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Netlinkz

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C MARCH 2023

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 31 March 2023 ("March Quarter"), together with its Appendix 4C.

Highlights

Netlinkz is entering a period of rapid expansion as both the scale and scope of its business activities open new geographical markets and key partnerships to sell its core technology of secure and scalable network services (NaaS). Lawful interception, satellite internet services and NaaS form key recurring revenue streams.

- **Starlink** sales pipeline grows by ~\$25 million during the quarter, with enquiry level value over \$85 million (hardware and NaaS subscription revenue value)
- **Regal Funds Management Facility** drawdown during the quarter to substantially fund Starlink inventory purchases to position to meet demand. The Company is reviewing funding options for further investment in Starlink inventory.
- **Revenue** for the quarter at \$4.7m was a 20% increase over Q3 FY2022, and YTD 18% increase over the prior year at \$15.2m
- **SSI Lawful Interception business** continues to perform strongly with an increase in revenue of 36% over the previous quarter and a 61% increase YTD Q3 2022. Significant new potential opportunities with Starlink and Al Rabban (MENA)
- **AOFA and iLinkAll business** continues to increase year-on-year revenue, with a 13% increase over Q3 FY2022 and YTD. The China business now represents a lower percentage of the Group given growth in revenue outside in the rest of the world
- **Cash receipts** for the quarter were \$3.7m bringing YTD cash receipts to \$15.6m or a 30% increase on YTD FY2022
- **Cost reduction implemented in iLinkAll business and in product development in Australia**
- **Significant Asia-Pacific partnership terms agreed subject to final** documentation with telecommunications companies to sell Network as a Service (NaaS)

Operational and Corporate overview

Results for the quarter (unaudited)

Netlinkz Starlink

In the prior quarter the Company entered into an agreement with Space Exploration Technology Corp. (SpaceX) for Netlinkz to be a global reseller of the enterprise, mobile and maritime Starlink satellite based high-speed, low-latency broadband internet.

Netlinkz has received enquiries from Australian and foreign governments, multi-national business, local and overseas telecommunication businesses, and rural and remote businesses and communities for NaaS Starlink units with potential gross revenue of \$85 million. Netlinkz commenced sales of the product in February 2023 and has a solid pipeline of \$25 million in gross revenue which it expects to convert in the next twelve months. The NaaS Starlink bundle is proving to be a compelling offer which provides customers with a fully encrypted invisible private network for all devices connected to the network that access the internet.

The Company drew down \$4.0m of the Regal \$20.5m facility during the quarter. \$3.0m of this was invested in prepayments for Starlink inventory in order to meet demand. The Company is reviewing funding options for further investment in Starlink inventory.

The Company is developing sales channels via a limited partner network, and has to date signed or has under review a number of substantial partnership agreements across Australia, New Zealand, South East Asia and South America. Netlinkz expects further opportunity for growth as SpaceX opens up additional eligible countries for Starlink internet services.

Network as a Service (NaaS)

The Company is partnering with HGC Global Communications (HGC) on building an integrated global communication platform, Network as a Service (NaaS) for enterprises, based on VSN. Phase 1 will be the rollout of the NaaS for enterprises based in Thailand. This will be followed by a roll out across the south-east Asian region.

HGC is a leading fixed-line operator that owns extensive infrastructure in Hong Kong and overseas and offers a wide portfolio of products and services. HGC provides other operators with telecommunications infrastructure, while acting as service provider to corporations and households alike.

The company provides full-fledged telecommunications, data centre services, ICT solutions and broadband services for local, overseas, corporate, SME and mass markets. HGC owns and operates an extensive fibre-optic network, and connects with hundreds of world-class international telecom operators.

In addition, Netlinkz has partnered with ALT Telecom Public Company Limited (“ALT”) to rollout of Starlink and NaaS services in Thailand to be followed by other Southeast Asian markets for small to medium enterprises.

ALT is a fully integrated telecommunication infrastructure provider, providing internet services, wholesale bandwidth, digital and renewable energy infrastructure planning and construction. ALT holds a Type-III telecommunications license in Thailand.

