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Netlinkz

APPENDIX 4C

SEP QTR 2020

Commentary and Operational Update

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"Netlinkz has made considerable progress in the September quarter, increasing receipts from customers, growing the recurring revenue base, improving our balance sheet, securing new partnerships and reseller agreements, expanding our geographical presence and investing in our VSN technology to ensure we continue to deliver the best functionality for customers. As a result, we will continue to bank customer receipts quarter on quarter."

James Tsiolis | Executive Chairman and CEO

Key Metrics

Receipts From Customers

+89%

VS. Q4 FY20 (A$3.1M)

Guidance Maintained

~A$15M

CY2020 Receipts From Customers

Total Group Receipts From Customers

A$5.8M

SEP QTR 2020

Netlinkz Ltd (ASX:NET) is pleased to provide an update on its activities and achievements for the quarter ended 30 September 2020 ("September Quarter"), together with its Appendix 4C.

Highlights

- A$5.8m receipts from customers generated at a Group level – Up 89% on the June quarter result of A$3.1m.
    - China operations generated A$4.4m (RMB 21.8m) in receipts from customers. Quarter on quarter growth was AUD +71% (RMB +82%).
    - SSI Pacific Pty Limited (SSI) generated receipts from customers of A$1.4m, mainly reflective of the annual billing cycle for a major customer.
- Consolidated cash balance of A$2.5m (including AOFA Technology (Shanghai) Co. Ltd. (AOFA) and Beijing iLinkAll Software Engineering Co. Ltd. (iLinkAll)).
- Successful refinancing of the 24 December 2019 SPCSAs.
- The Company expects receipts from customers for the year ending 31 December 2020 will remain unchanged at circa A$15m.
- Contracts signed with a combined value of $1.5 million, worth $0.5 million in annually recurring revenue.
- We have begun to sell the VSN 2.0 globally.
- The momentum the business is generating is proof that the market is continuing to focus on network security and enabling disparate work forces, which we foresee accelerating, due to the continued global pandemic.
- Netlinkz has signed agreements with partners to offer a number of different services, including ImageDeep and Cognian technologies.
- New Netlinkz.com website launched in September.

Operational Overview

GLOBAL

In September, the Company announced the appointment of a number of senior executives and non-executive directors to continue to accelerate growth and implement a sustainable process to ensure the continued delivery of revenue. Whilst this adds to the cost base in the short term, we expect this to pay off within 6 months.

The Australian team has made strong progress in implementing the internal processes and infrastructure in order to facilitate the support of a global rollout of the VSN at speed.

Discussions have commenced with distributors and resellers in numerous regions with the goal of rolling out the VSN platform along with partner technologies. A number of distributor, reseller and partner agreements have been signed, including with ImageDeep, Cognian and Alex31.

The VSN 2.0 enables us to integrate Cognian and ImageDeep as a COVID-19 end-to-end secure solution. This is phase 1 of embedding numerous partner technologies into the VSN platform. A pilot of the Cognian and ImageDeep COVID-safe technology in Victoria is set to begin in November 2020.

CHINA

Sales in China continue to grow rapidly. Quarter on quarter receipts from customers have increased from 12.0m RMB to 21.8m RMB (+82% growth in RMB, +71% growth in AUD).

The VSN 2.0 launched in August and is being embedded into customer networks. Feedback so far has been that customers are seeing reduced latency and better handling of data packet loss, with enhanced features in Quality of Service, Deep Packet Inspection, and the new management console.

iSoftStone staff have been migrated to iLinkAll, taking the total number of workers to 66 (+60 since 30 June 2020) including sales, consulting engineers, implementation specialists, operations and administrative functions during the quarter. Their focus is on generating and delivering new business opportunities to bring in product sales. Back-office functions have been strengthened to support the growth of the business.

Design, implementation and engineering work continues to be the key source of sales revenue. We are seeing several projects and customers turning to us for recurring engineering work as we embed the VSN and iLinkAll as a trusted partner for their networks and security.

The focus of the sales team continues to be one of engaging with as many mid to large corporates in China as possible. A key trend emerging in sales is the securing of data transmission whilst maintaining or improving latency (lower) within cloud-based environments.

