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Secure. Fast. Simple.



Netlinkz

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C MARCH 2022

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 31 March 2022 ("March Quarter"), together with its Appendix 4C.

Highlights

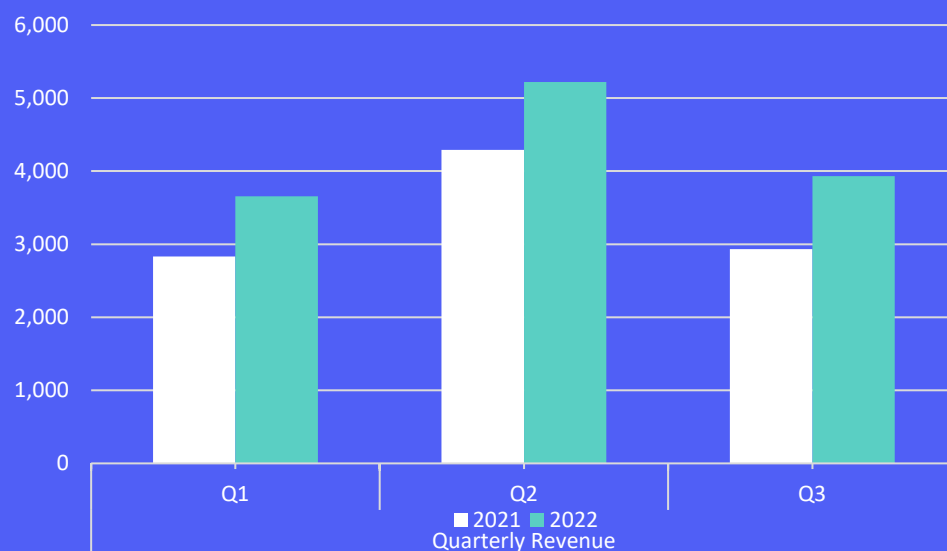
- **Version 2.3 of the VSN was released on 31 March 2022** with an upgrade on security for the product to meet penetration testing. Investment in Version 2.3 facilitates increased new customer acquisition in the coming quarters and beyond.
- **Enterprise client numbers continuing to grow**, with contract renewal of up to 90% for existing clients, and a number of significant potential enterprise clients in contract terms negotiation.
- Preparation for **Global Naas for VSN rollout** is now underway with the negotiation for the first support centre in the Middle East and North Africa (MENA) region, and pricing for subscription-based model finalised.
- **Solid quarterly revenue of ~\$3.9m** is pleasing when taking into account the impact of Chinese New Year and the Winter Olympics.
- **Improved margins and lower overheads** position the Company well to build out a global business with China continuing to be Netlinkz's primary growth market.

Operational and Corporate overview

Results for the quarter (unaudited)

Revenue of \$3.9 million for the quarter was up by \$1.2 million or 44% compared to Q3FY2021. For the nine months YTD revenue was 10% above the prior year and up 28% excluding prior year low margin hardware sales. The hardware sales combined with network engineering consulting in previous period assisted with establishing the Netlinkz brand and VSN 1.0 in the market and building a commercial footprint – at lower operating margins. Q3 is seasonally impacted by CNY, with the Winter Olympics also having an impact. The business is continuing to focus on building recurring income to remove seasonal fluctuations driven by product subscription revenues.

Quarterly Revenue (A\$000s)*



*adjusting for hardware sales in Q1 2021



Gross margins are continuing to grow with the ongoing shift to recurring NaaS VSN subscription revenue, bringing the nine month YTD result to 30% (2021 – 28%).

Research and development continued with the release to the market of VSN2.3, the product having been subject to and passed rigorous penetration testing.

Product manufacturing and operating costs/cost of sales. On an accounting (AASB15) revenue recognition basis gross margin is as outlined above, currently at 30%, and growing. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Staff costs have now stabilised and are in line with the previous quarter.

Overhead costs have declined again over the previous quarter in line with focus on cost control.

Total cash receipts from customers for Q3 FY2022 was \$3.1 million, an increase of \$1.0 million or 50% increase on Q3 FY2021.

While the net cash used in operating activities for the quarter was an outflow of \$1.58 million the earnings before interest tax and depreciation (EBITDA) (unaudited) was much improved at a loss of \$0.68 million.

Cash at the end of the quarter was \$5.3 million.

Other

The Company paid directors \$0.158 million during the quarter comprised of salaries and superannuation.

This report has been approved by the Board of Netlinkz Limited for release to the ASX.

Appendix 4C



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 2022**

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	3,104	13,349
1.2	Payments for		
	research and development	(277)	(1,449)
	product manufacturing and operating costs	(2,099)	(8,712)
	advertising and marketing	(8)	(53)
	leased assets	(14)	(45)
	staff costs	(1,135)	(3,886)
	administration and corporate costs	(981)	(4,429)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	19
1.5	Interest and other costs of finance paid	(116)	(301)
1.6	Income taxes paid	(64)	(209)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(2)	(31)
1.9	Net cash used in operating activities	(1,586)	(5,747)

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	-	-
	(d) investments	-	-
	(e) intellectual property	(9)	(15)
	(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)	(315)	(458)
2.6	Net cash from / (used in) investing activities	(324)	(473)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	820
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	(20)
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(62)
3.10	Net cash from / (used in) financing activities	-	738

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	7,373	10,836
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,586)	(5,747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(324)	(473)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	738
4.5	Effect of movement in exchange rates on cash held	(152)	(43)
4.6	Cash and cash equivalents at end of period	5,311	5,311

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	5,311	7,373
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)	5,311	7,373

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	158
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other	1,130	1,130
7.4 Total financing facilities	1,130	1,130
7.5 Unused financing facilities available at quarter end		-

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.

In respect of 7.3 above, the facilities are comprised of:

- (a) \$1,130,000 in unsecured short term loans with an interest rate of 20% per annum, where the lenders are as follows:
 - i. Anathema Pty Ltd <The Anathema Trust> in respect of \$180,000, with a maturity date of 14 June 2022;
 - ii. Mrs Joy Elaine Hordern in respect of \$400,000 with a maturity date of 14 June 2022;
 - iii. Mr Anthony Phillip Hordern in respect of \$500,000 with a maturity date of 15 June 2022;
 - iv. Mrs Rong Xie in respect of \$50,000 with a maturity date of 15 June 2022.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,586)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,311
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,311
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.3
	<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.



Netlinkz

COMPLIANCE STATEMENT

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29.4.2022

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.

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

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