netlinkz Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
For the year ended 30 June 2023

Continuing operations	Note	Consolidated for the year ended	
		30 Jun 2023	30 Jun 2022
		\$	\$
Revenue	4	20,670,998	15,701,430
Cost of sales		(16,512,771)	(11,664,350)
Gross profit		4,158,227	4,037,080
Other income	4	408,850	296,650
Research and development expenses		(1,626,581)	(497,940)
Business development and marketing expenses		(1,216,982)	(267,698)
Employee and consultant expenses		(6,557,472)	(5,680,387)
Administrative and corporate expenses		(2,455,779)	(1,682,627)
Employee share-based payment expenses	5	(1,378,240)	(1,168,236)
Other share-based payment expenses	5	(465,890)	(237,328)
Finance costs		(601,305)	(347,321)
Net fair value loss on debt arrangement	5	-	(1,429,772)
Depreciation and amortisation	5	(878,001)	(959,752)
Other expenses		(1,274,526)	(468,500)
Loss before income tax expense		(11,887,699)	(8,405,831)
Income tax expense		-	-
Loss after income tax expense for the year		(11,887,699)	(8,405,831)
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(124,987)	242,071
Other comprehensive loss for the year, net of tax		(124,987)	242,071
Total comprehensive loss for the year		(12,012,686)	(8,163,760)
<i>Loss for the year is attributable to:</i>			
Members of the parent entity		(11,826,463)	(8,410,824)
Non-controlling interests		(61,236)	4,993
		(11,887,699)	(8,405,831)
<i>Total comprehensive loss for the year attributable to:</i>			
Members of the parent entity		(11,838,649)	(8,153,918)
Non-controlling interests		(174,036)	(9,842)
		(11,012,065)	(8,163,760)
<b>Loss per share from continuing operations</b>		\$	\$
Basic loss per share	19	(0.0034)	(0.0026)
Diluted loss share	19	(0.0034)	(0.0026)

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

**Netlinkz Limited**  
**Consolidated statement of financial position**  
For the year ended 30 June 2023

		Consolidated as at	
	Note	30 Jun 2023	30 Jun 2022
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	712,852	2,689,024
Trade and other receivables	7	3,573,903	2,531,586
Inventory	7	6,604,126	78,583
Other assets	7	584,937	511,161
Total current assets		11,475,818	5,810,354
<b>Non-current assets</b>			
Property, plant and equipment		16,327	56,332
Investments		100,000	100,000
Right of use assets		233,017	173,269
Intangible assets	8	1,879,743	2,611,084
Goodwill	8	9,531,080	9,531,080
Total non-current assets		11,760,167	12,471,765
Total assets		23,235,985	18,282,119
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	2,530,618	1,100,566
Employee benefits	10	146,707	108,026
Borrowings	11	4,000,000	75,750
Other current liabilities	12	1,062,244	1,098,492
Total current liabilities		7,739,569	2,382,834
<b>Non-current liabilities</b>			
Borrowings	11	3,250,000	-
Other non-current liabilities	12	53,692	88,597
Total non-current liabilities		3,303,692	88,597
Total liabilities		11,043,261	2,471,431
<b>Net assets</b>		<b>12,192,724</b>	<b>15,810,688</b>
<b>Equity</b>			
Issued capital	13	130,077,646	122,528,735
Reserves	15	14,188,023	13,372,400
Accumulated losses	16	(132,027,248)	(120,200,785)
Capital and reserves attributable to members of the parent entity		12,238,421	15,700,350
Non-controlling interests		(45,697)	110,338
<b>Total equity</b>		<b>12,192,724</b>	<b>15,810,688</b>

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

**Netlinkz Limited**  
**Consolidated statement of changes in equity**  
For the year ended 30 June 2023

Attributable to owners of Netlinkz Limited						
Notes	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	120,447,809	12,594,317	(111,789,961)	21,252,165	115,187	21,367,352
Loss for the year	-	-	(8,410,824)	(8,410,824)	4,993	(8,405,831)
Other comprehensive income	-	251,913	-	251,913	(9,842)	242,071
Total comprehensive loss for the year	-	251,913	(8,410,824)	(8,158,911)	(4,849)	(8,163,760)
Transactions with owners in their capacity as owners:						
Shares issued on conversion of options	820,000	-	-	820,000	-	820,000
Shares issued for settlement of debt	469,432	-	-	469,432	-	469,432
Share based payments	-	1,317,664	-	1,317,664	-	1,317,664
Shares issued on conversion of performance rights	791,494	(791,494)	-	-	-	-
Balance at 30 June 2022	122,528,735	13,372,400	(120,200,785)	15,700,350	110,338	15,810,688