Financial Results

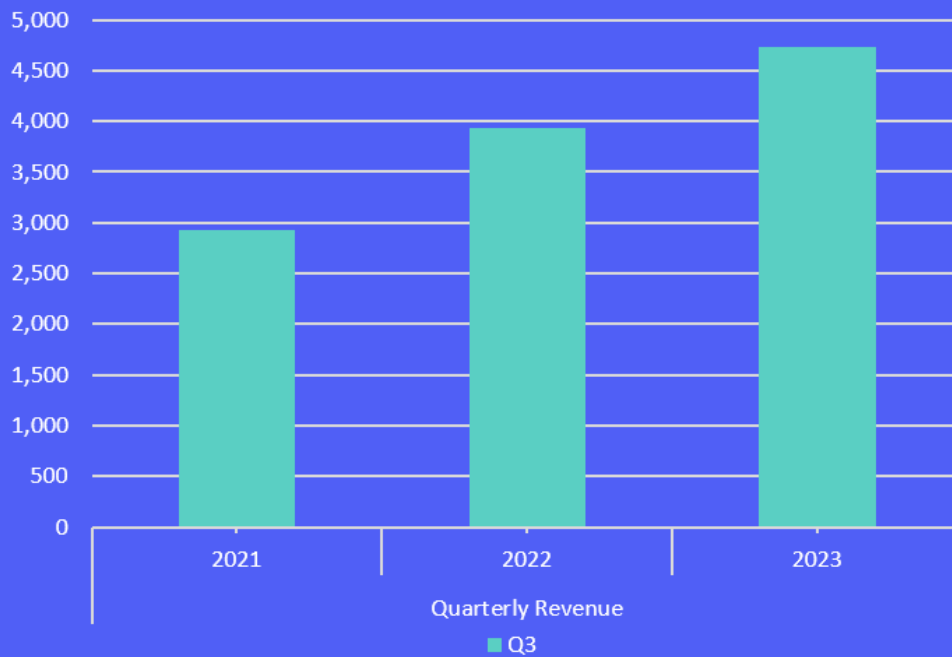
Revenue of \$4.7m for the quarter demonstrated positive growth across all divisions of the business compared to the prior year.

Starlink satellite based NaaS business commenced late in the quarter following execution of the SpaceX agreement on 23 November 2022. The Company has been building the enterprise sales pipeline and working on a limited partner network in order to generate revenue from hardware sales, and to build a recurring revenue base from subscriptions.

SSI’s lawful interception results were strong with an increase in recurring revenue of 36% over the previous quarter and 61% over the YTD FY2022. SSI has significant additional potential opportunities based on the Starlink business and Al Rabban in the MENA region.

AOFA and iLinkAll’s business continues to steadily grow its revenue base, with the result for the quarter being a 13% increase on Q3 FY2022 and YTD FY2022. iLinkAll is currently rolling out initiatives in China which are expected to grow its VSN business.

Quarterly Revenue (A\$000s)



Total cash receipts from customers for Q3 FY2023 was \$3.7m, bringing the YTD receipts to \$15.6m, a 30% increase on the prior year.

Payments for operating costs for Q3 FY2023 included \$3.0m payments in relation to the initial order from SpaceX for Starlink hardware. At 31 March 2023, the Company was holding \$5.0 million in inventory and prepaid inventory relating to Starlink hardware. The Company is reviewing funding alternatives for further inventory purchases from Starlink.

Gross margins are largely unchanged from the previous year, and are expected to improve once higher volume Starlink sales occur and as Network as a Service subscription revenue grows. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Research and development costs were \$321k for Q3 FY2023, and \$1.2m YTD FY 2023 as the Company continues to develop enhancements to its Network as a Service suite of products and services, and invest in the integration of the NaaS and Starlink satellite units.

Corporate

The Company continues to manage its cost base, with staff costs, administration and corporate costs of \$2.7m being lower than the prior quarter of \$3.3m.

Cash at the end of the quarter was \$0.9m. The Company has unused facilities of \$10.185m (see analysis in Item 7 below).

Other

Equity facility agreement

The Company drew down \$4.0m of the Regal Funds Management Pty Ltd (Regal) \$20.5m facility during the quarter, principally to fund Starlink inventory purchases. The Company issued ~261 million shares, at an effective price of \$0.0153 per share.

At the time the Regal facility was put in place it was not intended to fund the purchase of Starlink inventory. The Company has currently reached its share issuance capacity under the Regal facility (not the drawdown limit) and are in confidential discussions with Regal on its operation going forward.

Debt facilities

No amounts were drawn down under debt facilities during the March quarter. The Company had \$3.815m in outstanding debt as at 31 March 2023.

