



Netlinkz

Appendix 4E Preliminary Final Report and Commentary

Virtual Secure Network (VSN) company Netlinkz Limited (“Netlinkz” or the “Company”) (ASX: NET) is pleased to provide its Appendix 4E Preliminary Financial Report (unaudited) for the financial year ended 30 June 2020, together with the following commentary.

Netlinkz is pleased to report very strong revenue growth for the financial year ended 30 June 2020. The Company has undergone a significant transformation during FY2020 and has established a solid platform that underpins continued growth and evolution into a leading global VSN company for blue chip corporations and government. Key developments for FY2020 include:

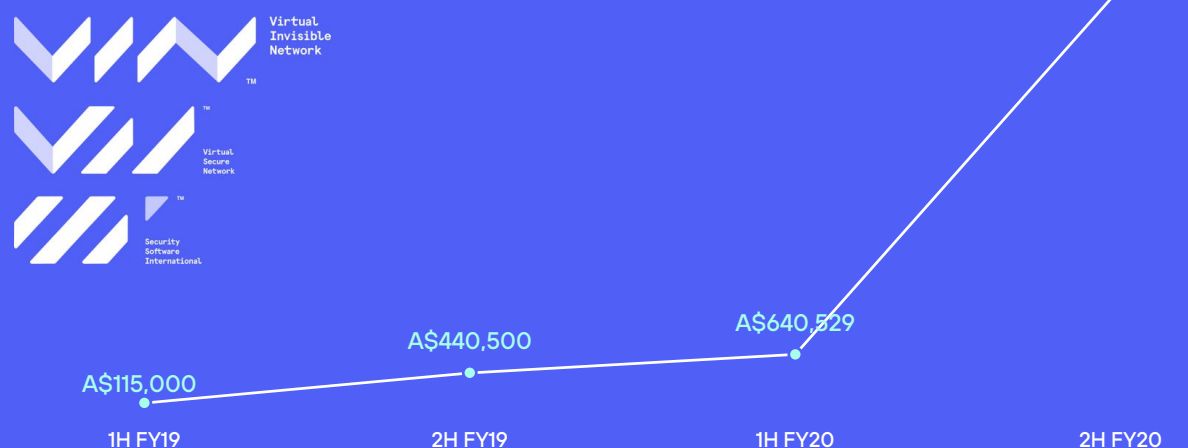
- **Total revenue from customers of \$5.25m, up 846% on the prior year (FY2019: \$0.56m);**
- **Other income of \$1.01m (FY2019: \$1.11m) included \$0.90 million from a R&D Tax Incentive refund;**
- **The net loss of \$22.76m includes convertible note, debt settlement, financing and restructuring costs of \$12.01m;**
- **Establishing a VSN for the large and sophisticated Chinese market through its IOT Lab in Beijing;**
- **The establishment of iLinkAll with iSoftStone as its go-to-market offering in China to sell the VSN;**
- **Commencement of sales of the VSN in January 2020;**
- **The acquisition of local reseller and system integrator SSI Pacific.**

Subsequent to the end of the financial year, Netlinkz’s transformation has continued with further growth drivers put in place or planned, including:

- **Establishing IOT Labs in India and Singapore to develop the VSN market for ASEAN in partnership with Natsoft;**
- **Refinancing of debt facilities with the proposed issue of convertible notes to raise up to \$18m, subject to shareholder approval, investor appetite and the capital requirements of the business, with the funds to be deployed to repay debt and fund Netlinkz’s continue growth and deliver increased sales;**
- **The planned establishment of an IOT Lab in Europe to develop VSNs for that market;**
- **SSI has successfully extended existing contracts as well as winning new business under Netlinkz’s ownership.**

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Revenue from customers



Financial summary

Netlinkz is pleased to report a significant increase in revenue from customers to \$5,253,000 during FY2020 which is up 846% on the prior year revenue of \$555,000. Revenue growth is mainly attributable to rapidly increasing VSN sales in China and the second half contribution from the SSI Pacific business, which the Company acquired on 6 January 2020. Other income of \$1,011,000 included an R&D Tax Incentive refund of \$895,000.