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 year	-	-	(11,826,463)	(11,826,463)	(61,236)	(11,887,699)
Other comprehensive income	-	(30,188)	-	(30,188)	(94,799)	(124,987)
Total comprehensive loss for the year	-	(30,188)	(11,826,463)	(11,856,651)	(156,035)	(12,012,686)
Transactions with owners in their capacity as owners:						
Shares issued	7,854,611	-	-	7,854,611	-	7,854,611
Share based payments	-	1,040,111	-	1,040,111	-	1,040,111
Shares issued on vesting of performance rights	194,300	(194,300)	-	-	-	-
Capital raising costs	(500,000)	-	-	(500,000)	-	(500,000)
Balance at 30 June 2023	130,077,646	14,188,023	(132,027,248)	12,238,421	(45,697)	12,192,724

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



	<b>Consolidated</b>	
<b>Note</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	22,650,703	17,673,683
Payments to suppliers and employees*	(38,710,058)	(23,546,045)
Tax refund received	249,808	-
Interest received	6,523	20,789
Interest paid	(601,305)	(368,639)
Net cashflows used in operating activities	(16,404,329)	(6,220,212)
<b>Cash flows from investing activities</b>		
Payments for business combinations, net	-	(152,507)
Payments for property, plant, and equipment	-	(60,076)
Net cashflows used in investing activities	-	(212,583)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	7,000,000	-
Proceeds from exercise of share options	-	820,000
Capital raising expenses	(500,000)	-
Proceeds from borrowings	8,250,000	-
Repayments of borrowings	(1,000,000)	(1,150,000)
Principle lease payments	(196,071)	(83,739)
Loan provided to unlisted entity	-	(1,429,772)
Net cashflows from/(used in) financing activities	13,553,929	(1,843,511)
Net decrease in cash and cash equivalents	(2,850,400)	(8,276,306)
Effect of foreign exchange movements on cash	874,228	128,919
Cash and cash equivalents at the beginning of the year	2,689,024	10,836,411
Cash and cash equivalents at the end of the year	6 712,852	2,689,024

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

\*Payments to suppliers and employees included \$8.0m (2022: nil) of payments for inventory.

## **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 year and the comparative year.

Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

#### **Basis of preparation**

The financial report is based on accounts which are in the process of being audited and has been prepared in accordance with ASX listing rule 4.3A. As such, this preliminary report does not include all the notes that are included in an annual financial report and should be read on conjunction with the most recent annual financial report. The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2022.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities measured at fair value.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

#### *Presentation*

For the year ended 30 June 2023, the presentation of the consolidated statement of profit or loss and other comprehensive income was changed to improve the usefulness for end users of the financial statements. The result for the year ended 30 June 2022 has been reclassified on the same basis to enable appropriate comparison.

#### **Going concern**

These financial statements have been prepared on a 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 year ended 30 June 2023, the Group recorded a loss of \$11,887,699 (2022: Loss of \$8,405,831) and had net cash outflows from operating activities of \$16,324,156 (2022: \$6,152,612) and has a net working capital surplus of \$3,023,397 as at 30 June 2023 (2022: \$3,427,520).

The Directors believe that it is reasonably foreseeable that the Company and 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 factors:

- The Group had cash at bank of \$712,852, other net working capital assets of \$3,023,397, and net assets of \$12,192,724 as at 30 June 2023;
- The Company raised \$7,250,000 in debt during the year and has access to additional debt facilities; and
- The Group has the ability to raise capital.

