ASX Announcement



2 November 2020

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5G Networks Quarterly Activities and 4C

Strong cash receipts of $14.3m; an increase of 14% on previous quarter.

Normalised quarterly operating cashflow of $2.1m (after $0.64m acquisition and $0.31m of net interest costs). Strong sales pipeline with wholesale growth following ColoAu acquisition. Cash on hand of $45.5m at end of quarter

Further highlights for the Quarter include:

- Announcement of off-market takeover bid for Webcentral Group Limited (ASX:WCG); 54.42% ownership interest as at 29 October 2020; offer to close on 10 November 2020
- Completion of acquisition of Colocation Australia (ColoAU) in July 2020, a wholesale service provider with extensive domestic and international capacity with over 100 racks of capacity on its network. ColoAu normalised revenue is $4.2m and normalised EBITDA is $0.7m with estimated synergies of $0.5m to $0.7m
- Sales growth and pipeline remains strong with $5.9m of new and re-signed revenue secured in the quarter and sales pipeline of $8.5m at quarter end. New 5GN Cloud sales and wholesale sales following ColoAu acquisition are contributing to growth.
- Strong start to FY21 with several projects and hardware sales delivered during quarter; operating cashflows include payments of large hardware purchase in this quarter
- Strong cash receipts of $14.3m for the quarter; shift to higher margin annuity services continues
- Cash balance of $47.5m including $27.5m Placement proceeds and an additional $3.9m of available debt.
- Capital expenditure of $1.0m for the quarter, which directly supports the current rollout of fibre network expansion project fibre in Sydney CBD and other East Coast locations

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Appendix 4C

Payments to directors of the entity and their associates - Listing Rule 4.7C.3

Included within Item 6 of the attached Appendix 4C Cash Flow Report for the quarter ended 30 September 2020 (Payments to directors of the entity and their associates) are payments of fees of approximately $164,000 to executive and non-executive directors and payments to an entity associated with Mr Joe Demase of approximately $24,000 for the design of marketing materials for the Group.

Final Quarterly Activities and 4C

This report is the final Quarterly Activities Report to be lodged by 5GN as it has achieved more than 4 consecutive quarters of positive operating cashflows.

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Appendix 4C

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

Name of entity	ABN	Quarter ended ("current quarter")
5G Networks Limited	30 163 312 025	September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1. Cash flows from operating activites			
1.1	Receipts from customers	14,251	14,251
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(7,233)	(7,233)
	(c) advertising and marketing	(71)	(71)
	(d) leased assets	-	-
	(e) staff costs	(4,791)	(4,791)
	(f) administration and corporate costs	(685)	(685)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	23	23
1.5	Interest and other costs of finance paid	(334)	(334)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**1,161**	**1,161**

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

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2. Cash flows from investing activities			
2.1	Payments to acquire		
	(a) entities	(1,480)	(1,480)
	(b) businesses	(3,514)	(3,514)
	(c) property, plant and equipment	(1,037)	(1,037)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net Cash from / (used in) investing activites**	**(6,031)**	**(6,031)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	31,376	31,376
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	552	552
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,358)	(1,358)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(3,236)	(3,236)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) Loan to WCG	(500)	(500)
3.12	**Net cash from / (used in) financing activities**	**26,834**	**26,834**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	23,515	23,515
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,161	1,161
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,031)	(6,031)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,834	26,834
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**45,478**	**45,478**

Appendix 4C

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

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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	44,082	22,114
5.2	Call deposits	1,396	1,401
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**45,478**	**23,515**

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	(164)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

7. Financing facilities Note: the term "facility' includes all forms of financing arrangements available to the entity. *Add notes as necessary for an understanding of the sources of finance available to the entity*		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilites	6,275	2,331
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.3	**Total financing facilities**	**6,275**	**2,331**

7.5	**Unused financing facilities available at quarter end**	3,944

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.

The bank loan facility is provided by CBA and is secured with a floating charge over the Group's assets.

5G networks

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8. Estimated cash available for future operating activities		$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,161
8.2	Cash and cash equivalents at quarter end (Item 4.6)	45,478
8.3	Unused finance facilities available at quarter end (Item 7.5)	3,944
8.4	Total available funding (Item 8.2 + Item 8.3)	49,422
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**N/A***

*** Note – positive operating cashflow therefore calculation is infinite**

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:

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:

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:

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

Compliance statement

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

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

Date: 2 November 2020

Authorised by: Glen Dymond – Company Secretary
(Name of body or officer authorising release – see note 4)

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.