The business is experiencing the most traction with the following industries/sectors: Healthcare, Infrastructure (energy, water, etc.), Smart City solutions, Autonomous vehicles, Mobility and Logistics.

Multi-national and national organisations are continuing to test the VSN 2.0 in the Beijing IoT Lab.

The Chengdu water project is now moving into a new phase, with initial network testing commencing and a view to project go-live mid-2021.

R&D expenditure decreased during the quarter, noting that the reported amount includes a level of catch-up of prior quarter payables. The R&D expenditure has successfully launched the VSN 2.0 product. We are now moving into maintenance and support model.

Patent and trademark registrations are ongoing for the VSN technology in China and the rest of the world, so Netlinkz can develop and deploy geographic specific VSN source code in other countries.

JAPAN

We have executed a distribution agreement with Alex31 for VSN 2.0 to go to market immediately. Alex31 provide network solutions to small and medium-sized companies in Japan and are expanding their business in "work from home" solutions using the VSN.

Japan IoT is located at the Uhuru office in Shirihama and is currently showcasing a Netlinkz embedded VSN securing the Cognian Syncromesh and ImageDeep thermal COVID-19 tracking application.

The VSN was showcased at the virtual Combined Exhibition of Advanced Technologies (also known as CEATEC) exhibition.

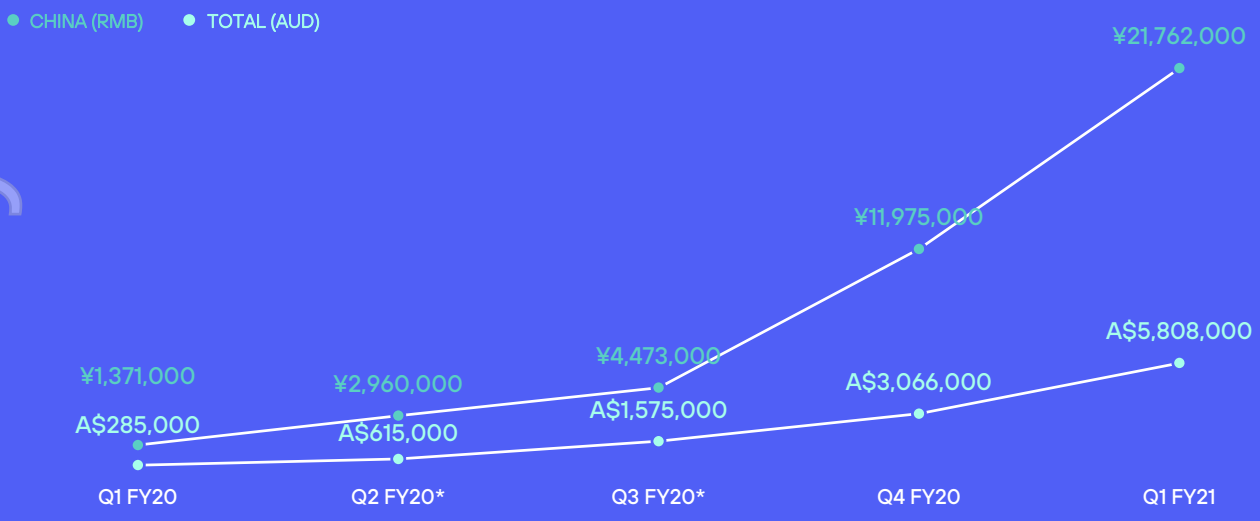
Testing of the VSN continues by Japanese multinational corporates and local Japanese organisations.

Demand from commercial building owners looking for secure enhancements to create a COVID-safe work environment and encourage tenants to go back to the office.

Collaborating with Uhuru to bring their technology to other regions, including Australia, underpinned by the VSN.

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Receipts from customers



* Receipts from customers of A$2.19m in Q3 FY20 included A$615,000 that was not banked in Q2 FY20. A$1.575m was attributable to Q3 FY20.

INDIA

As announced 27 August 2020, Netlinkz has engaged Natsoft Corporation to develop and source selected international markets and customers through a reseller agreement for the Netlinkz products; and, establish an IoT Lab in Natsoft's offices in India. Development of the IoT lab commenced in August building on the experience of the existing Netlinkz IoT labs.

The first Scope of Work with Natsoft has been agreed and executed.