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

These factors give rise to a material uncertainty which may cast significant doubt as to whether the Company and Group will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Adoption of new and revised accounting standards**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Standards issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting year ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Business combinations*

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the year the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

### *Share Based Payments*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity.

### *Impairment testing*

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and intangible assets.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

## **NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

The value-in-use calculation uses cash flow projections based on operating budgets and strategic business plans, after which a terminal value is applied, based on management's view of the expected long-term growth profile of the business. The determination of cash flows over the life of an asset requires management judgement in assessing the future number of customers, the number of branches and active devices, data usage, potential price changes as well as any changes to the costs of the product and other operating costs incurred by the Group. The implied pre-tax discount rate is calculated with reference to long-term government bond rates, external analyst views and the Group's pre-tax cost of debt.

In determining fair value less costs of disposal, the valuation model incorporates the cash flows projected over the balance of the current corporate plan year. Cash flows beyond this year are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. These projections are discounted using a risk-adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill and indefinite life intangible assets are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use and fair value less costs of disposal of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

### *Allocation of goodwill to cash-generating units*

Management allocates goodwill acquired in a business combination to cash-generating units (CGUs) or a group of cash-generating units in a non-arbitrary way which is expected to benefit from the synergies of the combination.

### *Fair value of convertible notes at fair value through profit and loss (FVTPL)*

The fair value is estimated using a net present valuation calculation using a discount rate derived from instruments with similar maturity and credit rating.

## **NOTE 3. OPERATING SEGMENTS**

### **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 the first material country starting operations to develop and sell products and services. Each region has a management team to oversee the local operations and undertakes 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 reported to the CODM is on a monthly basis.



### NOTE 3. OPERATING SEGMENTS (CONTINUED)

#### Types of products and services

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

Consulting, design & implementation services	the design and implementation of secure network migration and deployment services and hardware.
Software & licensing revenue	the sale, licensing and support of software.

#### Operating segment information

For the year ended 30 June 2023	Australia & New Zealand	China	Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	5,806,485	14,864,513	-	20,670,998
Cost of sales	(2,809,641)	(13,703,130)	-	(16,512,771)
Gross profit	2,996,844	1,161,383	-	4,158,227
Other income	51,614	3,449	353,787	408,850
Business development and marketing expenses	(1,216,982)	-	-	(1,216,982)
Employee and consultant expenses	(5,170,053)	(1,387,419)	-	(6,557,472)
Admin, office and corporate expenses	(2,374,148)	(81,631)	-	(2,455,779)
Research and development expenses	(342,264)	(1,284,317)	-	(1,626,581)
Employee share-based payment expenses	-	-	(1,378,240)	(1,378,240)
Other share-based payment expenses	-	-	(465,890)	(465,890)
Other expenses	(1,155,025)	(119,501)	-	(1,274,526)
<b>Total earnings before interest, tax, depreciation and amortisation</b>	<b>(7,210,014)</b>	<b>(1,708,036)</b>	<b>(1,490,343)</b>	<b>(10,408,393)</b>
Depreciation and amortisation	(817,898)	(60,103)	-	(878,001)
Finance costs	(599,170)	(2,135)	-	(601,305)
<b>Loss before income tax from continuing operations</b>	<b>(8,627,082)</b>	<b>(1,770,274)</b>	<b>(1,490,343)</b>	<b>(11,887,699)</b>

**NOTE 3. OPERATING SEGMENTS (CONTINUED)**

<b>For the year ended 30 June 2022</b>	<b>Australia &amp; New Zealand</b>	<b>China</b>	<b>Corporate</b>	<b>Netlinkz Group</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	3,266,502	12,434,928	-	15,701,430
Cost of sales	(775,165)	(10,889,185)	-	(11,664,350)
Gross profit	2,491,337	1,545,743	-	4,037,080
Other income	33,492	13,350	249,808	296,650
Business development and marketing expenses	(267,698)	-	-	(267,698)
Employee and consultant expenses	(4,147,601)	(1,532,786)	-	(5,680,387)
Admin, office and corporate expenses	(1,580,702)	(101,925)	-	(1,682,627)
Research and development expenses	(200,085)	(297,855)	-	(497,940)
Employee share-based payment expenses	-	-	(1,168,236)	(1,168,236)
Other share-based payment expenses	-	-	(237,328)	(237,328)
Net fair value loss on debt arrangement	-	-	(1,429,772)	(1,429,772)
Other expenses	(268,338)	(200,162)	-	(468,500)
<b>Total earnings before interest, tax, depreciation and amortisation</b>	<b>(3,939,595)</b>	<b>(573,635)</b>	<b>(2,585,528)</b>	<b>(7,098,758)</b>
Depreciation and amortisation	(861,605)	(98,147)	-	(959,752)
Finance (costs)/income	(368,646)	21,325	-	(347,321)
<b>Loss before income tax from continuing operations</b>	<b>(5,169,846)</b>	<b>(650,457)</b>	<b>(2,585,528)</b>	<b>(8,405,831)</b>

