

We connect.  
Secure. Fast. Simple.



**Netlinkz**

# NETLINKZ LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

ACN 141 509 426

---

## CORPORATE DIRECTORY

Directors	James Tsiolis Stephen Gibbs Mr Zhang Geoff Raby AO James Stickland Grant Booker	CEO, Executive Director Non-Executive Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Company secretary	Guy Robertson	
Registered office	65 Stanley Street Darlinghurst NSW 2010	
Principal place of business	65 Stanley Street Darlinghurst NSW 2010	
Share register	Computershare Investor Services Pty Ltd 172 St Georges Terrace Perth WA 6000 Australia	
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia	
Stock exchange listing	Netlinkz Limited shares are listed on the Australian Securities Exchange  ASX code: NET	
Website	www.netlinkz.com	

Chairman's letter	4
Directors' report	5
Consolidated statement of profit or loss and other comprehensive income	23
Consolidated statement of financial position	24
Consolidated statement of changes in equity	25
Consolidated statement of cash flows	26
Notes to the consolidated financial statements	27
Corporate governance statement	69
Directors' declaration	70
Independent auditor's report to the members of Netlinkz Limited	71
Shareholder information	76

Description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 September 2021. The Directors have the power to amend and reissue the financial statements.

## CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to present to you our Annual Report for the year ended 30 June 2021.

With the impact of COVID-19 being felt throughout 2020 and continuing into 2021, enterprise workforce has shifted in support of hybrid working. As users become more mobile, their connectivity should follow them ensuring consistent availability, security and performance.

Your company has an outstanding product and platform to meet this challenge and 2021 has been a year of significant revenue growth, building new partnerships and strengthening the team to capitalise on this opportunity. The key focus of the Company in the coming 12 months is to create recurring revenue through its Network-as-a-Service (NaaS) offering underpinned by the Netlinkz Virtual Secure Network (VSN).

Revenue grew by 174% YOY to \$14.4 million in 2021, with growth in both hardware and software sales. NaaS represented a smaller but increasing component which will pivot the Company to a higher margin revenue base. China has been and will continue to be a major contributor as the Group expands to new markets with NaaS as the go to market strategy. A broader geographic revenue base and expanded product offering underpinned by growing NaaS recurring revenue will build a robust enduring Group.

Our vision is to personalise connectivity for every enterprise user. In the hybrid working environment, enterprises require a solution that combines identity-based access, performance driven path selection (assuming multiple paths to a resource are available) and encrypted communications while allowing IT administrators to personalise such combinations for each employee (user) regardless of their physical locale or access infrastructure.

The Netlinkz product, delivered as a NaaS and offered as an infrastructure independent service, meets this need, empowering a new level of user-experience that is always-on, secure, and performance optimised.

The Group is developing a distribution network in key markets, and during the year executed partnership agreements with several global businesses. These initiatives will build on the Group's existing contracts with global Fortune 100 companies in infrastructure, logistics, renewable energy, healthcare, and retail sales, and will generate and diversify recurring revenue in 2022.

The Company raised \$43 million in new capital during the year to complete the corporate and financial restructure, and for ongoing product development, including the completion of VSN version 2.0 which created the recurring revenue opportunity. Approximately \$26 million was raised in cash with the balance in settlement of debt, cancellation of options and in settlement of services. This restructure of the balance sheet has strengthened our financial position with net assets at year-end of \$21.4 million and \$10.8 million in cash.

With our growth we have taken steps to strengthen our corporate governance and our global board representation, with my appointment as independent non-executive chairman in March 2021, and the appointment of Geoff Raby AO (based in China), James Stickland (based in the UK), and Grant Booker (Australia) as non-executive directors during the year.

James Tsiolis, Managing Director and Chief Executive Officer, relinquished the Executive Chair role during the year to focus on building the revenue base and executing the many initiatives which have placed the Group in a better financial position to move forward. He has been ably supported by an exceptional team in China, and more recently by a number of senior executives who are well equipped to take the business forward.

Our guiding principles are customer centricity, employee brilliance, purposefulness, and profitability. Our 12-month goal is to maximise shareholder value through development of disruptive market propositions, new-logo-acquisitions, and profitable and sustainable market differentiation.

I take this opportunity to thank our long standing and new shareholders for their support during a difficult transitional period and we look forward to your ongoing support as we move forward to a promising year ahead.



Stephen Gibbs

*Non-Executive Chairman*

## DIRECTORS' REPORT

### DIRECTORS

The names of directors who held office during or since the end of the financial year are:

- Mr James Tsiolis
- Mr Zhang
- Mr James Stickland (appointed 8 September 2020)
- Dr Geoff Raby AO (appointed 8 September 2020)
- Mr Grant Booker (appointed 16 October 2020)
- Mr Stephen Gibbs (appointed 15 March 2021)
- Mr Grant Thomson (appointed on 1 November 2019, resigned 8 September 2020)
- Mr Bruce Rathie (appointed on 21 April 2020, resigned 19 November 2020)

Directors were in office for the whole of the financial year unless otherwise indicated.

### PRINCIPAL ACTIVITIES

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.

Being a NaaS platform, enterprises have the flexibility to pay either based on consumption or per-user term-based subscription model. 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.

### REVIEW OF OPERATIONS

The Directors of Netlinkz are pleased to present their report on the consolidated entity and the entities it controlled at the end of the financial year ended 30 June 2021.

## GROUP REVENUE (A\$ million)



While COVID-19 is continuing to have a negative impact on many businesses, for Netlinkz it will create ongoing opportunity with work-from-home creating significantly more demand for a robust integrated suite of cybersecurity solutions.

### **Revenue**

Revenue for the year grew by 174% over the prior year to \$14.4m (2020: \$5.3m) with 20% being annually recurring revenue.

China revenue grew by 198% to \$11.9m (2020: \$4m). China now importantly has established an outstanding technical team able to support the rest of world (ROW) in its market development and go to market strategy. In addition, the China revenue base is now underpinned by growing recurring revenue through licensing and servicing contracts. A number of these contracts are with global fortune 100 companies across several industry sectors, including infrastructure, logistics, renewable energy, healthcare and retail services.

Revenue for the ROW grew by 100% to \$2.5m. Customers include telecommunications carriers, state government departments and cybersecurity firms. Key initiatives established late in the financial year should start to generate revenue in FY2022.

### **Initiatives & Growth**

#### *Europe*

The memorandum of Understanding (MOU) with Uni Systems has been accelerated to fast track the localisation of VSN version 2.0. The objective being to establish a NaaS proof of concept specifically for a Europe based customer as a basis for further European R&D initiatives and go to market strategy with large potential enterprise clients in Europe. The parties will explore the potential for a joint venture during the course of this MOU. Uni Systems has hired a senior executive with significant relevant global experience as the business leader of the venture.

#### *MENA (Middle East North Africa)*

The Company continued during the year to execute new partnership opportunities globally, and recently executed a Joint Venture Agreement with Al Rabban International, Qatar. The JV will establish an IoT lab in Doha, Qatar and develop the business in Qatar, Kuwait, Kingdom of Saudi Arabia, United Arab Emirates, Bahrain, Oman, Jordan, Egypt and Iraq.

#### *Australia*

In Australia, Netlinkz has established an alliance with SouthCloud, a telecommunications provider servicing rural customers across the country. The relationship will see Netlinkz provide secure networking services to SouthCloud's customers. This is an exciting development for Netlinkz as it establishes a largescale Telecommunications use-case for its VSN software.

Netlinkz is continuing to roll out a global go-to-market strategy through direct marketing, strategic regional partnerships and carrier models, aligned with our focus on diversified revenue growth.

### **Result for the year**

The Group has again made a significant investment in operations this year, however, has also incurred the cost of extracting itself from adverse funding arrangements. The loss for the year of \$23.8m (2020: loss \$24.0m) comprises an adjusted EBITDA loss of \$10.5m, non-operating expenses of \$10.2m (as outlined below), and depreciation, amortisation and interest of \$3.1m. Adjusted EBITDA is calculated as the loss for the year less interest, tax, depreciation, amortisation and non-operating expenses. This non-IFRS financial information has not been audited in accordance with Australian Auditing Standards.

Non-operating expenses include: corporate advisory costs (\$1.8m), corporate advisor termination fee (\$1.4m), settlements relating to prior periods (\$0.4m), costs associated with ending the December 2019 and the September 2020 convertible notes (\$5.5m) and capital restructuring costs (\$1.1m). The directors believe the inclusion of this information is useful context for investors, as these expenses were incurred in the tidy up of the balance sheet and the exit from certain contractual obligations and are considered either one-off in nature or non-recurring.

Our China segment incurred additional operating costs in building an in-house support and delivery team positioned for the future. The Group is set to leverage this capability serving as a springboard to develop other markets.

## SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

The Company took a number of significant steps to strengthen its balance sheet and tidy up its capital structure during the year.

The Company undertook a Share Placement in December 2020 (131,900,004 shares at \$0.06 per share) and an Accelerated Non-renounceable Entitlement Offer (ANREO) in May 2021 (599,168,811 shares at \$0.025 per share), which together raised approximately \$22.9m which was used for the redemption of convertible notes, debt retirement and ongoing business expansion.

In addition the Company issued a further 271,804,434 shares at an average price of \$0.0548 per share in settlement of debt and invoices for services rendered in the amount of approximately \$14.9m.

The Company cancelled 232,085,721 options and rights to options, issuing 56,594,580 shares as consideration.

It is the opinion of the Directors that there were no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2021, except as otherwise noted in this report.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

On 2 July 2021, 26,000,000 unlisted options with an exercise price of \$0.02 and expiry date of 2 July 2021 were exercised.

On 7 July 2021, the Company announced that 2,250,000 securities with an exercise price of \$0.045 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 7 July 2021, the Company announced 6,250,000 securities with an exercise price of \$0.09 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 7 July 2021, the Company announced 5,000,000 securities with an exercise price of \$0.15 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 3 August 2021, the Company announced 4,057,520 securities with an exercise price of \$0.12 have ceased due to the cancellation by agreement between the entity and the holder.

On 3 August 2021, the Company announced that it issued 6,846,197 shares at a deemed price of \$0.0284 per share in retirement of debt of \$194,432 (principal and interest at 8% pa) and 7,142,857 shares at a deemed price of \$0.035 in settlement of an invoice for services in the amount of \$250,000, on 2 August 2021.

In addition to the foregoing announcement, the Company advised that 26,000,000 shares issued on conversion of options on 7 July 2021 were released from voluntary escrow on 2 August 2021.

No other matter or circumstance has arisen since 30 June 2021 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.

## INFORMATION ON DIRECTORS

<b>Name:</b>	<b>Mr James Tsiolis</b>
<b>Title:</b>	CEO, Executive Director
<b>Appointed:</b>	11 November 2015
<b>Qualifications:</b>	Bachelor of Economics, Grad Cert Quantitative Finance
<b>Experience and expertise:</b>	Mr Tsiolis has over 25 years of experience in funds management and capital markets. He is a founder and current Chairman of Strategic Capital Management Limited (SCM), an investment management and advisory firm. Mr Tsiolis was the investment adviser to several large superannuation funds, including Military Superannuation (\$3.9 billion), as well as the funds manager of SCM's retail products (\$1 billion). Mr Tsiolis has been a member of several investment and corporate advisory committees including Macquarie Global Infrastructure Funds, Rosemont Partners, Direct Investment Fund, Deutsche Private Equity, Military Superannuation, Citic China Mezzanine Investment Fund and Energy Investors Group. Mr Tsiolis has overseen a number of investments from start up to IPO in the technology sector. Prior to SCM, Mr Tsiolis served as the Head of Research at ipac Securities. He was also a Senior Investment Analyst of ASSIRT Investment & Technology and a quantitative analyst of James Capel Australia

Ltd. Mr Tsiolis is a Governor of the Archaeological Institute in Athens and former deputy chairman of North Asian Strategic Holdings Limited.

Other current directorships: None.  
Former directorships (last 3 years): North Asia Strategic Holdings Ltd  
Share & Option Holdings: 130,201,697 ordinary shares

**Name:** **Mr Hualin Zhang**  
**Title:** Non-Executive Director  
**Appointed:** 28 February 2019  
**Experience and expertise:** Mr Zhang has over 30 years extensive experience in the Telecom and Technology sectors in China and was most recently appointed the Senior President of China Telecom Co. Wuxi. He has also held various roles throughout his career providing him with significant experience in introducing new technologies into the China market.

Other current directorships: None.  
Former directorships (last 3 years): None.  
Share & Option Holdings: 2,500,000 Options with an exercise price of \$0.10 each  
2,500,000 Options with an exercise price of \$0.15 each  
2,500,000 Options with an exercise price of \$0.20 each  
2,500,000 Options with an exercise price of \$0.25 each  
Each Option has an expiry date of 1 September 2023 and is subject to certain vesting conditions.

**Name:** **Mr Stephen Gibbs**  
**Title:** Non-Executive Chairman  
**Appointed:** 15 March 2021  
**Qualifications:** Mr Gibbs holds a Bachelor of Economics and a Master of Business Administration (MBA).  
**Experience and expertise:** Mr Gibbs has over 30 years' experience as an Executive, Director and Chairman of many companies in industry and funds management, particularly those with a focus on ethical and responsible investing. From 2000 to 2008 he was CEO of ARIA, the trustee of the CSS, PSS and PSSap superannuation schemes for Commonwealth Government employees. ARIA (now known as CSC) was and remains one of the largest superannuation schemes in Australia. Prior to ARIA, Mr Gibbs was CEO of the industry body Australian Institute of Superannuation Trustees (AIST).

Other current directorships: Australian Ethical Investment Limited  
Former directorships (last 3 years): None.  
Share & Option Holdings: 2,500,000 Options with an exercise price of \$0.10 each  
2,500,000 Options with an exercise price of \$0.15 each  
2,500,000 Options with an exercise price of \$0.20 each  
2,500,000 Options with an exercise price of \$0.25 each  
Each Option has an expiry date of 1 September 2023 and is subject to certain vesting conditions.



