

We connect.
Secure. Fast. Simple.



Netlinkz

For personal use only

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

JUN QTR 2021

Commentary and Operational Update

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 30 June 2021 ("June Quarter"), together with its Appendix 4C.

Highlights

- Group achieves full year cash receipts from customers of \$15m
- Completed a \$15m entitlement offer to accelerate growth
- Group full year revenues up 174% (FY21 over FY20)
- Acceleration of the European go-to-market strategy
- New strategic partnerships in MENA and Australia
- Continued performance in Asia and promising progress in India
- All convertible notes cleared and remaining Group debt of \$1.3m
- Recruitment of key senior management with significant industry experience and global relationships

Operational Overview

Results for the Quarter

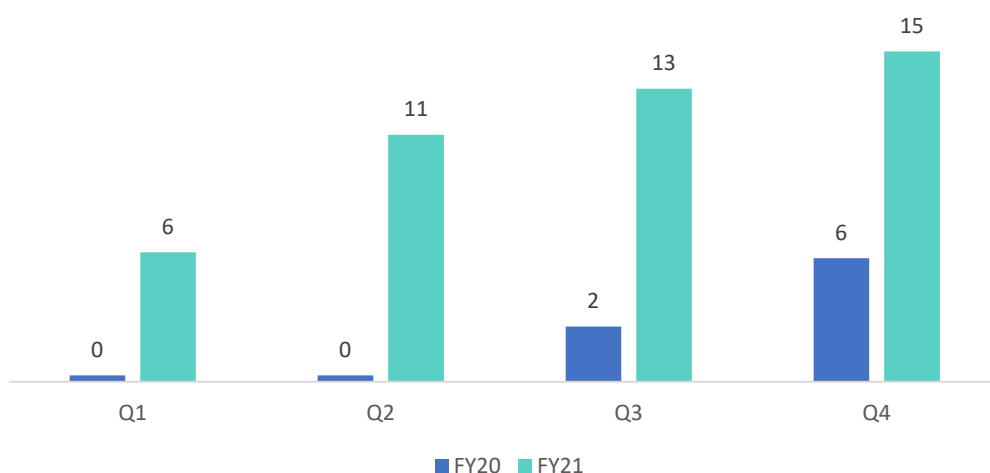
The business continued to perform well, with unaudited revenue up by 174% in FY21 vs. FY20, and revenue for Q4 FY21 consistent with previous quarter at ~\$2.7m. Asia grew by 10% QoQ as expected.

We expect to continue to see a stronger first half of each financial year (due to seasonality in the sales cycle), compared to second half, for the next two years.

Total cash receipts from customers for FY21 was ~\$15m, being 2.7x FY20.

Operating expenses were considerably lower in Q4 FY21 (~\$3.5m vs. ~\$4.4m averaged for the prior 3 quarters of FY21).

Cumulative Cash Receipts From Customers By Year (\$m)



Initiatives & Growth

The MOU with Uni Systems has been expanded to accelerate involvement in European R&D initiatives and go to market 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 Ms Agathi Galani, who has previously worked at Dell EMC driving the European go-to-market strategy for VMware and SD-WAN provider VeloCloud, as the business leader of the venture.

COVID-19 is continuing to have a global impact on businesses, with work-from-home creating significantly more opportunity to meet the necessity for a robust integrated suite of cybersecurity solutions.

As Netlinkz's products provide "secure connectivity to the device" rather than to branch or edge, our global go to market strategy is driven by a true mobility solution powering rapid roll out of global secure networks. This not only supports the work-from-home change, but it also provides secure connectivity to the masses through the Netlinkz VSN products.

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.

The Company has a number of POCs in the pipeline, potentially leading to revenue generation over the course of the next 6-9 months. For example, in India we are developing varied secure network and IOT solutions, including: secure work-from-home enablement; solar farm monitoring and analytics; and, a real-time water quality monitoring project (similar to our Chengdu water project in China) for the Karnataka Government.

The Company continues to execute new partnership opportunities globally. Netlinkz has 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, Lebanon, Egypt and Iraq.

In Australia, Netlinkz has established an alliance with SouthCloud, a telecommunications provider servicing rural customers across the country. The relationship would see Netlinkz underpin the SouthCloud backbone in network security, as well as the deployment of 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.

The Australian team welcomes two new senior executives to drive product evolution, the global go-to-market strategy and revenue acceleration by leveraging their global experience: Mr Rotem Salomonovitch (Chief Technology & Product Officer) and Mr Sam Akbari (Chief Marketing & Revenue Officer). See further information below.