  

<b>as at 30 June 2023</b>	<b>Australia &amp; New Zealand</b>	<b>China</b>	<b>Corporate</b>	<b>Netlinkz Group</b>
<b>Summarised balance sheet</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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)
<b>Current net assets</b>	<b>2,516,634</b>	<b>2,563,164</b>	<b>(1,343,549)</b>	<b>3,736,249</b>
Non-current assets	7,563,451	2,939,486	1,257,230	11,760,167
Non-current liabilities	(3,303,692)	-	-	(3,303,692)
<b>Non-current net assets</b>	<b>4,259,759</b>	<b>2,939,486</b>	<b>1,257,230</b>	<b>8,456,475</b>
<b>Net assets</b>	<b>6,776,393</b>	<b>5,502,650</b>	<b>(86,319)</b>	<b>12,192,724</b>

### NOTE 3. OPERATING SEGMENTS (CONTINUED)

as at 30 June 2022	Australia & New Zealand	China	Corporate	Netlinkz Group
Summarised balance sheet	\$	\$	\$	\$
Current assets	231,391	4,382,212	1,196,751	5,810,354
Current liabilities	(526,846)	(40,679)	(1,815,309)	(2,382,834)
<b>Current net assets</b>	<b>(295,455)</b>	<b>4,341,533</b>	<b>(618,558)</b>	<b>3,427,520</b>
Non-current assets	7,853,783	4,122,637	495,345	12,471,765
Non-current liabilities	(88,597)	-	-	(88,597)
<b>Non-current net assets</b>	<b>7,765,186</b>	<b>4,122,637</b>	<b>495,345</b>	<b>12,383,168</b>
<b>Net assets</b>	<b>7,469,731</b>	<b>8,464,170</b>	<b>(123,213)</b>	<b>15,810,688</b>

### NOTE 4. REVENUE AND OTHER INCOME

#### Disaggregation of revenue

	Consolidated for the year ended	
	30 Jun 2023	30 Jun 2022
	\$	\$
Consulting, design and implementation revenue	15,951,850	13,045,698
Software, service and licensing revenue	4,719,148	2,655,732
<b>Total revenue</b>	<b>20,670,998</b>	<b>15,701,430</b>

**NOTE 4. REVENUE AND OTHER INCOME (CONTINUED)**

**Other income**

	<b>Consolidated for the year ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Interest income	6,523	21,325
Grants and research and development tax offset	347,264	249,808
Other income	55,063	25,517
<b>Total other income</b>	<b>408,850</b>	<b>296,650</b>

	<b>Consulting, design &amp; implementation revenue</b>	<b>Software and licensing revenue</b>	<b>Total</b>
<b>Revenue</b>	<b>30 Jun 2023</b>	<b>30 Jun 2023</b>	<b>30 Jun 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Primary geographical markets</b>			
Australia	1,087,336	3,005,679	4,093,015
New Zealand	-	1,713,470	1,713,470
China	14,864,513	-	14,864,513
	<b>15,951,849</b>	<b>4,719,149</b>	<b>20,670,998</b>

<b>Timing of revenue recognition</b>			
Products transferred at point in time	1,087,336	2,230,610	3,317,946
Products and services transferred over time	14,864,513	2,488,539	17,353,052
	<b>15,951,849</b>	<b>4,719,149</b>	<b>20,670,998</b>

	<b>Consulting, design &amp; implementation revenue</b>	<b>Software and licensing revenue</b>	<b>Total</b>
<b>Revenue</b>	<b>30 Jun 2022</b>	<b>30 Jun 2022</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Primary geographical markets</b>			
Australia	601,570	530,114	1,131,684
New Zealand	-	2,125,618	2,125,618
China	12,444,128	-	12,444,128
	<b>13,045,698</b>	<b>2,655,732</b>	<b>15,701,430</b>

**Timing of revenue recognition**

Products transferred at point in time	4,266,655	330,918	4,597,573
Products and services transferred over time	8,779,043	2,324,814	11,103,857
	<b>13,045,698</b>	<b>2,655,732</b>	<b>15,701,430</b>

## **NOTE 5. EXPENSES**

### **(a) Cost of sales**

Direct costs associated with design, implementation and hardware costs of sales in Australia, New Zealand, and China.