<b>Name:</b>	<b>Dr Geoff Raby AO</b>
Title:	Non-Executive Director
Appointed:	8 September 2020
Experience and expertise:	<p>Dr Geoff Raby is an Australian economist and diplomat with over 27 years in the public service. He served as the Australian Ambassador to the People's Republic of China from 2007 to 2011 and has extensive in-country experience. Dr Raby was also the Deputy Secretary in the Department of Foreign Affairs and trade (DFAT) from 2002 to 2006 and held a number of senior roles within the department.</p> <p>Dr Raby is currently the Chairman and CEO of Geoff Raby &amp; Associates, a Beijing-based business advisory firm. Dr Raby is also a senior advisor to leading independent Australian-owned financial advisory and fund management business Gresham. He has also held a number of ASX-listed company directorships, including roles with Yancoal, Fortescue Mining Group, and OceanaGold amongst others.</p>
Other current directorships:	Yancoal (ASC:YAL)
Former directorships (last 3 years):	OceanaGold (ASX: OCG), iSentia (ASX:ISD), Wiseways (ASX: WWG)
Share & Option Holdings:	<p>2,500,000 Options with an exercise price of \$0.10 each</p> <p>2,500,000 Options with an exercise price of \$0.15 each</p> <p>2,500,000 Options with an exercise price of \$0.20 each</p> <p>2,500,000 Options with an exercise price of \$0.25 each</p> <p>Each Option has an expiry date of 1 September 2023 and is subject to certain vesting conditions.</p>

<b>Name:</b>	<b>Mr James Stickland</b>
Title:	Non-Executive Director
Appointed:	8 September 2020
Experience and expertise:	<p>Mr Stickland is an experienced executive and has held senior roles with HSBC, JP Morgan Chase and Cisco. Mr Stickland was also CEO of biometric security business Veridium, where he was responsible for growing the company's revenue and balance sheet and completing a successful US\$16.5m Series B funding round with American multinational software company Citrix. Mr Stickland also helped develop and lead Veridium's global 'go to market' strategy for its flagship solution, VeridiumID. During his roles with HSBC and JP Morgan Chase, Mr Stickland focused on accelerating innovation capabilities in investee companies and delivering investments in enterprise technology, including cloud, mobile, social, data and security applications. He also drove business strategy for retail and private banking and trading offerings.</p>
Other current directorships:	Elwood Capital Management Limited LLP
Former directorships (last 3 years):	Veridium Ltd (Registered in the UK)
Share & Option Holdings:	<p>2,500,000 Options with an exercise price of \$0.10 each</p> <p>2,500,000 Options with an exercise price of \$0.15 each</p> <p>2,500,000 Options with an exercise price of \$0.20 each</p> <p>2,500,000 Options with an exercise price of \$0.25 each</p> <p>Each Option will have an expiry date of 1 September 2023 and is subject to certain vesting conditions.</p>

<b>Name:</b>	<b>Mr Grant Booker</b>
Title:	Non-Executive Director
Appointed:	16 October 2020
Experience and expertise:	<p>Mr Booker is a senior business executive and has a strong track record of success in a number of sectors. He has extensive experience form working in senior roles with brands such as McDonalds, to founding and building a successful transport and logistics business from a one-truck operation to over 50 vehicles.</p> <p>In 2006, Mr Booker sold Nepean Waste Management to ASX-listed company Transpacific Industries Group Limited (ASX:TPI), since renamed Cleanaway Waste Management Limited (ASX: CWY). Following the acquisition, Mr Booker worked as State Acquisition Manager for the group, and was involved in conducting due diligence on various acquisitions, reporting to the Board. Mr Booker was instrumental in progressing 12 acquisitions, ranging from \$5 million to \$50 million in value.</p> <p>Since leaving Transpacific Industries Group Limited, Mr Booker has been involved in a number of successful ventures in the property sector. He is a Director of over 10 private companies, and has led a number of successful capital raisings for these, and other businesses.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Share & Option Holdings:	<p>57,500,000 ordinary shares</p> <p>2,500,000 Options with an exercise price of \$0.10 each</p> <p>2,500,000 Options with an exercise price of \$0.15 each</p> <p>2,500,000 Options with an exercise price of \$0.20 each</p> <p>2,500,000 Options with an exercise price of \$0.25 each</p> <p>Each Option will have an expiry date of 1 September 2023 and is subject to certain vesting conditions.</p>

<b>Name:</b>	<b>Mr Bruce Rathie</b>
Title:	Non-Executive Director
Appointed:	21 April 2020
Resigned:	19 November 2020
Qualifications:	<p>Mr Rathie holds degrees in law (LLB), commerce (B. Commerce) and business (MBA Geneva). He is particularly strong in governance being a Fellow of the AICD and holding its Diploma Company Director, a Fellow of Australian Institute of Managers &amp; Leaders and a Fellow of the Governance Institute and holding its Diploma Company Secretarial Practice</p>
Experience and expertise:	<p>Mr Rathie's legal career included being a partner of a prominent private law firm and then Senior Corporate Counsel to Robert Holmes a Court's Bell Resources Limited in the 1980's. After practicing law, he went into investment banking in 1986 which took him to New York for 3 years returning to Sydney in 1990. He spent the 1990's as an investment banker in Sydney, the last 5 of which as Director Investment Banking and Head of the Industrial Franchise Group at Salomon Brothers and then Salomon Smith Barney where he led the firm's JLM roles in the privatisations or IPOs of Qantas, Commonwealth Bank and Telstra amongst other major transactions of the day. Mr Rathie has been a professional Director since 2000 in roles with ASX listed and unlisted companies predominantly in the financial services, biotechnology and technology sectors.</p>
Other current directorships:	Mr Rathie is currently a Non-Executive Director of ASX 200 PolyNovo Limited, Capricorn Society Limited, Cettire Limited (ASX:CTT) and Australian Meat

Processors Corporation Limited. He is also Chairman of Capricorn Mutual Limited and ASX listed 4D Medical Limited.

Former directorships (last 3 years): None.

**Name:** **Mr Grant Thomson**

**Title:** Non-Executive Director

**Appointed:** 25 October 2019

**Resigned:** 8 September 2020

**Qualifications:** Business, High Point University, North Carolina

**Experience and expertise:** Mr Thomson has over 20 years of enterprise and entrepreneurial IT experience, he is an experienced Business and IT Executive, having worked with local and international businesses in Advisor, Founder and Partner capabilities.

Mr Thomson has had a long career with Enterprise IT providers, IBM and Salesforce, in a variety of roles such as Technical Project Management, Service Delivery, Sales, Consulting, Management and Executive Leadership positions. Over the last few years, Mr Thomson has focused on helping smaller companies, such as GrowthOps, Versent and Nebulr (now Contino), scale and better engage Enterprise clients with Cloud technologies.

Other current directorships: None.

Former directorships (last 3 years): None.

### **Company secretary**

Mr Guy Robertson, who was appointed Company Secretary on 15 March 2021, has over 30 years' experience as a director, company secretary and CFO of both public and private companies in Australia and Hong Kong. Mr Robertson's previous corporate roles include Finance Director and Managing Director (NSW) of insurance broker, Jardine Lloyd Thompson, CFO and COO of property services company Colliers International, and General Manager Finance for Franklins Limited supermarkets. Mr Robertson is currently a director of Hastings Technology Metals Ltd and Metal Bank Limited.

Mr Robertson has a Bachelor of Commerce (Honours) and is a Chartered Accountant.

### **Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

#### **Board Meetings**

	Number Attended	Number Held While In Office*
Mr James Tsiolis	11	11
Mr Zhang	8	11
Mr Bruce Rathie	7	8
Mr Grant Thomson	2	2
Mr Grant Booker	7	7
Mr Stephen Gibbs	2	2
Dr Geoff Raby AO	9	9
Mr James Stickland	7	9

\* Represents the number of meetings held during the time the director held office.

The number of meetings of the Company's Committees held during the year ended 30 June 2021, and the number of meetings attended by each director were as follows:

**Audit and Risk Committee Meetings**

	Number Attended	Number Held While In Office*
Mr Bruce Rathie <sup>1</sup>	6	6
Mr Grant Thomson <sup>2</sup>	6	6
Mr James Tsiolis <sup>3</sup>	6	6
Mr Grant Booker <sup>4</sup>	0	0
Dr Geoff Raby AO <sup>5</sup>	1	1
Mr James Stickland <sup>6</sup>	0	0
Mr Stephen Gibbs <sup>7</sup>	0	0

\* Represents the number of meetings held during the time the director held office.

**Notes:**

1. Mr Rathie joined the ARC on 29 April 2020, and resigned from the ARC on 19 November 2020, concurrent with his resignation from the Board.
2. Mr Thomson joined the ARC on 29 April 2020, and resigned from the ARC on 8 September 2020, concurrent with his resignation from the Board.
3. Mr Tsiolis joined the ARC on 29 February 2020, and resigned from the ARC on 29 April 2020.
4. Mr Booker joined the ARC on 16 October 2020, and remains a member of the ARC.
5. Dr Raby joined the ARC on 25 September 2020, and remains a member of the ARC.
6. Mr Stickland joined the ARC on 25 September 2020, and remains a member of the ARC.
7. Mr Gibbs joined the ARC on 15 March 2021, and remains a member of the ARC.

**Remuneration And Nomination Committee Meetings**

	Number Attended	Number Held While In Office*
Mr Bruce Rathie <sup>1</sup>	2	2
Mr Grant Thomson <sup>2</sup>	2	2
Dr Geoff Raby AO <sup>3</sup>	0	0
Mr James Stickland <sup>4</sup>	0	0

\* Represents the number of meetings held during the time the director held office.

**Notes:**

1. Mr Rathie joined the RNC on 26 May 2020, and resigned from the RNC on 19 November 2020, concurrent with his resignation from the Board.
2. Mr Thomson joined the RNC on 26 May 2020, and resigned from the RNC on 8 September 2020, concurrent with his resignation from the Board.
3. Dr Raby joined the RNC on 25 September 2020, and remains a member of the RNC.
4. Mr Stickland joined the RNC on 25 September 2020, and remains a member of the RNC.

## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward and the achievement of strategic objectives for the creation of value for shareholders.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Fees for non-executive directors are not linked to the performance of the Company. No key management personnel were remunerated based on the performance of the Company in the year ended 30 June 2021.

#### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Directors' may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Shareholders approve the maximum aggregate remuneration for non-executive directors. The RNC recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The aggregate approved remuneration for non-executive directors is \$1,000,000.

Non-executive directors may receive share options or other incentives which would be subject to shareholder approval. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may be granted options in the future.

#### ***Executive remuneration***

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility. Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations. Executives may receive their remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Remuneration for certain individuals may be directly linked to the performance of the Consolidated Entity. In the future, a portion of cash bonus and incentive payments will be dependent on defined performance targets being met. Currently, the cash bonus and incentive payments are at the discretion of the Board. Share based payments (equity settled) or options may also be issued as performance linked compensation, subject to any necessary shareholder approval. The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

The former executive chairman's fees were determined independently to the fees of other non-executive directors based on comparative roles in the external market. The former executive chairman was not present at any discussions relating to the determination of his own remuneration.

*Reliance on external remuneration consultants*

The Company did not engage external remuneration consultants during the year.

*Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')*

At the 2020 AGM, 91.79% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

No change was made to Mr Tsiolis' remuneration during the year ended 30 June 2021, noting that a temporary 50% decrease for a period of 6 months was agreed as a COVID-19 measure to assist the company in April 2020, which ended in October 2020. Subsequent to year end, with effect from 1 July 2021, Mr Tsiolis has voluntarily reduced his remuneration by 50% to \$360,000 per annum.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following personnel for the current and previous financial year:

Mr James Tsiolis	CEO & Executive Director
Mr Zhang	Non-Executive Director
Mr Stephen Gibbs	Non-Executive Chairman (appointed 15 March 2021)
Dr Geoff Raby AO	Non-Executive Director (appointed 8 September 2020)
Mr James Stickland	Non-Executive Director (appointed 8 September 2020)
Mr Grant Booker	Non-Executive Director (appointed 16 October 2020)
Mr Matthew Ryan	Chief Financial Officer
Mr Bruce Rathie	Non-Executive Director (resigned 19 November 2020)
Mr Grant Thomson	Non-Executive Director (resigned 8 September 2020)

## Amounts of remuneration

	Cash Salary and fees	Cash Bonus	Post- employment Super- annuation	Short-term benefits Annual Leave	Equity settled share- based payments		Total	Performance Related
	\$	\$	\$	\$	Shares	Options	\$	%
<b>2021</b>								
<i>Non-Executive Directors:</i>								
Stephen Gibbs <sup>1</sup>	36,000	-	3,600	-	-	22,632	62,232	0%
Mr Zhang	83,523	-	-	-	-	275,183	358,706	0%
Geoff Raby AO <sup>2</sup>	73,295	-	7,076	-	-	211,931	292,302	0%
James Stickland <sup>3</sup>	73,295	-	-	-	-	211,931	285,226	0%
Grant Booker <sup>4</sup>	63,750	-	6,169	-	-	25,007	94,926	0%
Bruce Rathie <sup>5</sup>	35,606	-	3,383	-	-	-	38,989	0%
Grant Thompson <sup>6</sup>	29,983	-	2,645	-	-	-	32,628	0%
<i>Executive Directors:</i>								
James Tsiolis <sup>7</sup>	600,000	-	21,694	55,598	220,000	-	897,292	25%
<i>Other Executive KMP:</i>								
Matthew Ryan	250,000	-	21,694	19,305	-	311,961	602,960	0%
	1,245,452	-	66,261	74,903	220,000	1,058,645	2,665,261	8%

## Notes:

- 1 Appointed as Non-Executive Chairman 15 March 2021.
- 2 Appointed as Non-Executive Director 8 September 2020.
- 3 Appointed as Non-Executive Director 8 September 2020.
- 4 Appointed as Non-Executive Director 16 October 2020.
- 5 Resigned as Non-Executive Director 19 November 2020.
- 6 Resigned as Non-Executive Director 8 September 2020 and transitioned to role of Chief Revenue Officer, at which point was no longer considered a key management personnel.
- 7 Share based payment represents the value on the date issued less the associated bonus accrual reflected in the FY20 results. The amount is deemed to be performance related, noting that it relates to the financial year ended 30 June 2018. Refer to note 14 on the 'Amounts of remuneration 2020' table below.

## Amounts of remuneration

	Cash Salary and fees	Cash Bonus	Post- employment Super- annuation	Short-term benefits Annual Leave	Equity settled share- based payments Shares	Options	Total	Performance Related
2020	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-Executive Directors:</i>								
Bruce Rathie <sup>1</sup>	16,369	-	1,555	-	-	-	17,924	0%
Grant Thomson <sup>2</sup>	85,000	-	-	-	-	-	85,000	0%
David O'Dowd <sup>3</sup>	32,700	-	-	-	-	-	32,700	0%
Michael Beck <sup>4</sup>	48,000	-	-	-	-	-	48,000	0%
Ian Renwood <sup>5</sup>	-	-	-	-	-	-	-	0%
Geoff Raby <sup>6</sup>	-	-	-	-	-	-	-	0%
James Stickland <sup>7</sup>	-	-	-	-	-	-	-	0%
<i>Executive Directors:</i>								
James Tsiolis <sup>8</sup>	660,000	690,000 <sup>13</sup>	21,003	-	1,160,000 <sup>14</sup>	-	2,531,003	73%
Hualin Zhang <sup>9</sup>	131,250	-	-	-	-	-	131,250	0%
<i>Other Executive KMP:</i>								
Matthew Ryan <sup>10</sup>	27,506	-	2,613	-	-	-	30,119	0%
James Johnston <sup>11</sup>	162,150	-	13,219	-	-	-	175,369	0%
James Preketes <sup>12</sup>	273,238	-	21,690	-	150,000 <sup>15</sup>	-	444,928	0%
	1,436,213	690,000	60,080	-	1,310,000	-	3,496,293	57%

## Notes:

- 1 Represents remuneration from 21 April 2020 to 30 June 2020.
- 2 Represents remuneration from 1 November 2019 to 30 June 2020.
- 3 Represents remuneration from 1 July 2019 to 26 November 2019.
- 4 Represents remuneration from 12 December 2019 to 21 April 2020.
- 5 Represents remuneration from 21 October 2019 to 14 April 2020. Upon Mr Renwood's resignation, the Company was released of any financial liability in relation to Mr Renwood's appointment.
- 6 Nil remuneration due to date of appointment as Non-Executive Director being post-year end.
- 7 Nil remuneration due to date of appointment as Non-Executive Director being post-year end.
- 8 Represents remuneration from 1 July 2019 to 30 June 2020. On 13 September 2019, the Board approved a salary increase to \$720,000 per annum plus minimum statutory super contribution for Mr Tsiolis, effective 1 July 2020.
- 9 Represents remuneration from 1 July 2019 to 30 June 2020.
- 10 Represents remuneration from 27 April 2020 to 30 June 2020.
- 11 Represents remuneration from 1 July 2019 to 3 February 2020 as Chief Technology Officer. Whilst Mr Johnston ceased to be part of the key management personnel from 3 February 2020 onwards, he continued to provide consulting services to the Company in the role of Chief Engineer and received a further \$79,350 in salaries and fees and \$7,538 of superannuation to 30 June 2020 which has not been included in the above table.
- 12 Represents remuneration from 1 July 2019 to 30 April 2020.
- 13 Relates to performance for the year ended 30 June 2019. No cash bonus approved for the year ended 30 June 2020.
- 14 These shares were awarded at the Board's discretion based on the Board's view of their respective contributions to the creation of shareholder value. The share-based payment of \$1,160,000 reflects the proposed issuance of 20,000,000 shares, in satisfaction of a share bonus owing by the Company to Mr Tsiolis in relation to the financial



year ended 30 June 2018 for the establishment of the China Telecom Wuxi and Jiangsu Pilot Program and Beijing IOT Lab in 2017. These shares were accrued at year-end and shareholder approval was obtained at the Annual General Meeting of shareholders held in November 2020. Refer to Note 5 for further details.