In addition the Company has engaged Mr Hakan Eriksson, previously CTO of Telstra and CEO of Ericsson (Australia and New Zealand) to support the senior team in accelerating Netlinkz's global strategy in bringing its products to market. Mr Eriksson is a recognised global experienced technology leader, having worked extensively with R&D, innovation and strategy in multiple functions, organisations and countries.

Further, the Board is engaged with remuneration consultants to develop an incentive structure that aligns the management team with shareholder objectives through performance rights with stretch performance hurdles.

Corporate

UNAUDITED FINANCIAL RESULTS

Unaudited revenues for the quarter were \$2.7m (Q4 FY20: \$3.0m). The scope of a number of large projects in Asia were increased during the quarter, pushing milestone completion and revenue into FY22.

Product manufacturing and operating costs of \$1.2m are still well below historical levels due to AoFa and iLinkAll's continued shift towards employing engineering resources directly.

Staff costs remained consistent with the prior quarter reflecting the stabilisation of engineering capability in AoFa and iLinkAll.

During the quarter, the company undertook an Accelerated Non-renounceable Rights Entitlement Offer (ANREO) raising \$15m gross (\$13.2m was received in cash, due to existing shareholders taking up their entitlements by way of loan offsets totalling \$1.8m) with capital raising fees of \$1.1m.

\$2.1m of debt was repaid in cash during the period, including \$0.9m of convertible notes redeemed and a further \$1.2m of short-term loans.

Cash at the end of the quarter was \$10.8m. Cash receipts for the quarter were \$1.7m, bringing the FY21 total to \$14.8m.

Senior Management Additions

Chief Technology Officer: Rotem Salomonovitch – Commences August 2021. Mr Salomonovitch is an industry veteran with two decades of experience in the networking industry. He has over 10 years' professional experience as a product leader in software-defined networking and IOT, particularly in the highly competitive USA and Australian markets. Mr Salomonovitch has deployed and scaled up advanced networking solutions with a range of US based and global organisations, and has worked at the cutting edge of networking and digital infrastructure solutions since 2007.

Mr Salomonovitch who has a BA, Honours in Electronic and Communication Engineering from RMIT University, has an established track record of building revenue in senior executive roles with NTT, Nokia, Nuage and Alcatel-Lucent USA & Asia Pacific.

At Netlinkz, Mr Salomonovitch is responsible for worldwide product development and positioning.

Chief Marketing & Revenue Officer: Sam Akbari – Commenced June 2021. Mr Akbari has over 12 years of professional experience across enterprise B2B telecommunications sales, senior management positions in marketing, as well as being responsible for the successful global rollout of the go-to-market strategy of an enterprise SaaS platform. Mr Akbari has spent his most recent years in management consulting working on digital transformation, marketing strategy and automation strategy at medium to large financial services, luxury retail and enterprise technology organisations across the Asia Pacific region.

At Netlinkz, Mr Akbari is responsible for all sales and marketing activities including evolving the global go-to-market strategy across direct, partner and carrier channels.

Business Leader of the Netlinkz alliance with Uni Systems: Ms Agathi Galani – Commenced July 2021. Ms Galani is an accomplished and profit-oriented leader with progressive experience opening new markets, generating leads and optimising revenue streams through delivery of robust IT solutions across prestigious organisations such as SUN Microsystems and Dell EMC. Notably, Ms Galani's role at EMC included the roll out of VMware and later VeloCloud's SD-WAN offering.

The Company believes Ms Galani's entrepreneurship acumen and expertise in innovative technologies (cloud, AI, data analytics, digital transformation, data management) in addition to a history of success in strategic business planning, marketing strategy and development of strategic alliances make her the ideal fit for what Netlinkz plans to achieve in Europe.

Other

The Company paid directors \$221k during the quarter comprised of salaries and superannuation.

As outlined in an ASX announcement dated 9 March 2021 the Company has, on application by Option holders and with shareholder approval, cancelled ~232 million options and issued 56,594,580 shares as consideration. Investors with the right to 17 million options did not apply to cancel for consideration and, as such, those options were issued on 22 June 2021 with exercise price \$0.20 and expiry date 22 June 2022.