Board and Management

The Company paid directors \$0.311m during the quarter comprised of salaries, superannuation, and expense reimbursements.

Mr Stuart Dasler was appointed as Head of Satellites Division on 6 March 2023. Stuart has significant experience in the Satellites industry, with over 22 years working with start-ups, publicly listed companies, SME's, and global corporations. He has a strong network that will assist the Company with its Starlink sales initiatives. Stuart will be responsible for further developing Netlinkz's NaaS Starlink operations.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of Entity: **Netlinkz Limited**

ABN: **55 141 509 426**

Quarter ended ("current quarter"): **31 March 2023**

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	3,712	15,610
1.2	Payments for		
	research and development	(321)	(1,202)
	product manufacturing and operating costs	(2,726)	(10,926)
	advertising and marketing	(201)	(522)
	leased assets	(33)	(88)
	staff costs	(1,096)	(3,608)
	administration and corporate costs	(1,625)	(5,743)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(31)	(172)
1.6	Income taxes paid	38	(64)
1.7	Government grants and tax incentives	-	250
1.8	Other (provide details if material)	(3,000)	(5,000)
1.9	Net cash used in operating activities	(5,282)	(11,462)
<i>Amounts shown in item 1.8 relate to payments and prepayments for Starlink inventory</i>			

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 or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(88)
	(d) investments	-	-
	(e) intellectual property	(12)	(13)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(16)	(101)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,000	7,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(550)
3.5	Proceeds from borrowings	-	4,815
3.6	Repayment of borrowings	-	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(203)	(430)
3.10	Net cash from / (used in) financing activities	3,797	9,835

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 period	2,297	2,689
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,282)	(11,462)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	(101)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,797	9,835
4.5	Effect of movement in exchange rates on cash held	109	(56)
4.6	Cash and cash equivalents at end of period	905	905

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	905	2,297
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)	905	2,297

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	311
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Amounts shown in item 6.1 relate to remuneration payments made to Directors.</i>		

CONSOLIDATED STATEMENT OF CASH FLOWS



7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	14,000	3,815
7.2	Credit standby arrangements	-	-
7.3	Other (Regal)	20,500	7,000
7.4	Total financing facilities	34,500	10,815
7.5	Unused financing facilities available at quarter end (excluding Regal)*		10,185
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

See ASX Announcement 9 May 2022 – Lender Booker Super Services Pty Ltd, initial interest rate 6.8%, adjusted by increases in cash rate by Reserve Bank of Australia. The facility is unsecured, with a maturity date of 30 June 2025.

The Company entered an unsecured short term facility of \$4.0m provided by Juel Finance Pty Ltd to fund inventory 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.

See ASX Announcement 1 August 2022. The Company has entered into an equity facility agreement with Regal Funds Management Pty Limited (Regal) for an amount up to \$20.5m. The facility is for a period of 3 years, with terms as outlined in the ASX announcement. * As at 31 March 2023 the Company could not issue further shares to Regal under the facility agreement and is in discussion with Regal on the use of the facility going forward. Therefore, the undrawn value of the facility has not been included as part of unused financing facilities available at quarter end.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,282)
8.2	Cash and cash equivalents at quarter end (item 4.6)	905
8.3	Unused finance facilities available at quarter end (item 7.5)	10,185
8.4	Total available funding (item 8.2 + item 8.3)	11,090
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

COMPLIANCE STATEMENT 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.

28.04.2023

Authorised by: The Board

Notes:

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
6. See chapter 19 of the ASX Listing Rules for defined terms

Netlinkz Limited (Netlinkz or the Company) (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz VSN solution is a NaaS (Network-as-a-Service) proposition that is user-centric, creating a per-user private network that is available, secure and performance optimised, for authorised users regardless of their location.

The Netlinkz VSN allows enterprises to embrace their new-normal by allowing IT departments to consistently enforce employee connectivity policies (compliance), simplifying operations (cost), improving security (business continuity), while directly correlating technology investment to user-productivity (value).

Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

To learn more about Netlinkz technology and the Company please visit www.netlinkz.com

Contacts

For more information, please contact:

James Tsiolis | CEO & Managing Director

E: jtsiolis@netlinkz.com

P: + 61 (2) 9329 9700

Guy Robertson | Company Secretary

E: grobertson@netlinkz.com

P: + 61 (2) 407 983 270