- 15 These shares were awarded at the Board's discretion based on the Board's view of Mr Preketes' contribution to the creation of shareholder value.

### **Service agreements**

Remuneration and other terms of employment for executive key management personnel are formalised in service agreements. Details of these agreements are as follows:

#### *Executive Directors*

Remuneration of Executive Directors are included under an engagement agreement.

Name: Mr James Tsiolis

Details: As an Executive Director and Chief Executive Officer, Mr Tsiolis, with effect from 1 July 2021 is paid \$360,000 per annum, a reduction of 50% from the prior year. Any short-term and long-term incentives will be put to shareholders for approval. Mr Tsiolis has a twelve-month notice period.

Under Mr Tsiolis' prior employment contract in force throughout FY2021, Mr Tsiolis is entitled to shares in the Company up to a value of 200% of his base salary at the discretion of the Board. The Board has not yet made a determination of any bonus in respect of the year ended 30 June 2021.

#### *Other Key Management Personnel*

Remuneration of Other Key Management Personnel are included under an executive service agreement.

Name: Matthew Ryan

Details: As Chief Financial Officer, Mr Ryan is paid a salary of \$250,000 per annum plus statutory superannuation, and was issued 10,500,000 performance rights during the year, these carry service conditions and will vest in three equal tranches on 31 August 2021, 31 August 2022 and 31 August 2023, as approved by shareholders at the 16 November 2020 AGM. Mr Ryan is employed on an ongoing basis with a notice period of 4 weeks.

## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the Company held during the financial year by each director and key management personnel of the consolidated entity, including their personal and related parties holdings, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
<i>Ordinary shares</i>					
Stephen Gibbs <sup>1</sup>	-	-	-	-	-
Mr Zhang	-	-	-	-	-
Geoff Raby AO <sup>1</sup>	-	-	-	-	-
James Stickland <sup>1</sup>	-	-	-	-	-
Grant Booker <sup>1</sup>	57,500,000	-	-	-	57,500,000
Bruce Rathie <sup>2</sup>	-	-	-	-	-
Grant Thomson <sup>2</sup>	-	-	-	-	-
James Tsiolis <sup>3</sup>	65,670,538	20,000,000	45,643,659	(1,112,500)	130,201,697
Matthew Ryan	-	-	-	-	-
	<b>123,170,538</b>	<b>20,000,000</b>	<b>45,643,659</b>	<b>(1,112,500)</b>	<b>187,701,697</b>

<sup>1</sup> Balance at the start of the year represents balance as at appointment date.

<sup>2</sup> Balance at the end of the year represents balance as at resignation date.

<sup>3</sup> Additions include 22,500,000 shares issued upon exercise of options, and 23,143,659 shares issued in relation to his take up of the Accelerated Non-Renounceable Entitlement Offer.

### Options held

The number of options in the Company held during the financial year by each director and key management personnel of the consolidated entity, including their personal and related parties holdings, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Lapsed/ Exercised	Balance at the end of the year
<i>Options</i>					
Stephen Gibbs <sup>1</sup>	-	10,000,000	-	-	10,000,000
Mr Zhang	-	10,000,000	-	-	10,000,000
Geoff Raby AO <sup>1</sup>	-	10,000,000	-	-	10,000,000
James Stickland <sup>1</sup>	-	10,000,000	-	-	10,000,000
Grant Booker <sup>1</sup>	-	10,000,000	-	-	10,000,000
Bruce Rathie <sup>2</sup>	-	-	-	-	-
Grant Thomson <sup>2</sup>	-	-	-	-	-
James Tsiolis <sup>3</sup>	36,000,000	-	-	(30,000,000)	6,000,000
Matthew Ryan	-	-	-	-	-
	<b>36,000,000</b>	<b>50,000,000</b>	<b>-</b>	<b>(30,000,000)</b>	<b>56,000,000</b>

<sup>1</sup> Balance at the start of the year represents balance as at appointment date.

<sup>2</sup> Balance at the end of the year represents balance as at resignation date.

<sup>3</sup> The 6,000,000 options held by Mr Tsiolis expired unexercised on 2 July 2021.

### Rights to deferred shares (performance rights)

The following table shows how many deferred shares were granted, vested and forfeited during the year.

Name	Year granted	Balance at start of year	Granted during year	Rights to deferred shares				Balance at end of year (unvested)	Maximum value yet to vest
		#	#	Vested		Forfeited		#	\$
Matthew Ryan	FY2021	-	10,500,000	-	-	-	-	10,500,000	745,490

### Option holding

During the financial year the Company issued 22,500,000 ordinary fully paid shares on the exercise of options to directors or key management personnel (all of which were to, or to entities related to, Mr James Tsiolis). As at 30 June 2021 the below are unissued ordinary shares under option held by directors or key management personnel, executives or service providers.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Expected volatility	Value per option at grant date	% vested	# held by James Tsiolis	# held by Geoff Raby	# held by James Stickland	# held by Mr Zhang	# held by Grant Booker	# held by Stephen Gibbs
30/12/2016	30/12/2016	1/08/2020	\$0.045	95%	\$0.008	100%	20,000,000 <sup>1</sup>	-	-	-	-	-
30/12/2016	30/12/2016	1/08/2020	\$0.060	95%	\$0.007	100%	2,500,000 <sup>1</sup>	-	-	-	-	-
30/12/2016	30/12/2016	1/08/2020	\$0.120	95%	\$0.005	100%	2,500,000 <sup>2</sup>	-	-	-	-	-
30/12/2016	30/12/2016	1/08/2020	\$0.300	95%	\$0.002	100%	5,000,000 <sup>2</sup>	-	-	-	-	-
2/07/2018	2/07/2018	2/07/2021	\$0.045	95%	\$0.019	100%	2,250,000	-	-	-	-	-
2/07/2018	2/07/2018	2/07/2021	\$0.090	95%	\$0.014	100%	2,250,000	-	-	-	-	-
2/07/2018	2/07/2018	2/07/2021	\$0.150	95%	\$0.011	100%	1,500,000	-	-	-	-	-
19/11/2020	8/03/2022	1/09/2023	\$0.100	95%	\$0.035	50%	-	2,500,000 <sup>3</sup>	2,500,000 <sup>3</sup>	-	-	-
19/11/2020	19/11/2020	1/09/2023	\$0.100	95%	\$0.035	100%	-	-	-	2,500,000 <sup>3</sup>	-	-
19/11/2020	8/03/2022	1/09/2023	\$0.150	95%	\$0.029	50%	-	2,500,000 <sup>3</sup>	2,500,000 <sup>3</sup>	-	-	-
19/11/2020	19/11/2020	1/09/2023	\$0.150	95%	\$0.029	100%	-	-	-	2,500,000 <sup>3</sup>	-	-
19/11/2020	8/03/2022	1/09/2023	\$0.200	95%	\$0.025	50%	-	2,500,000 <sup>3</sup>	2,500,000 <sup>3</sup>	-	-	-
19/11/2020	19/11/2020	1/09/2023	\$0.200	95%	\$0.025	100%	-	-	-	2,500,000 <sup>3</sup>	-	-
19/11/2020	8/03/2022	1/09/2023	\$0.250	95%	\$0.021	50%	-	2,500,000 <sup>3</sup>	2,500,000 <sup>3</sup>	-	-	-
19/11/2020	19/11/2020	1/09/2023	\$0.250	95%	\$0.021	100%	-	-	-	2,500,000 <sup>3</sup>	-	-
16/06/2021	16/04/2022	1/09/2023	\$0.100	95%	\$0.005	50%	-	-	-	-	2,500,000 <sup>3</sup>	-
16/06/2021	15/09/2022	1/09/2023	\$0.100	95%	\$0.005	50%	-	-	-	-	-	2,500,000 <sup>3</sup>
16/06/2021	16/04/2022	1/09/2023	\$0.150	95%	\$0.004	50%	-	-	-	-	2,500,000 <sup>3</sup>	-
16/06/2021	15/09/2022	1/09/2023	\$0.150	95%	\$0.004	50%	-	-	-	-	-	2,500,000 <sup>3</sup>
16/06/2021	16/04/2022	1/09/2023	\$0.200	95%	\$0.003	50%	-	-	-	-	2,500,000 <sup>3</sup>	-
16/06/2021	15/09/2022	1/09/2023	\$0.200	95%	\$0.003	50%	-	-	-	-	-	2,500,000 <sup>3</sup>
16/06/2021	16/04/2022	1/09/2023	\$0.250	95%	\$0.002	50%	-	-	-	-	2,500,000 <sup>3</sup>	-
16/06/2021	15/09/2022	1/09/2023	\$0.250	95%	\$0.002	50%	-	-	-	-	-	2,500,000 <sup>3</sup>
							<b>36,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

<sup>1</sup> Options exercised during the year. Refer to Change in Director's Interest Notice ASX announcement dated 11 August 2020.

<sup>2</sup> Options expired during the year. Refer to Change in Director's Interest Notice ASX announcement dated 11 August 2020.

<sup>3</sup> 50% vest immediately and 50% vest after an 18 month service condition from date of appointment. The corresponding vesting and exercise dates represent 18 months from the date of appointment.

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting date	Expiry date	Value per right at grant date	% vested	# held by Matthew Ryan
22/12/2020	31/08/2021	24/12/2025	\$0.071	0%	3,500,000
22/12/2020	31/08/2022	24/12/2025	\$0.071	0%	3,500,000
22/12/2020	31/08/2023	24/12/2025	\$0.071	0%	3,500,000
					<b>10,500,000</b>

*Other transactions with key management personnel and their related parties*

A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable to the directors and their director related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

There were no amounts recognised (excluding reimbursement of expenses incurred on behalf of the Company) during the year relating to directors or their director-related entities for corporate advisory fees, capital raising or consulting services.

There are no balances outstanding at the reporting date in relation to transactions with related parties.

***This concludes the remuneration report, which has been audited.***

## DIVIDENDS

No dividends have been declared for the financial year ended 30 June 2021 or for the previous corresponding period.

## INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Company paid premiums in respect of a contract insuring Directors, Chief Financial Officer and Company Secretary of Netlinkz and Executive Officers against a liability incurred to the extent permitted by the Corporations Act, 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

## INDEMNIFICATION OF AUDITORS

The Company has not, during or since the end of the financial year ended 30 June 2021, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year ended 30 June 2021, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## AUDITOR INDEPENDENCE

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included in this report.

## AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Board of Directors.



**James Tsiolis**  
**CEO & Executive Director**  
Sydney NSW

Dated this 29th day of September 2021.

## DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor of Netlinkz Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Netlinkz Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2021

		Consolidated for the year ended	
	Note	30 June 2021	30 June 2020
		\$	\$
<b>Continuing operations</b>			
<b>Revenue</b>	4	14,388,354	5,253,284
Other income	4	707,745	1,011,934
		<u>15,096,099</u>	<u>6,265,218</u>
<b>Expenses</b>			
Business development, marketing, travel and accommodation expenses		(1,334,892)	(1,876,009)
Administration, office and corporate expenses		(11,180,807)	(7,905,560)
Development and commercialisation expenses		(2,938,078)	(3,546,639)
Selling, design, implementation and hardware expenses	5(a)	(11,024,744)	(3,434,979)
Financing costs	5(b)	(10,075,304)	(5,204,865)
Employee share based payment expenses (shares and options)	5(c)	(943,944)	(852,051)
Other share based payment expenses (shares and options)	5(d)	(1,627,500)	(832,609)
Net fair value gain/(loss) on debt settlement	5(e)	334,504	(3,662,677)
Net fair value loss on convertible note		-	(3,517,667)
Foreign exchange loss		(56,025)	(10,334)
	5(f)	<u>(38,846,790)</u>	<u>(30,843,390)</u>
Loss before income tax benefit		(23,750,691)	(24,578,172)
Income tax benefit	6	-	603,900
<b>Loss after income tax benefit for the year</b>		<u><b>(23,750,691)</b></u>	<u><b>(23,974,272)</b></u>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		12,260	(306,632)
Other comprehensive income/(loss) for the year, net of tax		<u>12,260</u>	<u>(306,632)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(23,738,431)</b></u>	<u><b>(24,280,904)</b></u>
<i>Loss for the year is attributable to:</i>			
Members of the parent entity		(23,451,880)	(23,957,946)
Non-controlling interests		<u>(298,811)</u>	<u>(16,326)</u>
		<u><b>(23,750,691)</b></u>	<u><b>(23,974,272)</b></u>
<i>Total comprehensive loss for the year is attributable to:</i>			
Members of the parent entity		(23,456,734)	(24,245,383)
Non-controlling interests		<u>(281,697)</u>	<u>(35,521)</u>
		<u><b>(23,738,431)</b></u>	<u><b>(24,280,904)</b></u>
<b>Loss per share from continuing operations</b>		\$	\$
Basic loss per share	21	(0.0099)	(0.0131)
Diluted loss per share	21	(0.0099)	(0.0131)

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

		Consolidated as at	
	Note	30 June 2021	30 June 2020
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	10,836,411	1,439,935
Trade and other receivables	8	1,912,240	589,552
Other assets	8	1,184,676	4,837,695
Total current assets		13,933,327	6,867,182
<b>Non-current assets</b>			
Property, plant and equipment		7,692	93
Investments		100,000	100,000
Right of use asset		216,722	249,879
Intangible assets	9	3,362,075	4,120,936
Goodwill	9	9,381,815	9,381,815
Total non-current assets		13,068,304	13,852,723
<b>Total assets</b>		27,001,631	20,719,905
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	2,628,618	2,163,193
Employee benefits	11	316,104	152,311
Borrowings	12	1,343,190	14,139,982
Other current liabilities	13a	1,322,830	3,458,174
Total current liabilities		5,610,742	19,913,660
<b>Non-current liabilities</b>			
Other non-current liabilities	13b	23,537	95,090
Total non-current liabilities		23,537	95,090
<b>Total liabilities</b>		5,634,279	20,008,750
<b>Net assets</b>		21,367,352	711,155
<b>Equity</b>			
Issued capital	14	120,447,809	79,736,988
Reserves	16	12,594,317	8,915,364
Accumulated losses	17	(111,789,961)	(88,338,081)
Capital and reserves attributable to members of the parent entity		21,252,165	314,271
Non-controlling interests		115,187	396,884
<b>Total equity</b>		21,367,352	711,155