With the capital structure clean-up now being complete, the Company is pleased to set out the current capital structure as follows:

Security	Number
Fully paid Ordinary shares	3,191,671,270
Unlisted Options (Issued)	
- Directors	60,000,000
- Others	53,500,000
- Just issued – 20c expire Dec 2021	17,320,782
Performance Rights	10,500,000

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

Appendix 4C



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

Name of Entity: **Netlinkz Limited**

ABN: **55 141 509 426**

Quarter ended ("current quarter"): **30 June 2021**

CONSOLIDATED STATEMENT OF CASH FLOWS

1	Cash flows from operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	1,672	14,817
1.2	Payments for		
	(a) research and development	(119)	(968)
	(b) product manufacturing and operating costs	(1,198)	(9,258)
	(c) advertising and marketing	(66)	(235)
	(d) leased assets	(13)	(52)
	(e) staff costs	(1,816)	(6,063)
	(f) administration and corporate costs	(1,177)	(7,335)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	51
1.5	Interest and other costs of finance paid	(197)	(1,494)
1.6	Income taxes paid	(79)	(242)
1.7	Government grants and tax incentives	-	572
1.8	Other (provide details if material)	(8)	(28)
1.9	Net cash from / (used in) operating activities	(2,997)	(10,235)

CONSOLIDATED STATEMENT OF CASH FLOWS

2 Cash flows from investing activities	Current quarter \$A'000	Year to date (12 months) \$A'000
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(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	-	2,683
(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)	-	22
2.6 Net cash from / (used in) investing activities	-	2,698

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.

3 Cash flows from financing activities	Current quarter \$A'000	Year to date (12 months) \$A'000
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	13,196	21,863
3.2 Proceeds from issue of convertible debt securities	-	4,995
3.3 Proceeds from exercise of options	-	733
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1,130)	(1,509)
3.5 Proceeds from borrowings	900	12,150
3.6 Repayment of borrowings	(1,216)	(8,006)
3.7 Transaction costs related to loans and borrowings	-	(196)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(1,024)	(13,084)
3.10 Net cash from / (used in) financing activities	10,726	16,946

In respect of 3.9 above, the current quarter amount includes the cash redemption of 926,545 convertible notes with a face value of \$926,545.

CONSOLIDATED STATEMENT OF CASH FLOWS

4 Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (12 months) \$A'000
4.1 Cash and cash equivalents at beginning of period	3,055	1,440
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,997)	(10,235)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	2,698
4.4 Net cash from / (used in) financing activities (item 3.10 above)	10,726	16,946
4.5 Effect of movement in exchange rates on cash held	52	(13)
4.6 Cash and cash equivalents at end of period	10,836	10,836

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	10,836	3,055
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter	10,836	3,055

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	221
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: Amount includes salaries, superannuation and directors' fees.

CONSOLIDATED STATEMENT OF CASH FLOWS

7 Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	187	187
7.2 Credit standby arrangements	-	-
7.3 Other	1,150	1,150
7.4 Total financing facilities	1,337	1,337

7.5 Unused financing facilities available at quarter end

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

In respect of 7.1 above, the facilities are comprised of:

- (a) a \$186,832 unsecured loan with an interest rate of 8% and no fixed maturity date, where the lender is Charlie Gargett

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

- (a) \$1,150,000 in unsecured short term loans with an interest rate of 20% per annum, where the lenders are as follows:

- i. Anathema Pty Ltd <The Anathema Trust> in respect of \$200,000, with a maturity date of 14 December 2021;
- ii. Mrs Joy Elaine Hordern in respect of \$400,000 with a maturity date of 14 December 2021;
- iii. Mr Anthony Phillip Hordern in respect of \$500,000 with a maturity date of 15 December 2021;
- iv. Mrs Rong Xie in respect of \$50,000 with a maturity date of 15 December 2021; and

as announced by the Company on 17 December 2020.

8 Estimated cash available for future operating activities		\$A'000
8.1	Net cash from/(used in) operating activities (Item 1.9)	(2,997)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,836
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	10,836
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)		3.6
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	

COMPLIANCE STATEMENT

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

Date: 29.7.2021

Authorised by: The Board

Notes:

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

See chapter 19 of the ASX Listing Rules for defined terms

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

Contacts

For more information, please contact:

James Tsiolis | CEO & Managing Director

E: jtsiolis@netlinkz.com

P: + 61 (2) 9329 9700

Pushkar Thakur | Corporate Advisor

E: pushkar@loftuslanecapital.com.au

P: +61 (0) 424 741 466