### **(b) Financing costs**

Costs and facilitation fees incurred to secure financing and funding for the Group.

### **(c) Employee share-based payment expenses**

Incentives paid to directors and employees settled in shares or options.

### **(d) Other share-based payment expenses**

The Company paid contractors, suppliers, and financiers for services during the year.

### **(e) Net fair value loss on debt settlements**

The Group settled outstanding debts, fees and claims using shares and options. Net fair value loss represents the difference between the fair value of instruments used for debt settlements and carrying amount of the debts, fees and claims.

### **(f) Included in expenses are the following costs:**

	<b>Consolidated for the year ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Foreign exchange loss	23,175	53,252
Amortisation expense	751,410	750,991
Interest expense	566,504	310,891
Compliance and listing costs	158,608	207,952
Rental expense	126,591	81,180
Depreciation expense	123,543	54,744

## **NOTE 6. CASH AND CASH EQUIVALENTS**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	712,852	2,689,024



## **NOTE 7. TRADE AND OTHER RECEIVABLES AND INVENTORY**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	2,386,844	1,805,676
GST/VAT receivable	57,939	-
Security deposits	3,577	13,215
Prepayments	1,125,543	712,695
Trade and other receivables	<u>3,573,903</u>	<u>2,531,586</u>

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Inventory	6,604,126	78,583
Other receivables	584,937	432,578

Inventory predominantly relates to Starlink satellite equipment which is expected to be sold within the next twelve months. The inventory is recorded at cost.

## **NOTE 8. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Customer contracts and relationships</b>	<b>Internally generated software</b>	<b>Total</b>
<b>For the year ended 30 June 2023</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening net book amount	9,531,080	1,432,473	1,178,611	12,142,164
Additions	-	1,027	19,042	20,069
Amortisation charge	-	(302,810)	(448,600)	(751,410)
Closing net book amount	<u>9,531,080</u>	<u>1,130,690</u>	<u>749,053</u>	<u>11,410,823</u>
<b>As at 30 June 2023</b>				
Cost	9,531,080	2,196,000	2,399,082	14,126,162
Accumulated amortisation and impairment	-	(1,065,310)	(1,650,029)	(2,715,339)
Net book amount	<u>9,531,080</u>	<u>1,130,690</u>	<u>749,053</u>	<u>11,410,823</u>

## **NOTE 9. TRADE AND OTHER PAYABLES**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Trade payables, other payables, and accruals	<u>2,530,618</u>	<u>1,100,566</u>

## **NOTE 10. EMPLOYEE BENEFITS**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	146,707	108,026

*Amounts 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 year 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**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Current		
Borrowings - unsecured	2,000,000	75,750
Borrowings – secured	2,000,000	-
	4,000,000	75,750
Non-current		
Borrowings – unsecured – related party	3,250,000	-
	3,250,000	-

### *Current*

The Company entered an unsecured short-term facility of \$2.0m provided by Juel Finance Pty Ltd to fund equipment purchases from Starlink Internet Services Pte Limited, at an interest rate of 20% per annum. The facility is unsecured, with a maturity date of 30 September 2023.

The Company entered a short-term loan arrangement for \$2.0m with AFSG Capital Pty Ltd to fund equipment purchases from Starlink Internet Services Pte Limited, at an interest rate of 30% per annum. The facility is secured.

### *Non-current*

On 9 May 2022 the Company executed an agreement with Booker Super Services Pty Limited for a \$10,000,000 facility. The facility is unsecured and has an interest rate of the Australian cash rate plus 6.45%, and has a maturity date of 30 June 2025.