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



Attributable to owners of Netlinkz Limited							
	Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$	Non-controlling interest \$	Total equity \$
<b>Consolidated</b>							
Balance at 1 July 2019		51,233,366	7,762,063	(64,380,135)	(5,384,706)	-	(5,384,706)
Loss for the year		-	-	(23,957,946)	(23,957,946)	(16,326)	(23,974,272)
Other comprehensive income		-	(287,437)	-	(287,437)	(19,195)	(306,632)
Total comprehensive loss for the year		-	(287,437)	(23,957,946)	(24,245,383)	(35,521)	(24,280,904)
<b>Transactions with owners in their capacity as owners:</b>							
Share issue	14	30,587,281	-	-	30,587,281	-	30,587,281
Share based payments	15	-	1,440,738	-	1,440,738	-	1,440,738
Capital raising costs	14	(2,083,659)	-	-	(2,083,659)	-	(2,083,659)
<b>Transactions with non-controlling interests:</b>							
Share issue		-	-	-	-	432,405	432,405
<b>Balance at 30 June 2020</b>		<b>79,736,988</b>	<b>8,915,364</b>	<b>(88,338,081)</b>	<b>314,271</b>	<b>396,884</b>	<b>711,155</b>

Attributable to owners of Netlinkz Limited							
	Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$	Non-controlling interest \$	Total equity \$
<b>Consolidated</b>							
Balance at 1 July 2020		79,736,988	8,915,364	(88,338,081)	314,271	396,884	711,155
Loss for the year		-	-	(23,451,880)	(23,451,880)	(298,811)	(23,750,691)
Other comprehensive income		-	(4,854)	-	(4,854)	17,114	12,260
Total comprehensive loss for the year		-	(4,854)	(23,451,880)	(23,456,734)	(281,697)	(23,738,431)
<b>Transactions with owners in their capacity as owners:</b>							
Share issue	14	41,646,670	-	-	41,646,670	-	41,646,670
Collateral shares converted to ordinary shares	14	1,331,700	-	-	1,331,700	-	1,331,700
Share based payments	15	-	3,683,807	-	3,683,807	-	3,683,807
Capital raising costs	14	(2,267,549)	-	-	(2,267,549)	-	(2,267,549)
<b>Balance at 30 June 2021</b>		<b>120,447,809</b>	<b>12,594,317</b>	<b>(111,789,961)</b>	<b>21,252,165</b>	<b>115,187</b>	<b>21,367,352</b>

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

		Consolidated for the year ended	
Note		30 June 2021	30 June 2020
		\$	\$
<b>Cash flows from operating activities</b>			
		14,537,943	5,542,293
		(24,662,609)	(15,056,008)
		660,086	993,345
		-	33,853
		47,660	11,339
		(368,601)	(412,978)
		<b>(9,785,521)</b>	<b>(8,888,156)</b>
<b>20</b>	<b>Net cashflows used in operating activities</b>		
<b>Cash flows from investing activities</b>			
		-	(2,040,000)
		-	(100,000)
19	Acquisition of SSI (Net of cash)	-	(7,725,131)
19	Acquisition of AOFA (Net of cash)	-	(508,787)
	Investment in low-risk at-call financial assets (FVTPL)	2,683,264	(2,683,264)
	Transfer from fixed deposit	-	750,000
	Additions to plant, property and equipment	(7,599)	-
	Payment for software development costs	-	(2,018,336)
		<b>2,675,665</b>	<b>(14,325,518)</b>
	<b>Net cashflows from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>			
		21,109,618	12,749,369
		4,995,000	-
		(12,460,644)	-
		-	413,209
		1,256,350	157,500
		(1,268,427)	(758,233)
		(1,082,689)	-
		12,150,000	14,619,486
		(8,006,398)	(4,492,155)
		(142,835)	(137,038)
		<b>16,549,975</b>	<b>22,552,138</b>
	<b>Net cashflows from financing activities</b>		
		9,440,119	(661,537)
		(43,643)	(297,771)
		1,439,935	2,399,243
<b>7</b>	<b>Cash and cash equivalents at the end of the financial year</b>	<b>10,836,411</b>	<b>1,439,935</b>

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

## 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 period. 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.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Historical cost convention

The financial statements have been prepared under the historical cost basis, except for the following:

- 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.

#### 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.

The Group incurred a total comprehensive loss of \$23,738,431, had net cash outflows from operating activities of \$9,785,521 for the twelve months and working capital of \$8,322,585 as at 30 June 2021. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent upon its ability to generate operating profits, secure funds by raising capital or sale of assets. The Directors are confident of the ability of the Company to raise capital as and when required.

The Directors are satisfied there are sufficient funds to meet the Group's working capital requirements as at the date of this report. The Directors believe that there are reasonable grounds to believe that the Company and the Group will continue as a going concern, after consideration of the following factors:

- The Group is demonstrating solid revenue growth (+174% in FY21 versus FY20).
- As at the date of this Report, there are 145.4 million unlisted options on issue, the exercise of which may provide additional funding to the Company (although no forecast is made of whether any options will be exercised into shares).
- Subject to shareholder approval, or its available issue capacity pursuant to ASX Listing Rule 7.1, the Company has the ability to issue additional equity under the Corporations Act 2001 to raise further working capital and has a track record for being able to do so in the past, as evidenced by the two successful share placements (\$7,914,000 and \$14,979,270) completed in the financial year ended 30 June 2021.
- The Board receives consolidated profit and loss, balance sheet and cash flow statements on a regular basis. The directors regularly monitor the Group's cash position and consider a number of strategic initiatives to ensure that adequate funding continues to be available.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Netlinkz Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Netlinkz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Netlinkz Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

#### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

#### **Trade and other receivables**

The Group makes use of the simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-7 years
---------------------	-----------

#### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### **Revenue recognition**

The consolidated entity recognises revenue as follows:

##### *Software, service and licensing revenue*

The Group generates revenue from the sale, licensing and support of network security solutions. Software and support is sold both directly to large customers and via partners/resellers. Customers enter either monthly, quarterly or annual licensing arrangements and revenue is recognised over the corresponding license/support period. The Group recognises

revenue from resellers at the point where it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Some customer sites are deployed on network appliances that are invoiced up-front. Resellers are typically responsible for level 1 and 2 technical support of the solution, in addition to updates and maintenance as per the licensing.

*Consulting, design and implementation services*

The Group provides secure networking consulting, design and implementation services to its resellers, partners and customers. Revenue from providing these services and associated hardware is recognised in the accounting period in which the services are rendered.

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Grant revenue*

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

*Contract assets and liabilities*

Contract assets and contract liabilities refer to what is commonly known as 'unbilled or accrued revenue' and 'deferred revenue'. Contract assets represent receivables in respect of the Group's right to consideration when that right is condition on something other than the passage of time (for example, the entity's future performance). Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance



depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### *Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

#### *Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

#### *Customer contracts*

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7.5 years.

#### **Software**

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

#### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on basis of fair value until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes and gain/loss on fair value are expensed to profit or loss.

#### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **Borrowing costs**

Borrowing costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred.

#### **Provisions and contingencies**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.



Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Superannuation expense and other post-employment benefits*

Australian employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company contributes 9.5% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company. In addition, the Company pays pension contributions to foreign employees hired in their respective countries.

### **Share Based Payments**

Equity-settled share-based compensation benefits are provided to employees, key management personnel and consultants. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### *Issued capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Collateral Shares*

Collateral shares are shares in the Company that are held by the Company's convertible notes holders as security for purpose of the agreed funding facilities. These shares are treated as treasury shares until they are fully paid for.

#### *Dividends*

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

#### **Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends

on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

*Contingent liabilities recognised in a business combination*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Netlinkz Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax (GST) and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**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 period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

**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 period ended 30 June 2021. 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, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 27, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

### *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*

As discussed in Note 1, 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 period 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 period 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.

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 period. Cash flows beyond this period 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.

#### *Impact of COVID-19*

The Group has specifically further reviewed the following accounting estimates in response to COVID-19:

Impairment of goodwill and intangible assets: The Group performed impairment testing on the CGUs. The recoverable amount of the CGUs are based on value-in-use calculations, using cash flow projections based on forecast operating results or fair value less costs of disposal (such as earnings multiples) whichever is higher. The recoverable amount of each CGU exceeded its carrying amount and there were no further impairment indicators.

## **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 country 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.

### **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.

### **Intersegment transactions**

No intersegment transactions occurred during the period.

### **Intersegment receivables, payables and loans**

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.



Operating segment information

For the year ended 30 June 2021

Earnings before interest, tax, depreciation & amortisation

	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	2,530,346	11,858,008	-	14,388,354
Other income (excl. interest)	33,787	305	625,993	660,085
<b>Total revenue</b>	<b>2,564,133</b>	<b>11,858,313</b>	<b>625,993</b>	<b>15,048,439</b>
Selling, design, implementation and hardware expenses	(315,759)	(10,708,985)	-	(11,024,744)
Financing costs (excl. interest)	-	-	(7,968,563)	(7,968,563)
Employees share based expenses (shares and options)	-	-	(943,944)	(943,944)
Other share based expenses (shares and options)	-	-	(1,627,500)	(1,627,500)
Net fair value gain on debt settlement	-	-	334,504	334,504
Foreign exchange movements	(21,326)	-	(34,699)	(56,025)
Other operating expenses	(1,498,451)	(2,745,266)	(10,214,381)	(14,458,098)
<b>Total earnings before interest, tax, depreciation &amp; amortisation</b>	<b>728,597</b>	<b>(1,595,938)</b>	<b>(19,828,590)</b>	<b>(20,695,931)</b>
Depreciation and amortisation	(340,730)	(538,156)	(116,792)	(995,678)
Net interest income/(expense)	(53,015)	43,688	(2,049,755)	(2,059,082)
<b>Loss before income tax from continuing operations</b>	<b>334,852</b>	<b>(2,090,406)</b>	<b>(21,995,137)</b>	<b>(23,750,691)</b>

For the year ended 30 June 2020

Earnings before interest, tax, depreciation & amortisation

	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	1,250,070	4,003,214	-	5,253,284
Other income	19,175	-	992,759	1,011,934
<b>Total revenue</b>	<b>1,269,245</b>	<b>4,003,214</b>	<b>992,759</b>	<b>6,265,218</b>
Selling, design, implementation and hardware expenses	(98,608)	(3,336,372)	-	(3,434,980)
Financing costs (excl. interest)	-	-	(4,755,408)	(4,755,408)
Employees share based expenses (shares and options)	-	-	(852,051)	(852,051)
Other share based expenses (shares and options)	-	-	(832,609)	(832,609)
Net fair value loss on debt settlement	-	-	(3,662,677)	(3,662,677)
Net fair value loss on convertible note	-	-	(3,517,667)	(3,517,667)
Foreign exchange movements	(2,489)	-	(7,845)	(10,334)
Other operating expenses	(713,519)	(94,906)	(11,867,231)	(12,675,656)
<b>Total earnings before interest, tax, depreciation &amp; amortisation</b>	<b>454,629</b>	<b>571,936</b>	<b>(24,502,729)</b>	<b>(23,476,164)</b>
Depreciation and amortisation	(28,729)	-	(623,823)	(652,552)
Net interest income/(expense)	(8,557)	3,475	(444,374)	(449,456)
<b>Loss before income tax from continuing operations</b>	<b>417,343</b>	<b>575,411</b>	<b>(25,570,926)</b>	<b>(24,578,172)</b>

Netlinkz Limited  
Notes to the consolidated financial statements  
For the year ended 30 June 2021

**As at 30 June 2021**

**Summarised balance sheet**

	<b>Australia &amp; New Zealand</b>	<b>China</b>	<b>Unallocated/ Corporate</b>	<b>Netlinkz Group</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	147,092	4,247,581	9,538,654	13,933,327
Current liabilities	(338,519)	(724,557)	(4,547,666)	(5,610,742)
<b>Current net assets</b>	<b>(191,427)</b>	<b>3,523,024</b>	<b>4,990,988</b>	<b>8,322,585</b>
Non-current assets	8,292,983	4,571,549	203,772	13,068,304
Non-current liabilities			(23,537)	(23,537)
<b>Non-current net assets</b>	<b>8,292,983</b>	<b>4,571,549</b>	<b>180,235</b>	<b>13,044,767</b>
<b>Net assets</b>	<b>8,101,556</b>	<b>8,094,573</b>	<b>5,171,223</b>	<b>21,367,352</b>

**As at 30 June 2020**

**Summarised balance sheet**

	<b>Australia &amp; New Zealand</b>	<b>China</b>	<b>Unallocated/ Corporate</b>	<b>Netlinkz Group</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	208,030	3,550,258	3,108,894	6,867,182
Current liabilities	(651,696)	(10,795)	(19,251,169)	(19,913,660)
<b>Current net assets</b>	<b>(443,666)</b>	<b>3,539,463</b>	<b>(16,142,275)</b>	<b>(13,046,478)</b>
Non-current assets	8,487,176	3,073,329	2,292,218	13,852,723
Non-current liabilities	-	-	(95,090)	(95,090)
<b>Non-current net assets</b>	<b>8,487,176</b>	<b>3,073,329</b>	<b>2,197,128</b>	<b>13,757,633</b>
<b>Net assets</b>	<b>8,043,510</b>	<b>6,612,792</b>	<b>(13,945,147)</b>	<b>711,155</b>

## NOTE 4. REVENUE AND OTHER INCOME

### Disaggregation of revenue

	Consolidated for the year ended	
	30 June 2021	30 June 2020
	\$	\$
Consulting, design and implementation revenue	12,093,463	3,407,684
Software, service and licensing revenue	2,294,891	1,845,600
Total revenue	14,388,354	5,253,284

	Consolidated for the year ended	
	30 June 2021	30 June 2020
	\$	\$
Interest	47,660	18,590
Grants and research and development tax offset	571,673	894,952
Government support - COVID-19 cash flow boost	76,825	98,392
Other	11,587	-
Total other income	707,745	1,011,934

	Consulting, design & implementation revenue	Software, service and Licensing revenue	Total
Revenue	2021	2021	2021
	\$	\$	\$
Primary geographical markets			
Australia	235,455	808,740	1,044,195
New Zealand	-	1,486,151	1,486,151
China	11,858,008	-	11,858,008
	12,093,463	2,294,891	14,388,354

Timing of revenue recognition			
Products transferred at point in time	2,229,631	122,948	2,352,579
Products and services transferred over time	9,863,832	2,171,943	12,035,775
	12,093,463	2,294,891	14,388,354

	Consulting, design & implementation revenue	Software, service and Licensing revenue	Total
Revenue	2020	2020	2020
	\$	\$	\$
Primary geographical markets			
Australia	-	528,747	528,747
New Zealand	-	721,323	721,323
China	3,407,685	595,529	4,003,214
	3,407,685	1,855,599	5,253,284

Timing of revenue recognition			
Products transferred at point in time	3,407,685	768,642	4,176,327
Products and services transferred over time	-	1,076,957	1,076,957
	3,407,685	1,845,599	5,253,284



## NOTE 5. EXPENSES

### (a) Selling, design, implementation and hardware expenses

Direct costs associated with design, implementation and hardware costs of sales in Australia 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 issued 3,500,000 shares at \$0.06 per share as payment of investor relations and media strategy services to Everblu Capital Pty Ltd, the Company's corporate advisor at the time.