The net loss after tax of \$22,761,663 includes a non-cash fair value loss from convertible notes and debt settlements of \$7,000,000. A further \$5,004,000 million financing and restructuring costs were incurred during the year, noting that \$4,336,000 million of this \$5,004,000 million was non-cash and includes a fair value component. As a result, the after tax loss includes \$11,336,000 million of non-cash costs from these financing activities.

Netlinkz retained a cash balance of \$4,123,000 of which \$2,683,000 was held in low-risk at-call financial products at the end of FY2020. The Company is also looking to raise further capital in late September 2020 to strengthen the Group's cash position, and provide a significant working capital runway to drive sales growth. The Company will seek shareholder approval at a General Meeting of Members to be convened on 17 September 2020 for the issue of up to 20m convertible notes raising up to \$18,000,000, with the actual amount of funds to be raised being subject to investor appetite and the working capital requirements of the business. The proposed convertible notes will have a conversion price of \$0.10 which is a considerable premium to the current share price and will otherwise be issued on the terms and conditions set out in the Notice of Meeting lodged with the ASX on 17 August 2020. The Board considers the proposed convertible note facility to be a simpler and less dilutive means for financing the business, and will enable the Company to pay out some of its more complex existing loans, and provide a strong working capital position from which to boost sales globally, primarily of the VSN.

China operations now delivering multiple revenue streams

Netlinkz strong revenue performance for the year is well reflected in the growth and development of its 80% owned subsidiary iLinkAll operations in China.

Since inception, iLinkAll has continued to make tremendous progress in China securing a number of agreements that have expedited VSN uptake and considerably enhanced the revenue base. The VSN has been deployed in AWS Cloud, Microsoft Azure Cloud Services and Huawei Cloud Services.

The Company has won key projects including the Chengdu Water sanitation program sponsored by the World Bank and is working with M-Soft Information Technology and Pinnacle Access Solutions as key partners to broaden sales in China.



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Australian operations strengthened

During the year Netlinkz's acquired leading system integrator and value-added reseller SSI Pacific Pty Ltd ("SSI") for \$10.2m which has considerably strengthened its domestic operations. SSI is a Melbourne-based reseller specialising in Lawful Intervention (LI) and Data Retention (DR) system design/development, implementation and maintenance/support solutions. It has an established customer base in Australia, New Zealand and the Asia Pacific regions, including top tier telecommunications companies, and it is growing well as part of Netlinkz. SSI will also act as a distribution channel for Netlinkz's product.

Since completion of the acquisition, SSI continues to grow its revenue, through the retention and renewal of existing customer contracts (including a five year renewal with Spark Telecom) as well as adding new telecommunication customers.