## **NOTE 12. OTHER LIABILITIES**

### **(a) Other current liabilities**

	Consolidated as at	
	30 Jun 2023	30 Jun 2022
	\$	\$
Other current liabilities		
Unearned income	449,923	563,704
Payroll tax and other statutory liabilities	324,428	254,228
AASB 16 lease liability	92,893	59,983
GST/VAT payable	-	60,177
Accrued Directors fees	195,000	160,400
	<u>1,062,244</u>	<u>1,098,492</u>

### **(b) Other non-current liabilities**

	Consolidated as at	
	30 Jun 2023	30 Jun 2022
	\$	\$
AASB 16 lease liability	53,692	88,597
	<u>53,692</u>	<u>88,597</u>

## **NOTE 13. EQUITY – ISSUED CAPITAL**

	Consolidated		Consolidated	
	30 Jun 2023	30 Jun 2023	30 Jun 2022	30 Jun 2022
	Shares	\$	Shares	\$
Ordinary shares - fully paid	3,791,966,295	130,077,646	3,265,909,706	122,528,735
Total issued capital	<u>3,791,966,295</u>	<u>130,077,646</u>	<u>3,265,909,706</u>	<u>122,528,735</u>

## **NOTE 13. EQUITY – ISSUED CAPITAL (CONTINUED)**

### **Movements in ordinary share capital – Year ended 30 June 2023**

	<b>Notes</b>	<b>Number of shares</b>	<b>\$</b>
Opening balance 1 July 2022		3,265,909,706	122,528,735
Issue of shares – placement	(i)	457,516,340	7,000,000
Issue of shares – services performed	(ii)	54,555,554	709,218
Issue of shares – performance rights	(iii)	10,000,000	194,300
Issue of shares – director’s fees	(iv)	3,984,695	145,393
		<u>3,791,966,295</u>	<u>130,577,646</u>
Less: Capital raising costs arising on share issues			(500,000)
Closing balance 30 June 2023		<u>3,791,966,295</u>	<u>130,077,646</u>

### **Movements in ordinary share capital – Year ended 30 June 2022**

	<b>Number of shares</b>	<b>\$</b>
Opening balance 1 July 2021	3,191,671,270	120,447,809
Issue of shares – exercise of options	41,000,000	820,000
Issue of shares – debt settlement	6,846,197	194,432
Issue of shares – services performed	8,142,354	275,000
Issue of shares – performance rights	6,500,000	461,494
Issue of shares – termination benefits	1,749,885	30,000
Issue of shares – staff incentives	10,000,000	300,000
	<u>3,265,909,706</u>	<u>122,528,735</u>
Less: Capital raising costs arising on share issues		-
Closing balance 30 June 2022	<u>3,265,909,706</u>	<u>122,528,735</u>

#### **(i) Placement**

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, is pending finalisation.

On 30 December 2022 the Company issued 196,078,431 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.

#### **(ii) Services performed**

On 25 November 2022, at the Company Annual General Meeting, 8,000,000 shares were issued to several individuals in relation to services performed. On 16 November 2022 7,277,777 shares were issued to employees as a performance bonus, at a deemed price of \$0.018 per share and 2,000,000 shares were issued as a sign on bonus, at a deemed price of \$0.025 per share. On 9 June 2023 30,000,000 shares were issued in relation to a financing arrangement, at a deemed price of \$0.009 per share. On 30 June 2023 7,277,777 shares were issued to employees as a performance bonus, at a deemed price of \$0.008 per share.

## **NOTE 13. EQUITY – ISSUED CAPITAL (CONTINUED)**

### **(iii) Performance rights**

On 17 April 2023 1,333,333 performance rights were converted to shares for service performed by employees. On 3 January 2023, 5,000,000 performance rights were converted to shares for service performed by Rotem Salomonovitch, a key management personnel. On 11 November 2022 3,666,667 performance rights were converted to shares for service performed by employees.

### **(iv) Directors' fees**

On 25 November 2022, at the Company Annual General Meeting, it was resolved to issue 3,984,695 shares to Directors as part of their remuneration for prior services performed, instead of making cash payments.