The Company issued 28,350,000 shares at \$0.05 per share as payment of a corporate advisor mandate termination fee to Everblu Capital Pty Ltd.

In the prior year, the Group agreed, subject to shareholder approval (which was subsequently obtained at the Extraordinary General Meeting of shareholders on 17 September 2020), to issue 15,000,000 shares to Systemic in part settlement of certain disputes which arose between the Company and Systemic in respect of a software development agreement entered into on 15 April 2020 (Refer to the ASX announcement dated 17 August 2020 for more information). On entering the agreement, the shares had a fair value of \$690,000, which increased to \$870,000 as at 30 June 2020. The initial amount was accrued within this 5(d) Other share-based payment expenses caption and the change in fair value was recognised in 5(e) Net fair value loss on debt settlements. This caption also includes the fair value accrual of \$142,609 for 5,000,000 options owed to BJS Robb Pty Ltd in relation to corporate and strategic advice services provided in relation to prior years. These options were subject to shareholder approval, which was subsequently obtained at the Extraordinary General Meeting of shareholders on 17 September 2020).

### (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:

	Consolidated for the year ended	
	30 June 2021	30 June 2020
	\$	\$
Salary and wages expense	5,953,368	4,825,690
Interest paid/payable	2,106,742	1,181,638
Legal and other costs	1,122,094	1,024,999
Amortisation expense	758,861	375,900
Compliance and other costs related to being listed	364,046	314,630
Depreciation expense	236,817	276,652
Rental outgoings	39,294	101,848
Foreign exchange loss	56,025	10,334

## Note 6. Income tax expense

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>Income tax expense</b>		
Current income tax expense	-	-
Deferred income tax expense	-	-
Total income tax expense	-	-
<b>The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Accounting loss before income tax	(23,750,691)	(24,578,172)
Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%)	(6,175,180)	(6,758,997)
Add/(less) tax effect of:		
Non-deductible expenses	66,837	-
Non-deductible share and options expenses	785,318	1,571,232
Non-deductible fair value loss on debt settlement	(86,971)	754,043
Non-deductible fair value loss on convertible notes	1,194,981	-
Non-assessable government grants	(168,615)	(265,135)
R&D	138,365	361,403
Foreign operations	272,104	620,830
Debt forgiveness	(1,123)	(7,342)
Penalties	-	435
Legal claims	-	64,839
Tax losses not recognised	(3,974,284)	(3,658,694)
<b>Income tax benefit</b>	-	(603,900)
Unused tax losses on which no deferred tax has been recognised – Income (Australia)	43,379,162	37,056,870
Unused tax losses for which no deferred tax has been recognised – Income (Foreign)	1,991,448	492,357
Unused tax losses on which no deferred tax has been recognised – Capital (Australia)	9,596,682	9,596,682
<b>Revenue losses - Australia</b>		
Tax losses brought forward on which no DTA has been recognised	37,056,870	29,637,601
Reduction in tax losses arising in the prior period on lodgement of the income tax return	(3,674,465)	3,629,597
Gross tax losses arising in the current period for which no DTA is recognised	9,996,756	3,789,672
	<b>43,379,162</b>	<b>37,056,870</b>
<b>Revenue losses - Foreign</b>		
Tax losses brought forward on which no DTA has been recognised	492,357	-
Gross tax losses arising in the current period for which no DTA is recognised	1,991,448	492,357
	<b>2,483,805</b>	<b>492,357</b>

Deferred tax	30 June 2021	30 June 2020
	\$	\$
<b>Deferred Tax Assets balance comprises:</b>		
Internally generated software	476,918	553,947
Deferred consideration on SSI Pacific Pty Ltd acquisition	397,800	140,250
Accruals	23,768	20,386
Provision for annual leave	82,187	41,885
Lease liability	24,723	70,588
Convertible notes	-	1,368,677
Borrowing costs	181,111	223,683
Capital raising costs	618,459	105,336
Acquisition costs	-	51,373
Tax and capital losses	13,773,720	12,829,727
DTA not recognised	(15,578,687)	(15,405,853)
	-	-
<b>Deferred Tax Liability balance comprises:</b>		
Customer contracts and relationships acquired	(466,414)	(562,208)
Right of use asset	(24,983)	-
Unrealised FX	(6,710)	(1,726)
Offset against DTA/not recognised	498,107	563,935
	-	-
<b>Net deferred tax</b>	-	-

The availability of the Australian tax losses are subject to the Company's ability to satisfy Australian Taxation Office's requirements for utilisation.

## NOTE 7. CASH AND CASH EQUIVALENTS

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
Cash at bank	10,836,411	1,439,935

### Restricted cash

The 30 June 2020 cash and cash equivalents balance disclosed above includes \$157,500 of cash held in trust which pertains to cash received for options exercised. As at 30 June 2021, the restricted cash balance was \$nil.

## NOTE 8. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
Trade receivables	1,535,049	107,912
Security deposits	3,649	21,642
Prepayments	373,542	459,998
Trade and other receivables	<u>1,912,240</u>	<u>589,552</u>

  

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
Funds held on trust for deferred consideration of SSI Pacific Pty Ltd	1,020,000	2,040,000
Financial assets at fair value through profit or loss (FVTPL) <sup>1</sup>	-	2,683,264
Other receivable	164,676	114,431
Total other assets	<u>1,184,676</u>	<u>4,837,695</u>

<sup>1</sup> As at 30 June 2020, the Company had invested \$2,683,264 of its excess cash in low-risk at-call financial products which do not meet the technical definition of cash and cash equivalents under AASB107 Statement of Cash Flows.

## NOTE 9. INTANGIBLE ASSETS

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
<b>For the year ended 30 June 2021</b>				
Opening net book amount	9,381,815	2,049,600	2,071,336	13,502,751
Amortisation charge	-	(292,800)	(466,061)	(758,861)
Closing net book amount	<u>9,381,815</u>	<u>1,756,800</u>	<u>1,605,275</u>	<u>12,743,890</u>
<b>As at 30 June 2021</b>				
Cost	9,381,815	2,196,000	2,300,836	13,878,651
Accumulated amortisation and impairment	-	(439,200)	(695,561)	(1,134,761)
Net book amount	<u>9,381,815</u>	<u>1,756,800</u>	<u>1,605,275</u>	<u>12,743,890</u>

When reviewing for indicators of impairment, the Company initially considers the relationship between its market capitalisation and its book value, among other factors specific to each cash generating unit (CGU).

As the Company acquires operations and reorganises the way operations are managed, reporting structures may change, giving rise to the reassessment of CGUs and/or the allocation of goodwill to those CGUs.

The Company performed a detailed impairment review of goodwill and concluded that there was no impairment for the financial year ended 30 June 2021.

For the purposes of the impairment testing, goodwill is allocated to CGUs. The carrying amount of each CGU is compared to its recoverable amount. In assessing for impairment, the Company's assets are grouped at the lowest level of separately identifiable cash inflows, which are largely independent of the cash flows from other assets or CGUs. Assets, apart from goodwill that has previously recognised impairment, are reviewed for possible reversal at the end of each reporting period.

The Company has allocated the goodwill from the acquisition of AOFA to the AOFA CGU which is included within the China segment.

The Company has allocated the goodwill from the acquisition of SSI Pacific to the SSI Pacific CGU which is included within the Australia & New Zealand segment. Australia & New Zealand is the operating segment expected to benefit from the acquisition.

The following table sets out a summary of the goodwill allocation and impairment testing assumptions:

	<b>China</b>	<b>Australia &amp; New Zealand</b>	<b>Total</b>
Goodwill allocation	\$2,992,032	\$6,389,783	\$9,381,815
Pre-tax discount rate <sup>1</sup>	N/A	15.3%	N/A
Long term growth rate <sup>2</sup>	N/A	Years 5+: 1.5%	N/A
Revenue growth rate <sup>3</sup>	N/A	Year 1: 12.6% Years 2-5: 5.4%	N/A
Revenue multiple	6x	N/A	N/A
Other non-current assets	\$1,579,517	\$1,903,200	\$3,482,717

<sup>1</sup> Reflects specific risks relating to the relevant segments and the countries in which they operate.

<sup>2</sup> This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.

<sup>3</sup> Average annual growth rate over the two to five years forecast period based on conservative management estimate without taking into account future growth strategies.

### **China**

The goodwill within the China segment only relates to the AOFA CGU. Given the business is still in its early stages, the recoverable amount of AOFA CGU has been determined based on a fair value less costs of disposal calculation. The valuation is measured using inputs that are not based on observable market data. Therefore, they are considered to be level 3 within the fair value hierarchy as per AASB 13 Fair Value Measurement. The recoverable amount has been determined based on extrapolated revenue of the financial year ended 2021 using a revenue multiple.

#### *Sensitivity*

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. No reasonable change to the inputs adopted would result in impairment of this CGU.

### **Australia & New Zealand**

The goodwill within the Australia & New Zealand segment only relates to the SSI Pacific CGU. The recoverable amounts have been determined based on a value-in-use calculation using five-year post-tax cash flow projections. Whilst the impact of COVID-19 was considered as a potential impairment factor, it was concluded that it had no impact on the carrying value of Goodwill.

#### *Sensitivity*

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 9.60% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 6.25% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the CGU's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in an impairment charge to goodwill.

## NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
Trade payables and accruals	2,628,618	2,163,193

## NOTE 11. EMPLOYEE BENEFITS

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
Employee benefits	316,104	152,311

*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 period 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 12. BORROWINGS

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
<b>Current</b>		
Borrowings - unsecured <sup>1</sup>	1,150,000	5,248,025
Related party loans	193,190	172,556
Convertible notes (FVTPL) <sup>2</sup>	-	8,719,401
	1,343,190	14,139,982

<sup>1</sup> Short term loans totalling \$1,150,000 from Viriathus Capital investors maturing in December 2021 with 20% per annum interest rate paid monthly.

<sup>2</sup> As at 30 June 2021 all unsecured convertible notes had been redeemed. Refer to the following table for a reconciliation of the convertible note balance.

	<b>Number of convertible notes</b>	<b>\$</b>
Opening balance of convertible notes 1 July 2020	2	8,719,401
Settlement of CST and Lind convertible notes (i)	(2)	(8,719,401)
Initial recognition of September 2020 convertible notes (net of capitalised transaction costs) (ii)	13,960,644	9,789,309
Interest expense accretion of convertible notes to face value	-	4,171,335
Convertible note redemptions - Cash - December 2020 (iii)	(11,193,822)	(11,193,822)
Convertible note redemptions - Shares - December 2020 (iv)	(1,500,000)	(1,500,000)
Convertible note redemptions - Cash - January 2021 (iii)	(340,277)	(340,277)
Convertible note redemptions - Cash - May 2021 (iii)	(846,298)	(846,298)
Convertible note redemptions - Cash - June 2021 (iii)	(80,247)	(80,247)
Closing balance of convertible notes 30 June 2021	-	-

(i) Of the 1 July 2020 opening liability, \$2,279,401 was to be settled in shares as part of the settlement deed entered into in July 2020 (ASX announcement 31 July 2020) with CST and Lind in relation to the convertible note facility entered into by the Company on 24 December 2019. The settlement also required a total cash payment of \$6,440,000 which was settled in cash in August 2020 (\$1,840,000) and September 2020 (\$4,600,000).

(ii) 13,960,644 convertible notes with a face value of \$13,960,644 were issued to investors in September 2020 (announced 25 September 2020). Each note carried a face value of \$1.00 and a conversion price of \$0.10. Each note was issued at a 10% discount to face value and interest of 9% was deducted up-front. The Company received \$4,995,000 in cash and extinguished \$6,313,125 of existing debt in return for the issuance of the notes.

The convertible notes are classified as compound for accounting purposes. On initial recognition, the debt component of the notes was recorded at fair value, being \$13,466,266. Transaction costs totalling \$3,676,957 were capitalised against the debt, with a net carrying value of \$9,789,309 recognised on issue date. Transactions costs included 12,923,132 shares to Everblu Capital Pty Ltd as disclosed in Note 13 (v) and 104,704,830 free attaching options deemed to represent transaction costs, as disclosed in Note 14 (ii). Nil value was attributed to the residual equity component of the notes and an initial financing expense of \$2,158,142 was recognised upon issue of the convertible notes.

(iii) Convertible notes with a face value of \$1 per note were redeemed for cash.

(iv) 1,500,000 convertible notes with a face value of \$1,500,000 were redeemed in December 2020 for shares. 25,000,000 shares at \$0.06 were issued to Atlantic Capital Holdings Pty Ltd. The market value of these shares at the time of issue, based on the prevailing share price of \$0.055, was \$1,375,000.

## **NOTE 13. OTHER LIABILITIES**

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

	<b>Consolidated as at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Contract liabilities	397,665	131,666
Deferred consideration on SSI Pacific Pty Ltd acquisition	510,000	510,000
Payroll tax and other statutory liabilities	244,661	273,218
AASB 16 Lease liability - Current	170,504	161,594
Bonus provision	-	1,160,000
Capital raising funds in trust	-	157,500
Options and shares to be issued to directors	-	90,750
Options and shares to be issued to creditors	-	920,000
Options to be issued for financing costs	-	38,446
Directors fee payable	-	15,000
	<b>1,322,830</b>	<b>3,458,174</b>

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

	Consolidated as at	
	30 June 2021	30 June 2020
	\$	\$
AASB 16 Lease liability - Non-current	23,537	95,090

**NOTE 14. EQUITY – ISSUED CAPITAL**

	Consolidated		Consolidated	
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Shares	\$	Shares	\$
Ordinary shares - fully paid	3,191,671,270	119,116,109	2,017,124,162	79,736,988
Issue of collateral shares subsequently forgiven <sup>1</sup>	-	1,331,700	19,300,000	-
Total issued capital	3,191,671,270	120,447,809	2,036,424,162	79,736,988

<sup>1</sup> These collateral shares were issued on 24<sup>th</sup> December 2019 as part of the convertible notes. These shares were treated as treasury shares until the shares are fully paid for. On 31 July 2020, the Company agreed to forgo the right to the return of these collateral shares as part of the settlement agreement with CST and Lind.