We are also in discussions with other partners, to ensure diversity of market.

AUSTRALIA

The Australian team has made strong progress in implementing the internal processes and infrastructure in order to facilitate the support of a global rollout of the VSN at speed.

Australia is the focal point for developing and managing resellers, distributors and partners for Netlinkz globally.

The Australian team was responsible for the signing of a number of distributor, reseller and partner agreements, including with ImageDeep and Cognian.

The Australian IoT lab is currently the support centre for Netlinkz global customers outside China.

Separate to SSI, Netlinkz signed contracts during the quarter with a combined value of $1.5 million, worth $0.5 million in annually recurring revenue.

As anticipated in the previous Appendix 4C, SSI has generated receipts from customers of A$1.4m, mainly reflective of the annual billing cycle for a major customer plus incremental work for existing customers.

We are now focused on how we drive additional value from the SSI and Netlinkz VSN integration.

OTHER REGIONS

Netlinkz has entered into a preliminary memorandum of understanding to explore the establishment of an IoT Lab in Europe.

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VSN PRODUCT UPDATE

VSN 2.0 launched in August 2020. Customers are seeing reduced latency and better handling of data packet loss, with enhanced features in Quality of Service, Deep Packet Inspection, and the new management console.

Corporate Governance

APPOINTMENTS

James Stickland | Independent Non-Executive Director

Mr Stickland is an experienced executive and has held senior roles with HSBC, JP Morgan Chase and Cisco. He 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$16.5 million 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, he focused on accelerating innovation capabilities in investee companies and delivering investment in enterprise technology, including cloud, mobile, social data and security applications.

Mr Stickland's skills and experience, particularly in relation to doing business in the UK and Europe, align with the Company's strategic direction, and complement the Board's mix of skills and experience.

Dr Geoff Raby AO | Independent Non-Executive Director

Dr 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. He is currently the Chairman and CEO of Geoff Raby & Associates, a Beijing-based business advisory firm. He has also held a number of ASX-listed company directorships, including roles with Yancoal, Fortescue Mining Group and OceanaGold, amongst others.

Dr Raby is currently a Director of ASX listed OceanaGold (ASX: OCG) and ASX listed Yancoal (ASX: YAL). In the last 3 years, Dr Raby held Directorships in the following ASX listed entities: iSentia (ASX: ISD) and Wiseways (ASX: WWG).

Dr Raby has worked with a number of ASX Listed companies that have exposure to the Chinese economy. He has extensive experience in understanding local requirements and an ability to assist the company with bilateral trade. Additionally, Geoff is highly respected in China for his insights of the local culture and economy.

Grant Booker | Independent Non-Executive Director

Mr Booker is a senior business executive and has a strong track record of success in a number of sectors. He has extensive experience from 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.

In 2006, Mr Booker sold Nepean Waste Management to ASX-listed company Transpacific Industries Group Limited (ASX: TPI), since renamed to Cleanaway Waste Management Limited (ASX: CWY).

Mr Booker is a significant and long-term shareholder in Netlinkz and has strong relationships with a number of Netlinkz's shareholders. Netlinkz is confident that Mr Booker's extensive experience will greatly benefit the business.

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Appendix 4C

Netlinkz

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

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Name of Entity: **Netlinkz Limited**
ABN: **55 141 509 426**
Quarter ended ("current quarter"): **30 September 2020**

CONSOLIDATED STATEMENT OF CASH FLOWS

1	Cash flows from operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from customers	5,808	5,808
1.2	Payments for		
	(a) research and development	(536)	(536)
	(b) product manufacturing and operating costs	(4,240)	(4,240)
	(c) advertising and marketing	(34)	(34)
	(d) leased assets	(15)	(15)
	(e) staff costs	(855)	(855)
	(f) administration and corporate costs	(1,476)	(1,476)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	9	9
1.5	Interest and other costs of finance paid	(389)	(389)
1.6	Income taxes paid	(48)	(48)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(6)	(6)
1.9	**Net cash from / (used in) operating activities**	**(1,782)**	**(1,782)**

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CONSOLIDATED STATEMENT OF CASH FLOWS

Netlinkz

2 Cash flows from investing activities	Current quarter $A'000	Year to date (3 months)
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(7)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	994	994
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(12)	(12)
2.6 Net cash from / (used in) investing activities	**975**	**975**

Note: The amount at item 2.2 (d) reflects the net cash inflow from low-risk at-call financial products which do not meet the technical definition of cash and cash equivalents under AASB107 Statement of Cash Flows. Refer to section 5 below for more detail.