### *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. In order 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 14. SHARE BASED PAYMENTS**

### **Options**

		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
Options		75,500,000	80,500,000
Unissued ordinary shares under option:			
Details	Grant date	Number of options	Average exercise price \$
Opening balance 1 July 2022		80,500,000	
Options granted	20-Oct-22	10,000,000	0.125
Options expired		(15,000,000)	
Closing balance 30 June 2023		<u>75,500,000</u>	



#### **NOTE 14. SHARE BASED PAYMENTS (CONTINUED)**

On 20 October 2022 the Company granted 10,000,000 options to Mr. Hakan Ericsson on his appointment as a Director of the Company. The options were issues in four tranches, with an average exercise price of \$0.125 per share. 50% of the options vested immediately, and the remaining 50% vest over 18 months from the date of his appointment.

On 24 December 2022 10,000,000 options with an average exercise price of \$0.20 per share expired. On 24 September 2022 5,000,000 options with an average exercise price of \$0.06 per share expired.

Share options outstanding as at 30 June 2023 have the following expiry date and exercise price:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
10-Dec-19	24-Sep-23	0.16	2,500,000	2,500,000
24-Dec-19	24-Dec-22	0.20	-	10,000,000
24-Sep-20	24-Sep-22	0.06	-	5,000,000
19-Nov-20	1-Sep-23	0.10	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.15	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.20	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.25	10,000,000	10,000,000
19-Nov-20	24-Dec-23	0.10	3,000,000	3,000,000
16-Jun-21	1-Sep-23	0.10	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.15	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.20	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.25	5,000,000	5,000,000
20-Oct-22	20-Oct-24	0.05	2,500,000	-
20-Oct-22	20-Oct-24	0.10	2,500,000	-
20-Oct-22	20-Oct-24	0.15	2,500,000	-
20-Oct-22	20-Oct-24	0.20	2,500,000	-

#### **Performance rights**

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
Performance rights	168,666,667	60,000,000

<b>Details</b>	<b>Number of performance rights</b>
Opening balance 1 July 2022	60,000,000
Performance rights granted	176,000,000
Performance rights converted to shares	(10,000,000)
Performance rights expired	(57,333,333)
Closing balance 30 June 2023	168,666,667

#### **NOTE 14. SHARE BASED PAYMENTS (CONTINUED)**

During the year ended 30 June 2023, the Company issued 176,000,000 performance rights to employees which are subject to employees meeting individual and Company performance hurdles.

The Company also issued 50,000,000 performance rights to a Director of the Company, Mr James Tsiolis. The hurdles for vesting of these performance rights are 25,000,000 in the event that the 90 day VWAP is greater than \$0.075 per share and 25,000,000 in the event that the 90 day VWAP is greater than \$0.10 per share.

During the year ended 30 June 2023, 57,333,333 performance rights issued to employees expired as the related individual and/or Company performance hurdles were not met.

#### **NOTE 15. EQUITY – RESERVES**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve	(165,305)	(40,318)
Share based payments reserve	14,353,328	13,412,718
Total reserves	14,188,023	13,372,400

##### *Share based payments and options reserve*

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

#### **NOTE 16. EQUITY – ACCUMULATED LOSSES**

	<b>Consolidated as at</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the year	(120,200,785)	(111,789,961)
Loss after income tax expense for the year	(11,826,463)	(8,410,824)
Accumulated losses at the end of the year	(132,027,248)	(120,200,785)

#### **NOTE 17. BUSINESS COMBINATION**

##### *(a) Summary of acquisition*

There were no business combinations during the year ended 30 June 2023.

##### *Acquisition of Southcloud Holdings Pty Limited*

On 29 June 2022 the Company acquired 100% of the issued share capital of Southcloud Holdings Pty Limited and its wholly owned subsidiary Southcloud Pty Ltd (together Southcloud). Southcloud is an Internet Service Provider based in regional New South Wales offering bundled product solutions to consumers and Small and Medium Enterprises (SME's). Southcloud is a channel to market for NaaS and Starlink, Netlinkz's technology to remotely service clients.

## **NOTE 17. BUSINESS COMBINATION (CONTINUED)**

The consideration for the shares was \$179,237 and the assumption of Southcloud's net asset deficit as at 29 June 2022 of \$1,173,669. This deficit was largely incurred in the 2022 financial year as Southcloud built its product range and expanded its customer base.