**Movements in ordinary share capital – Year ended 30 June 2020**

	Number of shares	\$
Opening balance 1 July 2019	1,551,621,675	51,233,366
Issue of shares – placement	100,482,388	8,531,355
Issue of shares – exercise of options	75,036,998	2,968,014
Issue of shares – debt settlement	251,779,015	15,814,487
Issue of shares – services	31,800,240	2,758,425
Issue of shares – employee share scheme	6,403,846	515,000
Issue of collateral shares	19,300,000	-
	2,036,424,162	81,820,647
Less: Capital raising costs arising on share issues	-	(2,083,659)
Closing balance 30 June 2020	2,036,424,162	79,736,988



**Movements in ordinary share capital – Year ended 30 June 2021**

	Notes	Number of shares	\$
Opening balance 1 July 2020		2,036,424,162	79,736,988
Issue of shares – placement	(i)	131,900,004	7,914,000
Issue of shares – entitlement offer	(ii)	599,168,811	14,979,220
Issue of shares – exercise of options	(iii)	95,779,279	2,811,043
Issue of shares – debt settlement	(iv)	148,869,159	8,347,804
Issue of shares – services	(v)	122,935,275	6,547,606
Issue of shares – cancellation of options	(vi)	56,594,580	1,046,997
Collateral Shares converted to ordinary shares	(vi)	-	1,331,700
		<b>3,191,671,270</b>	<b>122,715,358</b>
Less: Capital raising costs arising on share issues			(2,267,549)
Closing balance 30 June 2021		<b>3,191,671,270</b>	<b>120,447,809</b>

**(i) Share placement**

On 22 December 2020, pursuant to a placement the company issued 131,900,004 shares at \$0.0600 per share to raise \$7,914,000. The share placement cash was used to redeem outstanding convertible notes, provide funding for short term loan repayments and providing general working capital to the business.

**(ii) Entitlement offer**

On 20 May 2021, pursuant to an institutional offer under an Accelerated Non-renounceable Entitlement Offer (ANREO), the Company issued 68,956,537 shares at \$0.025 per share. On 9 June 2021, pursuant to a retail offer under the same ANREO, the Company issued 530,212,273 shares at \$0.0250 per share. The ANREO cash was used to pay costs of the offer, redeem the last of the convertible notes, retire debt and provide general working capital to the business and fund expansion going forward.

**(iii) Exercise of options**

95,779,279 options were exercised at a weighted average exercise price of \$0.0293, generating consideration of \$2,811,043.

**(iv) Debt settlement**

148,869,159 shares with a fair value of \$8,347,804 were issued pursuant to the settlement of debt as follows:

- As part of the 31 July 2020 deed of settlement between the Company and CST Capital Pty Ltd and Lind Global Macro Fund LP, in relation to the convertible note facility entered into by the Company on 24 December 2019, \$2,279,400 was accrued as at 30 June 2020 reflecting 39,300,000 shares at the closing share price on that date of \$0.058 per share. As the Company agreed to forgo the right to the return of 19,300,000 collateral shares on 31 July 2020 and the prevailing share price on that date was \$0.069, a fair value loss on issue of \$212,300 was recognised. The remaining 20,000,000 shares were issued on 24 September 2020 at a share price of \$0.063, resulting in an additional fair value loss of \$100,000.
- As part of the December 2020 placement, total debt with a carrying value of \$6,232,150 was settled by way of the issuance of 103,869,159 shares based on a \$0.06 share price. At the time of issuance, on 22 December 2020, the share price was \$0.055, reflecting a market value of \$5,712,804 and therefore a fair value gain on debt settlement of \$519,346.
- As part of the December 2020 placement, 1,500,000 convertible notes with a face value of \$1,500,000 were redeemed for 25,000,000 shares, reflecting a \$0.06 share price. At the time of issuance, on 22 December 2020, the share price was \$0.055, reflecting a market value of \$1,375,000 and therefore a fair value gain on debt settlement of \$125,000.

**(v) Provision of services**

122,935,275 shares were issued pursuant to the provision of services, primarily in relation to financing and capital raising. The total fair value on issue date was \$6,547,606, with a total resulting settlement loss recognised of \$364,068. The

company issued shares to a related party in relation to a share bonus owing. Refer to Note 25 Related party transactions for further information.

**(vi) Collateral shares forgone**

The right to return of 19,300,000 collateral shares with a fair value of \$1,331,700 was forgone by the Company on 31 July 2020 as part of the settlement agreement with CST and Lind. Refer to item (iv) above for more information.

**(vii) Issue of shares – cancellation of options**

56,594,580 shares were issued to option holders as consideration for the cancellation of 232,085,721 options and rights to options held by investors of certain classes of options.

*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 amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## NOTE 15. SHARE BASED PAYMENTS

		30 June 2021	30 June 2020
		Number of options	Number of options
Options		170,320,782	204,671,658
<b>Unissued ordinary shares under option:</b>			
	Grant date	Number of options	Average Exercise price
<b>Opening balance 1 July 2019</b>		301,979,377	
Options issued in relation to convertible notes <sup>1</sup>	24/12/2019	10,000,000	\$0.2000
Options issued with expiry date of 31 October 2020	11/02/2020	2,604,279	\$0.0450
Options issued with expiry date of 18 February 2023	14/02/2020	1,125,000	\$0.1300
Options exercised for cash		(75,036,998)	
Options exercised per Agreement <sup>2</sup>		(31,000,000)	
Options lapsed		(5,000,000)	
<b>Closing balance 30 June 2020</b>		<b>204,671,658</b>	
<b>Opening balance 1 July 2020</b>		204,671,658	
Options issued with expiry date of 24 December 2021 (i)	17/12/2020	4,057,520	\$0.1200
Options issued with expiry date of 24 September 2022 (ii)	17/09/2020	83,634,229	\$0.1000
Options issued with expiry date of 25 September 2022 (ii)	17/09/2020	17,366,875	\$0.1000
Options issued with expiry date of 28 September 2022 (ii)	17/09/2020	3,703,716	\$0.1000
Options issued with expiry date of 24 September 2022 (iii)	17/09/2020	5,000,000	\$0.0600
Options issued with expiry date of 1 September 2023 (iv)	19/11/2020	40,000,000	\$0.1750
Options issued with expiry date of 24 September 2023 (v)	10/12/2019	2,500,000	\$0.1600
Options issued with expiry date of 24 December 2023 (v & vi)	19/11/2020	5,500,000	\$0.1273
Options issued with expiry date of 24 December 2025 (v)	19/11/2020	2,500,000	\$0.1600
Options issued with expiry date of 1 September 2023 (iv)	16/06/2021	20,000,000	\$0.1750
Options issued with expiry date of 22 June 2022 (vii)	16/06/2021	17,320,782	\$0.2000
Exercise of options		(95,779,279)	
Options lapsed/cancelled		(140,154,719)	
<b>Closing balance 30 June 2021</b>		<b>170,320,782</b>	

<sup>1</sup> The options are issued in relation to a convertible notes agreement with CST Capital Pty Ltd and Lind Global Macro Fund LP and form part of the equity component of the fair value of the financial instruments.

<sup>2</sup> 31,000,000 of options were issued and exercised to GEM Facility as part of an agreement for removing an exclusivity clause in the original agreement.

(i) On 17 December 2020 the Company issued 4,057,520 options to Atlantic Capital in respect of Everblu Capital Pty Ltd capital raising fees, with an expiry date of 24 December 2021 and an exercise price of \$0.120. The transaction has been capitalised as a cost of equity and recorded at the fair value of the services on grant date.

(ii) On 17 September 2020 the Company issued 104,704,830 options pursuant to the Convertible Note Offer under the Prospectus announced by the Company to ASX on 17 September 2020. These options have an expiry date of 24 September 2022 and an exercise price of \$0.100. The options were treated as transaction costs and capitalised to the carrying value of the Convertible Note debt, expensed to profit or loss over the term of the Notes or upon redemption. Refer to Note 12 for further information. On application by Option holders and with shareholder approval, the Company cancelled 100% of these options for consideration in June 2021, refer to Note 14 (vii) for further information.

The valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
17/09/2020	24/09/2022	\$0.069	\$0.100	95%	0%	0.16%	\$0.028	83,634,229
17/09/2020	25/09/2022	\$0.069	\$0.100	95%	0%	0.16%	\$0.028	17,366,875
17/09/2020	28/09/2022	\$0.069	\$0.100	95%	0%	0.16%	\$0.028	3,703,716

(iii) On 24 September 2020 the Company issued 5,000,000 options to York Street Nominees in relation to corporate and strategic advice services provided by BJS Robb Pty Ltd in prior periods. These options have an expiry date of 24 September 2022 and an exercise price of \$0.060.

(iv) On 19 November 2020 the Company issued 10,000,000 options to the Chief Revenue Officer, Mr Grant Thomson, and 10,000,000 each to the following directors: Dr Geoff Raby AO; Mr James Stickland; and, Mr Zhang as detailed in the Notice of Annual General Meeting and Explanatory Statement dated 15 October 2020. These options have been valued at grant date being date of shareholder approval.

The valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
19/11/2020	1/09/2023	\$0.071	\$0.100	95%	0%	0.29%	\$0.035	10,000,000
19/11/2020	1/09/2023	\$0.071	\$0.150	95%	0%	0.29%	\$0.029	10,000,000
19/11/2020	1/09/2023	\$0.071	\$0.200	95%	0%	0.29%	\$0.025	10,000,000
19/11/2020	1/09/2023	\$0.071	\$0.250	95%	0%	0.29%	\$0.021	10,000,000

On 18 June 2021, the Company issued 10,000,000 options to each of the following directors: Mr Grant Booker; and, Mr Stephen Gibbs as detailed in the Notice of General Meeting and Explanatory Statement dated 14 May 2021.

The valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
16/06/2021	1/09/2023	\$0.025	\$0.100	95%	0%	0.73%	\$0.0053	5,000,000
16/06/2021	1/09/2023	\$0.025	\$0.150	95%	0%	0.73%	\$0.0036	5,000,000
16/06/2021	1/09/2023	\$0.025	\$0.200	95%	0%	0.73%	\$0.0027	5,000,000
16/06/2021	1/09/2023	\$0.025	\$0.250	95%	0%	0.73%	\$0.0021	5,000,000

(v) On 24 December 2020 the Company issued three tranches of 2,500,000 options to Masamichi Tanaka as detailed in the Notice of Annual General Meeting and Explanatory Statement dated 15 October 2020. The first tranche was granted on 10 December 2019, with the second and third tranches granted on 19 November 2020. These options have an exercise price of \$0.160 and each tranche expires on 24 September 2023, 24 December 2023 and 24 December 2025 respectively.

The valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
19/11/2020	24/12/2023	\$0.071	\$0.160	95%	0%	0.39%	\$0.030	2,500,000
19/11/2020	24/12/2025	\$0.071	\$0.160	95%	0%	0.39%	\$0.042	2,500,000

The options lapsed during the current year as the attaching service condition was not met. All previously recognised expense was reversed in full during the current year.

(vi) On 24 December 2020 the Company issued 3,000,000 options to Sandy Aitken as detailed in the Notice of Annual General Meeting and Explanatory Statement dated 15 October 2020. These options have an exercise price of \$0.100 and an expiry date of 24 December 2023. These options are subject to certain commercially sensitive non-market vesting hurdles at the sole discretion of the Board. For the current period a 100% probability of achievement has been applied with an estimated achievement date of 31/03/22, being 18 months from appointment.

The valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
19/11/2020	24/12/2023	\$0.071	\$0.100	95%	0%	0.34%	\$0.037	3,000,000

(vii) On 22 June 2021 the Company issued 17,320,782 options to various investors as detailed in the Notification regarding unquoted securities (Appendix 3G) dated 28 June 2021. These options have an exercise price of \$0.200 and expire on 22 June 2022. Shareholder approval for both cancellation and issuance of these options was obtained at the EGM held 16 June 2021. The options were free attaching in relation to the December 2020 share placement per Note 13 (i), totalling 139,519,156 options. The rights to 122,198,374 were agreed to be cancelled, resulting in 17,320,782 being issued on 22 June 2021.

Share options outstanding as at 30 June 2021 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	30 June 2021	30 June 2020
4/11/2015	3/11/2020	\$0.187	-	267,379
30/12/2016	1/08/2020	\$0.045	-	31,500,000
30/12/2016	1/08/2020	\$0.120	-	5,000,000
30/12/2016	1/08/2020	\$0.060	-	2,500,000
9/02/2017	1/08/2020	\$0.300	-	10,000,000
9/02/2017	1/01/2021	\$0.240	-	3,400,000
9/02/2017	1/01/2021	\$0.120	-	3,300,000
9/02/2017	1/01/2021	\$0.060	-	3,300,000
9/02/2017	1/10/2021	\$0.060	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.120	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.240	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.360	2,000,000	2,000,000
6/06/2018	2/07/2020	\$0.010	-	39,375,000
6/06/2018	2/07/2021	\$0.020	26,000,000	26,000,000
6/06/2018	2/07/2021	\$0.090	6,250,000	6,250,000
6/06/2018	2/07/2021	\$0.150	5,000,000	5,000,000
6/06/2018	2/07/2021	\$0.045	2,250,000	2,250,000
21/12/2018	21/12/2021	\$0.020	25,000,000	25,000,000
31/01/2019	31/01/2022	\$0.037	-	19,800,000
10/12/2019	24/09/2023	\$0.160	2,500,000	-
24/12/2019	24/12/2022	\$0.200	10,000,000	10,000,000
11/02/2020	31/10/2020	\$0.045	-	2,604,279
14/02/2020	18/02/2023	\$0.130	-	1,125,000
24/09/2020	24/09/2022	\$0.060	5,000,000	-
19/11/2020	1/09/2023	\$0.100	10,000,000	-
19/11/2020	1/09/2023	\$0.150	10,000,000	-
19/11/2020	1/09/2023	\$0.200	10,000,000	-
19/11/2020	1/09/2023	\$0.250	10,000,000	-
19/11/2020	24/12/2023	\$0.100	3,000,000	-
16/06/2021	22/06/2022	\$0.200	17,320,782	-
16/06/2021	1/09/2023	\$0.100	5,000,000	-
16/06/2021	1/09/2023	\$0.150	5,000,000	-
16/06/2021	1/09/2023	\$0.200	5,000,000	-
16/06/2021	1/09/2023	\$0.250	5,000,000	-
<b>Total</b>			<b>170,320,782</b>	<b>204,671,658</b>

Additionally, as approved by shareholders at the Annual General Meeting on 19 November 2020, Mr Matthew Ryan (Chief Financial Officer) was issued three tranches of 3,500,000 performance rights, to a total of 10,500,000. Each tranche will vest into a share in the Company for nil consideration upon service conditions being met, being that Mr Ryan is employed by the company at the respective vesting dates. The tranches vest on 31 August 2021, 31 August 2022 and 31 August 2023 respectively. These performance rights have been valued on grant date with reference to the share price, being \$0.071. The resulting value has been vested over the associated service condition periods.

*Expenses arising from employee share-based payment transactions*

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows.

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Options issued under employee share scheme	631,983	662,051
Performance rights issued under employee share scheme	311,961	-
Shares issued under employee share scheme	-	190,000
Total employee share based payment expenses	943,944	852,051
Shares issued to Mr James Tsiolis <sup>1</sup>	220,000	1,160,000
Total expenses arising from employee share-based payment transactions	1,163,944	2,012,051

<sup>1</sup> Amount reflected within Salary and wages expense. Refer to Note 25 Related Party Transactions for further information on the 20,000,000 shares issued to Mr Tsiolis.