3 Cash flows from financing activities	Current quarter $A'000	Year to date (3 months) $A'000
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	754	754
3.2 Proceeds from issue of convertible debt securities	4,995	4,995
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(156)	(156)
3.5 Proceeds from borrowings	2,850	2,850
3.6 Repayment of borrowings	(6,440)	(6,440)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(202)	(202)
3.10 Net cash from / (used in) financing activities	**1,801**	**1,801**

Note: The amount at item 3.1 excludes $157,500 of options exercise cash received prior to the beginning of the current quarter for which shares were issued during the current quarter. Refer to the note in section 4 for more detail on this restricted cash.

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CONSOLIDATED STATEMENT OF CASH FLOWS

4 Net increase / (decrease) in cash and cash equivalents for the period	Current quarter $A'000	Year to date (3 months) $A'000
4.1 Cash and cash equivalents at beginning of period	1,440	1,440
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,782)	(1,782)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	975	975
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,801	1,801
4.5 Effect of movement in exchange rates on cash held	24	24
4.6 Cash and cash equivalents at end of period	**2,458**	**2,458**

Note: Cash and cash equivalents at the beginning of period includes $157,500 of restricted cash relating to options exercised.

5 Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1 Bank balances	2,458	1,440
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter	**2,458**	**1,440**

Note: In addition to the amount at item 5.5 above, as at 30 September 2020 the Company had $1,689,210 of its excess cash in China invested 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 and therefore are not reflected in the number above. As at 30 June 2020, the Company had $2,683,264 invested in the same financial products, with $994,053 having subsequently been redeemed for cash by the end of the September 2020 quarter.

6 Payments to related parties of the entity and their associates	Current quarter $A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	95
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: Amount includes Executive Director fees of $54,420 and Non-executive Director fees of $40,283.

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7 Financing facilities

		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	5,176	1,036
7.2	Credit standby arrangements	-	-
7.3	Other	13,961	13,961
7.4	**Total financing facilities**	**19,137**	**14,997**
7.5	**Unused financing facilities available at quarter end**		**4,140**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

In respect of 7.1 above, the Company currently has available unsecured, revolving loans, with interest rates up to 15%, made available from private lenders, of which the Company has currently drawn down A$1.036m.

In respect of 7.3 above, as announced by the Company on 29 September 2020, the Company issued 13,960,644 unsecured convertible notes with a face value of $13,960,644. Refer to Disclosure Document released by the Company on 17 September 2020 for further details.

8 Estimated cash available for future operating activities

		$A'000
8.1	Net cash from/(used in) operating activities (Item 1.9)	(1,782)
8.2	Cash and cash equivalents at quarter end (Item 4.6)[1]	2,458
8.3	Unused finance facilities available at quarter end (Item 7.5)	4,140
8.4	Total available funding (Item 8.2 + Item 8.3)	6,598
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)[2]**	**3.7**

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A

Notes:

1. Comprised of $1.424m in AOFA and iLinkAll, and the balance of $1.034m in the Group's Australian and Japanese entities.
2. Based on consolidated Group cash. Estimated quarters of funding available for the parent entity is 3.4. In addition, the Company has on issue 13,960,644 unsecured convertible notes with a face value of $13,960,644. Refer to Disclosure Document released by the Company on 17 September 2020 for further details.

COMPLIANCE STATEMENT

Netlinkz

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 26.10.2020

Authorised by: The Board

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Notes:

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

See chapter 19 of the ASX Listing Rules for defined terms

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The Netlinkz VSN provides a physical and virtual secure 'Network as a Service' for enterprises of all sizes. Focused on cloud-first, security, scalability and simplicity, allowing our customers to concentrate on business growth, team collaboration, and global sharing of critical data.

The VSN technology makes Fortune-500 security commercially available for organizations of all sizes. Numerous industry awards received for its technology, including being a worldwide winner of the Global Security Challenge.

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

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