	<b>Fair value</b>
	<b>\$</b>
Details of the acquisition are as follows:	
<b>Current assets</b>	
Cash and cash equivalents	26,729
Receivables	198,386
GST recoverable	80,887
Other debtors	34,684
Inventory	78,583
<b>Total current assets</b>	<b>419,269</b>
<b>Non-current assets</b>	
Office furniture and equipment	23,804
Software	24,679
<b>Total non-current assets</b>	<b>48,483</b>
<b>Total assets</b>	<b>467,752</b>
<b>Current liabilities</b>	
Accounts payable	210,972
Other payables and accruals	151,058
<b>Total current liabilities</b>	<b>362,030</b>
<b>Non-current liabilities</b>	
<b>Other borrowings</b>	75,750
<b>Total non-current liabilities</b>	<b>75,750</b>
<b>Total liabilities</b>	<b>437,780</b>
<b>Net assets</b>	<b>29,972</b>
<b>Net assets acquired</b>	29,972
<b>Goodwill</b>	149,265
	179,237
<b>Fair value of total consideration transferred at acquisition date representing:</b>	
Cash	179,237

The loan was effectively forgiven as at the date of acquisition, bringing the total consideration, including consideration paid to the vendors, to \$1,609,009. The goodwill is attributable to the customer base. The business is projected to be profitable. The Group applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 Business Combinations. This has now been finalised with no adjustments made to provisional accounting.

## **NOTE 17. BUSINESS COMBINATION (CONTINUED)**

### *Revenue and profit contribution*

Given that the Company was acquired at the end of the prior year, it made no contribution to earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2022.

If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and loss before interest, tax, depreciation and amortisation, research and product development expenses for the year ended 30 June 2022 would have been \$839,549 and \$632,192 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary.

## **NOTE 18. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES**

	<b>Consolidated for the year ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Loss after income tax benefit for the year</b>	<b>(11,887,699)</b>	<b>(8,405,831)</b>
<b>Adjustment for non-cash transactions:</b>		
Depreciation and amortisation	878,001	959,752
Foreign exchange differences	23,175	54,744
Fair value loss on debt settlement	-	1,429,772
Operating expenses paid in shares and options	465,890	237,328
Share based payments	1,378,240	1,168,238
Others	(727,884)	282,758
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,116,093)	(24,414)
Increase in inventory	(6,682,709)	-
Increase/(decrease) in trade and other payables	1,339,849	(1,880,520)
Increase/(decrease) in unearned income	(113,780)	166,039
Increase in employee benefits	38,681	(208,078)
<b>Net cash flows used in operating activities</b>	<b>(16,404,329)</b>	<b>(6,220,212)</b>

## NOTE 19. LOSS PER SHARE

	<b>Consolidated for the year ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Loss per share for loss from continuing operations</b>		
Loss after income tax attributable to the owners of Netlinkz Limited	(11,826,463)	(8,410,824)
	<b>Consolidated for the year ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
Weighted average number of ordinary shares used in calculating basic diluted loss per share	3,510,411,634	3,247,410,324
	<b>\$</b>	<b>\$</b>
Basic loss per share	(0.0034)	(0.0026)
Diluted loss per share	(0.0034)	(0.0026)
	<b>Number</b>	<b>Number</b>
Number of shares under options or rights	243,166,667	140,500,000

## NOTE 20. INTERESTS IN MATERIAL 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:

		<b>Ownership interest</b>	
		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
<b>Name</b>	<b>Principal place of business/ Country of incorporation</b>	<b>%</b>	<b>%</b>
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
ISC (Australia) Pty Ltd	Ireland	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%	0%
Southcloud Holdings Pty Ltd	Australia	100%	100%
Southcloud Pty Ltd	Australia	100%	100%
Netlinkz International Technology Limited	Ireland	100%	100%

\*Acquisition of remaining 20% pending completion of legal transfer only.



**NOTE 21. COMMITMENTS**

There were no commitments as at 30 June 2023 (30 June 2022: Nil).

**NOTE 22. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 30 June 2023 (30 June 2022: Nil).

**NOTE 23. EVENTS SUBSEQUENT TO REPORTING DATE**

No matter or circumstance has arisen since 30 June 2023 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.