**NOTE 16. EQUITY – RESERVES**

	<b>Consolidated as at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve	(292,291)	(287,437)
Share based payments and options reserve	12,886,608	9,202,801
Total reserves	12,594,317	8,915,364

*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 17. EQUITY – ACCUMULATED LOSSES**

	<b>Consolidated as at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(88,338,081)	(64,380,135)
Loss after income tax expense for the financial year	(23,451,880)	(23,957,946)
Accumulated losses at the end of the financial year	(111,789,961)	(88,338,081)

## NOTE 18. NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

### Beijing iLinkAll Science and Technology Co

#### Summarised balance sheet

	2021	2020
	\$	\$
Current assets	785,109	1,989,071
Current liabilities	(209,176)	(4,654)
Current net assets	575,933	1,984,417
Non-current assets	-	-
Non-current liabilities	-	-
Non-current net assets	-	-
Net assets	575,933	1,984,417
Accumulated non-controlling interests	115,187	396,883

#### Summarised statement of comprehensive income

	2021	2020
	\$	\$
Revenue	5,894,384	1,709,580
Loss for the period	(1,494,061)	(81,629)
Other comprehensive income	-	-
Total comprehensive income	(1,494,061)	(81,629)
Loss allocated to non-controlling interests	(298,811)	(16,326)

#### Summarised cash flows

	2021	2020
	\$	\$
Cash flows from operating activities	(212,177)	466,558
Cash flows from investing activities	1,816,780	(2,078,231)
Cash flows from financing activities	(1,338,229)	1,899,996
Effect of movement in exchange rates on cash held	40,159	(208,640)
Net increase in cash and cash equivalents	306,533	79,683



## NOTE 19. BUSINESS COMBINATION

### (a) Summary of acquisitions

#### Acquisition of SSI

On 6 January 2020 the Company acquired 100% of the issued share capital of reseller Security Software International (SSI) Pacific Pty Ltd. Total purchase consideration of \$10,200,000 is reflected by up-front consideration of \$8,160,000 (80%) and deferred consideration of \$2,040,000 (20%). The deferred consideration component of the purchase consideration is payable over a two-year period, to be paid in 2 equal tranches 12 and 24 months post-acquisition (subject to service conditions and warranties). The first tranche, which is equivalent to 10% of the purchase consideration, was payable 12 months immediately after the completion date and was paid in January 2021. The second tranche, which is equivalent to the remaining 10% of the purchase consideration, is payable 24 months post-completion date. The deferred consideration is accounted and accrued for as an employee expense. A further \$400,000 was paid as a net debt and working capital mechanism adjustment.

The acquisition is a high quality, value accretive business that provides strategic synergies and global growth opportunities to the Company. The relationships between SSI and the Australian market will enable Netlinkz to develop an innovative combined enterprise solution that meets the security and monitoring demands of these existing clients and modern businesses around the globe.

Details of the acquisition are as follows:

	Fair value \$
<b>Current assets</b>	
Cash and cash equivalents	834,868
Accounts receivable	526,335
Prepayments	93,830
GST	24,830
Investments	-
<b>Total current assets</b>	<b>1,479,863</b>
<b>Non-current assets</b>	
Office furniture & equipment	93
Software	53,000
Customer contracts and relationships	2,196,000
<b>Total non-current assets</b>	<b>2,249,093</b>
<b>Total assets</b>	<b>3,728,956</b>
<b>Current liabilities</b>	
Payroll liabilities	18,862
Provision for tax	(37,160)
Unearned revenue	973,137
<b>Total current liabilities</b>	<b>954,839</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities on intangibles	603,900
<b>Total non-current liabilities</b>	<b>603,900</b>
<b>Total liabilities</b>	<b>1,558,739</b>
<b>Net assets</b>	<b>2,170,217</b>
Net assets acquired	2,170,217
Goodwill <sup>1</sup>	6,389,783
Fair value of total consideration transferred at acquisition date	8,560,000
Representing:	
Cash	8,560,000
Shares issued	-

<sup>1</sup> The goodwill is attributable to the workforce, know-how and the high profitability of the acquired business. It will not be deductible for tax purposes.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 Business Combinations.



**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

**Revenue and profit contribution**

The acquired business contributed revenues of \$1,269,246 and earnings before interest, tax, depreciation and amortisation of \$454,630 to the Group for the period from 6 January 2020 to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2020 would have been \$2,637,643 and \$783,360 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, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to plant, property and equipment and intangible assets had applied from 1 July 2019, together with the consequential tax effects.

**Acquisition of AoFa**

On 3 February 2020 the Company obtained control of AoFa for consideration with a fair value of \$3,137,000. AoFa is registered in Shanghai as a Wholly Foreign Owned Entity. AoFa is 80% owner of the iLinkAll joint venture with an entity nominated by iSoftStone Information and Technology (Group) Co. Limited owning the remaining 20%. iLinkAll is responsible for the sale and distribution of software products and services in China.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
<b>Assets</b>	
Cash and cash equivalents	41,214
Other receivables	107,107
<b>Total assets</b>	<b>148,321</b>
<b>Liabilities</b>	
Other payables	47
Tax payable	3,307
<b>Total Liabilities</b>	<b>3,354</b>
<b>Net assets</b>	<b>144,967</b>
Net assets acquired	144,967
Non-controlling interest acquired	-
Goodwill <sup>1</sup>	2,992,033
Fair value of total consideration transferred at acquisition date	3,137,000
Representing:	
Cash	3,137,000
Shares issued	-

<sup>1</sup> The goodwill is attributable to the iLinkAll joint venture with iSoftStone (refer 16 December 2020 ASX announcement), workforce and high growth potential of the acquired business. It will not be deductible for tax purposes.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 *Business Combinations*.

**Revenue and profit contribution**

The acquired business contributed revenues of \$2,962,685 and an earnings before interest, tax, depreciation and amortisation loss of \$468,593 to the Group for the period from 3 February 2020 to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2020 would also have been \$2,962,685 and a loss of \$468,593 respectively, due to trading commencing in February 2020.

**(b) Purchase consideration - cash outflow**

	<b>2020</b>
	<b>\$</b>
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	11,697,000
Less: Balances acquired	
Cash	876,082
Net outflow of cash - investing activities	10,820,918
Acquisition of SSI	7,725,131
Acquisition of AOFA	508,787
Deposit paid in May 2019 in relation to acquisition of AOFA	2,587,000

**Acquisition-related costs**

During the year ended 30 June 2020 the Group incurred acquisition-related costs of \$183,662 that were not directly attributable to the issue of shares. These costs are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

There were no acquisitions in the year ended 30 June 2021.

**NOTE 20. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES**

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the year	(23,750,691)	(23,974,272)
<b>Adjustments for non-cash transactions:</b>		
Depreciation and amortisation	866,478	290,245
Foreign exchange differences	56,025	10,334
Fair value loss on convertible note	-	3,662,677
Fair value loss/(gain) on debt settlement	(334,504)	3,517,667
Operating expenses paid in shares and options	2,026,215	1,686,500
Share based payments	2,571,444	1,684,660
Borrowing finance costs	9,277,622	4,336,213
Income tax benefit	-	(603,900)
Others	5,730	-
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,372,932)	639,245
Increase in trade and other payables	439,300	517,782
Increase/(decrease) in unearned income	265,999	(841,471)
Increase in employee benefits	163,793	152,311
Increase in income tax provision	-	33,853
<b>Net cashflows used in operating activities</b>	<b>(9,785,521)</b>	<b>(8,888,156)</b>

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

**Loan reconciliation**

	Balance as at 1 July 2020	Cash flows	Interest payable	Fair value changes	Non-cash settlement	Balance as at 30 June 2021
	\$	\$	\$	\$	\$	\$
Other related party loans	172,556	-	20,634	-	-	193,190
Akuna Finance Pty Ltd	2,098,025	-	81,664	-	(2,179,689)	-
Jamber Investments Pty Ltd	2,900,000	-	145,000	-	(3,045,000)	-
CST Capital Pty Ltd	4,459,700	(3,320,000)	-	-	(1,139,700)	-
Lind Global Macro Fund LP	4,259,701	(3,120,000)	-	-	(1,139,701)	-
J Callaway	250,000	1,250,000	88,125	-	(1,588,125)	-
Everblu Capital Pty Ltd	-	1,600,000	80,000	-	(1,680,000)	-
T Nairn	-	1,683,602	-	-	(1,683,602)	-
Virathus Capital	-	1,150,000	-	-	-	1,150,000
ARIE Manager Pty Ltd	-	4,900,000	-	-	(4,900,000)	-
	<b>14,139,982</b>	<b>4,143,602</b>	<b>415,423</b>	<b>-</b>	<b>(17,355,817)</b>	<b>1,343,190</b>

  

	Balance as at 1 July 2019	Cash flows	Interest payable	Fair value changes	Non-cash settlement	Balance as at 30 June 2020
	\$	\$	\$	\$	\$	\$
Other related party loans	374,668	(225,000)	22,888	-	-	172,556
Akuna Finance Pty Ltd	1,646,438	2,067,155	196,867	-	(1,812,435)	2,098,025
COJIM Pty Ltd	2,500,000	-	-	-	(2,500,000)	-
OSCF Pty Ltd	2,500,000	-	-	-	(2,500,000)	-
M Westerweller	-	(418,799)	418,799	-	-	-
Jamber Investments Pty Ltd	-	2,900,000	-	-	-	2,900,000
CST Capital Pty Ltd	-	2,876,500	-	1,583,200	-	4,459,700
Lind Global Macro Fund LP	-	2,677,475	-	1,582,226	-	4,259,701
J Callaway	-	250,000	-	-	-	250,000
	<b>7,021,106</b>	<b>10,127,331</b>	<b>638,554</b>	<b>3,165,426</b>	<b>(6,812,435)</b>	<b>14,139,982</b>

**NOTE 21. EARNINGS PER SHARE**

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(23,451,880)	(23,957,946)

  

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	2,362,037,429	1,895,351,498

  

	<b>\$</b>	<b>\$</b>
Basic loss per share	(0.0099)	(0.0131)
Diluted loss per share	(0.0099)	(0.0131)

## NOTE 22. 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:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 June 2021	30 June 2020
		%	%
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
SSI Pacific Pty Ltd	Australia	100%	100%
AoFa Software Engineering (Shanghai) Co. Ltd	China	100%	100%
Netlinkz Japan K.K.	Japan	100%	100%
Netlinkz Technology Hong Kong Limited	Hong Kong	100%	0%
Beijing iLinkAll Science and Technology Co	China	80%	80%

## NOTE 23. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<i>Auditors of the Group - BDO and related network firms</i>		
Audit and review of financial statements		
Group	130,037	121,237
Controlled entities and joint operations	28,834	24,731
Total audit and review of financial statements	158,871	145,968
Other services	-	-
Total services provided by BDO	158,871	145,968

## NOTE 24. COMMITMENTS

There were no commitments as at 30 June 2021 or 30 June 2020.

## NOTE 25. RELATED PARTY TRANSACTIONS

A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director-related entities were no more favourable to the directors and their director-related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis.

The aggregate amounts recognised during the year (excluding reimbursement of expenses incurred on behalf of the Company) relating to directors and their director-related entities were as follows:

### *Issuance of shares, options and performance rights*

On 27 November 2020, James Tsiolis was issued 20,000,000 shares indirectly through his entity Alpha First Pty Ltd at a share price of \$0.069. These shares were issued in relation to a share bonus owing by the Company to Mr Tsiolis in respect of the financial year ended 30 June 2018 for the establishment of the China Telecom Wuxi and Jiangsu Pilot Program and Beijing IoT Lab in 2017. These shares were accrued at 30 June 2020 with a market value of \$1,160,000. As the value of the shares differed at the date of approval by shareholders, the fair value was deemed to be \$1,380,000, resulting in a net fair value loss to the Company of \$220,000.

On 19 November 2020, Mr Zhang, James Stickland, Geoff Raby AO and Grant Thomson (Chief Revenue Officer) each were issued: 2,500,000 options at an exercise price of \$0.10; 2,500,000 options at an exercise price of \$0.15; 2,500,000 options at an exercise price of \$0.20; and 2,500,000 options at an exercise price of \$0.25. These options are subject to vesting conditions and have an expiry date of 1 September 2023. Refer to Note 15 for further information.

On 24 December 2020, Sandy Aitken (Chief Operating Officer) was issued 3,000,000 options at an exercise price of \$0.10. These are subject to vesting conditions and have an expiry of 31 December 2023. Refer to Note 15 for further information.

On 24 December 2020, Matthew Ryan (Chief Financial Officer) was issued three tranches of 3,500,000 performance rights. Each tranche carries a service vesting condition of 31 August 2021, 31 August 2022 and 31 August 2023 respectively. All tranches carry an expiry of 24 December 2025. Refer to Note 15 for further information.

On 24 December 2020, Masamichi Tanaka was issued three tranches of 2,500,000 options. The first tranche was granted on 10 December 2019, with the second and third tranches granted on 19 November 2020. These options have an exercise price of \$0.16 and each tranche expires on 24 September 2023, 24 December 2023 and 24 December 2025 respectively. Mr Tanaka is no longer employed by the Company, meaning tranches 2 & 3 will not vest. Refer to Note 15 for further information.

On 9 June 2021, Mr James Tsiolis and his entities were issued a total of 23,143,659 shares at a share price of \$0.025 in respect to his take up of the Accelerated Non-Renounceable Entitlement Offer. Refer to Note 15 for further information.

On 18 June 2021, Mr Grant Booker and Mr Stephen Gibbs each were issued: 2,500,000 options at an exercise price of \$0.10; 2,500,000 options at an exercise price of \$0.15; 2,500,000 options at an exercise price of \$0.20; and 2,500,000 options at an exercise price of \$0.25. These options are subject to vesting conditions and have an expiry date of 1 September 2023. Refer to Note 15 for further information.

### *Parent entity*

Netlinkz Limited is the parent entity.

### *Subsidiaries*

Interests in material subsidiaries are set out in Note 22.

### *Key management personnel*

Disclosures relating to key management personnel are set out in the remuneration report in the directors' report to this audited Annual Report.

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,245,452	2,126,213
Post-employment benefits	66,260	60,079
Short-term benefits <sup>1</sup>	74,903	-
Share & Option based payments	1,278,646	1,310,000
	<u>2,665,261</u>	<u>3,496,292</u>

<sup>1</sup> Annual leave accrued during the year ended 30 June 2021

	<b>Consolidated for the year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<u>Transactions with related parties</u>		
The following transactions occurred with related parties:		
Credit line fees paid/payable to Alpha First Pty Ltd (Director-related entity of James Tsiolis)	-	66,000
Consulting services for Mr Michael Beck	-	13,000

Payable to related parties

There are no balances outstanding at the reporting date in relation to transactions with related parties.

## NOTE 26. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

<i>Statement of profit or loss and other comprehensive income</i>	<b>Parent entity for the year ended</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	23,181,954	26,686,397

  

<i>Statement of financial position</i>	<b>Parent entity for the year ended</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Total current assets	11,098,160	5,191,089
Total non-current assets	14,205,032	14,243,329
Total assets	25,303,192	19,434,418
Total current liabilities	4,056,994	19,400,773
Total non-current liabilities	-	-
Total liabilities	4,056,994	19,400,773
Equity		
Issued capital	117,665,239	76,954,479
Option reserve	9,933,078	7,193,275
Share-based payment reserve	2,953,470	2,009,526
Accumulated losses	(109,305,589)	(86,123,635)
Total equity	21,246,198	33,645

### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for plant, property and equipment as at 30 June 2021 and 30 June 2020.

### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for Investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.



## NOTE 27. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures but may do so as and when required. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by senior executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and mitigates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### Market risk

#### *Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

#### *Price risk*

The consolidated entity is not exposed to any significant price risk.

#### *Interest rate risk*

The consolidated entity's main interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk. The consolidated entity's borrowings outstanding, totalling \$1,343,190 (2020: \$5,420,581), are fixed interest loans.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

#### *Trade receivables and contract assets*

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2021, the Group has \$1,535,049 in trade receivables. An expected credit loss provision of \$30,055 has been recognised.

#### *Credit risk exposure*

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group has considered the credit rating of the financial institutions with which it is engaged and determined an acceptable level of credit risk exposure.

#### **Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Due to regulatory requirements and geopolitical factors, it is sometimes necessary to maintain higher levels of liquid assets in the foreign countries in which the Company has operations. In such cases, funds surplus to short term requirements are deposited in low-risk at-call financial products offered by trusted banking institutions. Often, these products do not meet the technical definition of Cash and cash equivalents under AASB107 Statement of Cash Flows and are instead disclosed as Financial assets at fair value through profit or loss (FVTPL).

#### *Financing arrangements*

There are no unused borrowing facilities at the reporting date.

#### *Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

**Netlinkz Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2021**

	Interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
<b>Consolidated - 2021</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	2,628,618	-	-	-	2,628,618
Convertible notes payable	-%	-	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Borrowings	8-20%	1,150,000	-	-	-	1,150,000
Lease liability	5-20%	170,504	32,547	1,123	-	204,174
Related party loans	8%	193,190	-	-	-	193,190
Total non-derivatives		<u>4,142,312</u>	<u>32,547</u>	<u>1,123</u>	<u>-</u>	<u>4,175,982</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

	Interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
<b>Consolidated - 2020</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and accruals	-%	2,163,193	-	-	-	2,163,193
Convertible notes payable	-%	8,719,401	-	-	-	8,719,401
<i>Interest-bearing - fixed rate</i>						
Borrowings	8-20%	5,248,025	-	-	-	5,248,025
Lease liability	5-20%	180,801	90,671	32,547	-	304,019
Related party loans	8%	172,556	-	-	-	172,556
Total non-derivatives		<u>16,483,976</u>	<u>90,671</u>	<u>32,547</u>	<u>-</u>	<u>16,607,194</u>

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Fair value measurement

### Fair value hierarchy

Recurring fair value measurements at 30 June 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at FVPL				
Term deposit held in foreign financial institution	-	-	-	-
Investment in private company	-	-	100,000	100,000
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>
<b>Financial liabilities</b>				
Convertible notes	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

  

Recurring fair value measurements at 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at FVPL				
Term deposit held in foreign financial institution	-	2,683,264	-	2,683,264
Investment in private company	-	-	100,000	100,000
<b>Total financial assets</b>	<b>-</b>	<b>2,683,264</b>	<b>100,000</b>	<b>2,783,264</b>
<b>Financial liabilities</b>				
Convertible notes	-	-	8,719,401	8,719,401
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>8,719,401</b>	<b>8,719,401</b>

There are no other assets or liabilities carried at fair value in the accounts as at 30 June 2021.

### Recognised fair value measurements

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

For other borrowings (other loans) the fair value is not materially different to their carrying value, since the interest payable on these borrowings is close to current market rates and the borrowings are short term in nature.

## NOTE 28. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2021 (30 June 2020: Nil).

## NOTE 29. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 July 2021, 26,000,000 unlisted options with an exercise price of \$0.02 and expiry date of 2 July 2021 were exercised.

On 7 July 2021, the Company announced that 2,250,000 securities with an exercise price of \$0.045 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 7 July 2021, the Company announced 6,250,000 securities with an exercise price of \$0.09 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 7 July 2021, the Company announced 5,000,000 securities with an exercise price of \$0.15 and expiry date of 2 July 2021 have ceased due to the expiry of option without exercise or conversion.

On 3 August 2021, the Company announced 4,057,520 securities with an exercise price of \$0.12 have ceased due to the cancellation by agreement between the entity and the holder.

On 3 August 2021, the Company announced that it issued 6,846,197 shares at a deemed price of \$0.0284 per share in retirement of debt of \$194,432 (principal and interest at 8% pa) and 7,142,857 shares at a deemed price of \$0.035 in settlement of an invoice for services in the amount of \$250,000, on 2 August 2021.

In addition to the foregoing announcement, the Company advised that 26,000,000 shares issued on conversion of options on 7 July 2021 were released from voluntary escrow on 2 August 2021.

No other matter or circumstance has arisen since 30 June 2021 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.

## CORPORATE GOVERNANCE STATEMENT

**The Board of Directors of Netlinkz Limited is responsible for the corporate governance of the Group.**

Netlinkz Limited (“**Netlinkz**”), through its board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Netlinkz. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

### **ASX Corporate Governance Principles and Recommendations**

The fourth edition of ASX Corporate Governance Council Principles and Recommendations (the “Principles”) sets out recommended corporate governance practices for entities listed on the ASX.

The Group has issued a Corporate Governance Statement which discloses the Group’s corporate governance practices and the extent to which the Group has followed the recommendations set out in the Principles. The Corporate Governance Statement was approved by the Board on 28 September 2021 and is available on the Group’s website: <https://netlinkz.com/company/>

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



**James Tsiolis**  
**CEO & Executive Director**  
Sydney NSW

Dated this 29th day of September 2021



## INDEPENDENT AUDITOR'S REPORT

To the members of Netlinkz Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Netlinkz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Recoverability of intangible assets

Key audit matter	How the matter was addressed in our audit
<p>The carrying value of goodwill and other intangibles assets of the Group are disclosed in Note 9 of the financial report. Australian Accounting Standards require an annual assessment of impairment of the goodwill intangible asset.</p> <p>The assessment of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of assumptions that could impact the recoverable amount of a cash generating unit ("CGU").</p> <p>Accordingly, this matter was considered to be a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>Evaluating the appropriateness of Management's identification of the Group's CGUs and the allocation of assets to the carrying value of CGUs based on our understanding of the business and internal reporting;</li> <li>Reviewing and assessing the key estimates and judgements applied in management's testing of impairment, including: <ul style="list-style-type: none"> <li>Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections;</li> <li>In conjunction with our valuation specialists, assessing the discount rates and revenue multiples used in the recoverable amount calculations;</li> <li>Considering the appropriateness of the valuation methodology applied to each CGU; and</li> </ul> </li> <li>Assessing the adequacy of the Group's disclosures in Notes 1, 2 and 9 of the financial report.</li> </ul>

## Accounting of share based payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2021, the Group issued options, performance rights and shares to creditors, consultants and key management personnel as disclosed in Notes 14 and 15 of the financial report.</p> <p>Refer to Note 1 of the financial report for a description of the accounting policy and Note 2 for the significant estimates and judgements applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments in accordance with AASB 2 Share Based Payment, we consider the Group's calculation of the share-based payments expense to be a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing market announcements and board minutes to identify that all new share-based payments granted during the year have been accounted for;</li> <li>• Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;</li> <li>• Holding discussions with management to understand the share-based payment transactions in place;</li> <li>• Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs;</li> <li>• Involving our valuation specialists to assess the reasonableness of certain assumptions used in management's calculations;</li> <li>• Assessing the allocation of the share-based payment expense over the relevant vesting period; and</li> <li>• Assessing the adequacy of the related disclosures in the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Netlinkz Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.



## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over the printed name. Above the signature, the letters 'BDO' are handwritten in a simple, blocky style.

Glyn O'Brien

Director

Perth, 29 September 2021

The shareholder information set out below was applicable as at 24 September 2021.

## 1. Quotation

Listed securities in Netlinkz Limited are quoted on the Australian Securities Exchange under ASX code NET (fully paid ordinary shares).

## 2. Voting rights

The voting rights attached to fully paid ordinary shares of the Company (**Shares**) are set out below:

At a meeting of the Company's members, every member may vote in person, or by proxy or attorney. On a show of hands, every member has one vote, and on a poll, every member has one vote for every Share held by the member. A member who is entitled to vote at a general meeting may appoint not more than 2 proxies to attend and vote on the members behalf. Subject to the Corporations Act, if a member appoints one proxy, that proxy may vote on a show of hands. If a member appoints two proxies, neither may vote on a show of hands, and the proxies may exercise the votes specified by the member, or, failing such specification, half of the votes each.

There are no voting rights attached to any Options or Convertible Notes on issue.

## 3. Distribution of Shareholders

### (a) Fully Paid Ordinary Shares (ASX: NET)

Range	Total holders	Units	% Units
1 - 1,000	438	142,612	0.00
1,001 - 5,000	395	1,212,856	0.04
5,001 - 10,000	456	3,653,538	0.11
10,001 - 100,000	2,234	95,620,031	2.96
100,001 Over	1,576	3,131,031,287	96.89
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>5,099</b>	<b>3,231,660,324</b>	<b>100.00</b>

#### Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0220 per unit	22,728	2,002	16,585,577

## SHARE OPTIONS

### (b) NET O48 (ASX: NETAAM) UNLISTED OPTIONS EXPIRING 22/06/2022 @ \$0.20

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	16	1,268,279	7.32
100,001 Over	27	16,052,503	92.68
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>43</b>	<b>17,320,782</b>	<b>100.00</b>

Holders who hold more than 20% of NETO48 Options are: Citicorp Nominees Pty Ltd

(c) NET O36 (ASX: NETAV) UNLISTED OPTIONS EXPIRING 24/09/2022 @\$0.06

@ \$0.06

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	5,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>5,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO36 Options are: BJS Robb Pty Ltd

(d) NET O32 UNLISTED OPTIONS EXPIRING 24/12/2022 @ \$0.20

@ \$0.20

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	2	10,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>2</b>	<b>10,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO32 Options are: L1 Capital Global Opportunities Master Fund and Lind Global Macro Fund LP

(e) NET O30 (ASX: NETAR) UNL OPTS EXP 21/12/2021 @ \$0.02

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	2	25,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>2</b>	<b>25,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO30 Options are: Robert E Turner JR <R E Turner JR 2018 Grat 1 AC> and

Robert E Turner JR <2019 Irrevocable A/C>

f) NET O23 (ASX: NETAJ) UNLISTED OPTIONS EXPIRING 01/10/2021 @ \$0.24

@ \$0.06

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	2,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>2,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO23 Options are: Singara Pty Ltd

(g) NET O20 (ASX: NETAK) UNLISTED OPTIONS EXPIRING 01/10/2021 @ \$0.36

@ \$0.36

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	2,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>2,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO20 Options are: Singara Pty Ltd

h) NET O19 (ASX: NETAM) UNLISTED OPTIONS EXPIRING 01/10/2021 @ \$0.06

@ \$0.24

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	2,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>2,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO19 Options are: Singara Pty Ltd



(i) NET O13 (ASX: NETAE) UNLISTED OPTIONS EXPIRING 01/10/2021 @ \$0.12

@ \$0.12

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	2,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>2,000,000</b>	<b>100.00</b>

Holders who hold more than 20% of NETO13 Options are: Singara Pty Ltd

(j) NET O38 (ASX: NETAAB) UNLISTED OPTIONS EXPIRING 01/09/2023 @ \$0.10

@ \$0.12

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	15,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>15,000,000</b>	<b>100.00</b>

Directors' options

(k) NET O39 (ASX: NETAAC) UNLISTED OPTIONS EXPIRING 01/09/2023 @ \$0.15

@ \$0.12

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	15,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>15,000,000</b>	<b>100.00</b>

Directors' options

(l) NET O40 (ASX: NETAAD) UNLISTED OPTIONS EXPIRING 01/09/2023 @ \$0.20

@ \$0.12

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	15,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>15,000,000</b>	<b>100.00</b>

Directors' options

(m) NET O41 (ASX: NETAAE) UNLISTED OPTIONS EXPIRING 01/09/2023 @ \$0.25

@ \$0.12

Range of Units As Of 9/24/2021

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	1	15,000,000	100.00
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1</b>	<b>15,000,000</b>	<b>100.00</b>

Directors' options

(n) **Performance Rights (ASX: NETAAJ) on issue: 10,500,000.** The performance rights have been issued to the Company Chief Financial Officer Mr Matthew Ryan.

#### 4. Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities in the Company as at 24 September 2021 are listed below:

Rank	Name	Units	% Units
1	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	500,779,828	15.50
2	AKUNA FINANCE PTY LIMITED	104,137,748	3.22
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	94,698,027	2.93
4	REEF INVESTMENTS PTY LTD <TD NAIRN SUPER FUND 2A A/C>	89,131,805	2.76
5	SUTHERLAND FAMILY COMPANY PTY LTD <THE SWAN A/C>	87,945,076	2.72
6	ALPHA FIRST PTY LTD	74,688,096	2.31
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	74,307,910	2.30
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	64,233,204	1.99
9	CITICORP NOMINEES PTY LIMITED	56,418,761	1.75
10	SINGARA PTY LTD <GARGETT FAMILY A/C>	55,588,951	1.72
11	MR TREVOR DOUGLAS NAIRN <T D NAIRN FUND ACCOUNT>	54,392,955	1.68
12	MAINSTREAM FUND SERVICES PTY LTD SCM ARIE FUND	50,535,000	1.56
13	TRANS-FORMING INVESTMENTS PTY LTD <TRANS-FORMING INVESTMEN A/C>	37,500,000	1.16
14	AGORA ASSET MANAGEMENT PTY LTD	36,477,142	1.13
15	GLUG GLUG PTY LTD	35,310,265	1.09
16	REEF INVESTMENTS PTY LTD <T D NAIRN SUPER FUND A/C>	33,978,971	1.05
17	SYSTEMIC PTY LTD	31,172,967	0.96
18	THEOFAM NOMINEES PTY LTD <THEOFAM A/C>	29,000,000	0.90
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,312,960	0.88
20	OCSF PTY LTD <OCSF SUPER FUND A/C>	27,197,103	0.84
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>1,565,806,769</b>	<b>48.45</b>
<b>Total Remaining Holders Balance</b>		<b>1,665,853,555</b>	<b>51.55</b>

#### 5. Substantial shareholders

The names of shareholders who have lodged substantial holder notices with the Company with holdings which represent a substantial holding as at 24 September 2021 are:

**Name:** AIRE MANAGER PTY LIMITED as trustee for the SCM ABSOLUTE RETURN INVESTMENT EQUITY FUND (AIRE)

**Holders of:** an aggregate of 277,919,124 fully paid ordinary shares, representing 8.6%.

**Name:** REGAL FUNDS MANAGEMENT PTY LIMITED

**Holders of:** 273,459,278 fully paid ordinary shares, representing 8.46%.

**Name:** Reef Investments Pty Ltd as trustee for T D Nairn Superannuation Fund (2), Reef Investments Pty Ltd as trustee for T D Nairn Superannuation Fund and Trevor Douglas Nairn as trustee for The T D Nairn Trust

**Holder of:** an aggregate of 184,401,231 fully paid ordinary shares, representing 5.7%.

#### 6. Restricted Securities

Shares in escrow until 12 March 2022: 28,350,000

Shares in voluntary escrow until 17 June 2022: 30,916,343

#### 7. On market buy-back

There is currently no on market buy-back in place.