New international markets being pursued

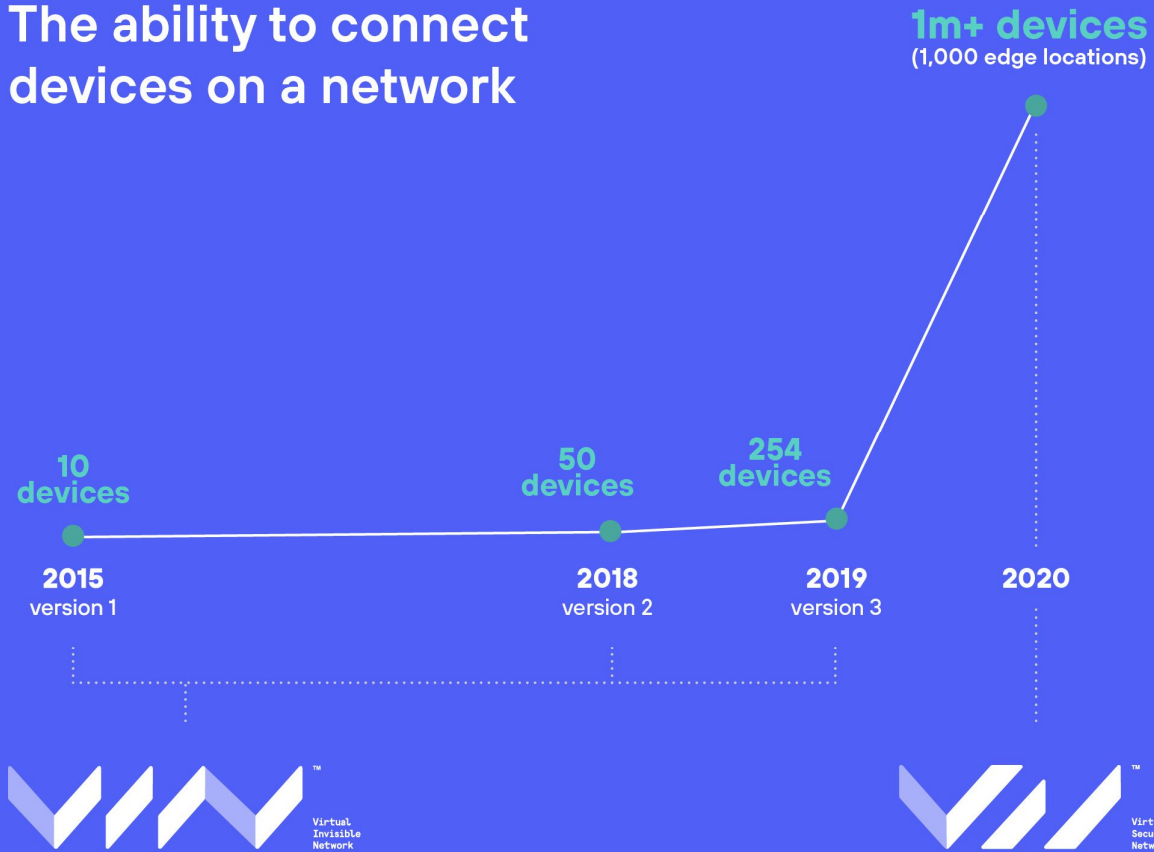
Post balance date, the Company announced its entry into India and other international markets through a Master Services Agreement (MSA) signed with emerging technology software solutions provider Natsoft Corporation ('Natsoft'). Netlinkz has engaged Natsoft to develop and source selected international markets and customers through a reseller agreement; establish an IoT Lab in Singapore and India, and manage the software source codes for the Company's VSN technology. In addition, Natsoft has an existing customer base of blue-chip organisations, providing an opportunity for Netlinkz to leverage Natsoft as a reseller of Netlinkz's VSN in India and other international markets like ASEAN.

India presents a significant opportunity for the VSN. Like China three years ago, there are several converging factors requiring secured software based network solutions. Firstly, internet growth in India is the fastest in the world and with a huge surge in demand to adopt cloud services, Indian businesses are evolving their networks to keep pace with other markets. Indian companies are making a faster transition to cloud compared to their global counterparts. With over 636 million internet subscribers¹ there is significant demand for secure IOT and cloud networks. Secondly, SD WAN is in its infancy compared to other economies and India has very high use of mobile devices. Thirdly, Indian CIOs reported their infrastructure is struggling to support the rapid adoption of digital technologies. They are under the pressure to make the most of the cloud and give users faster access to data as well as applications to satisfy the relentless demand for more bandwidth from the explosion in digital devices and services without compromising security.

Netlinkz's subsidiary Netlinkz Japan KK has established an IoT Lab in Tokyo and currently has Japanese corporate and multinationals testing the VSN for their enterprises. The first commercial contract from the Japan IoT Lab is expected this quarter. Further international expansion is also being pursued in Europe with a key IT integrator and reseller to establish an IOT Lab there as well.

¹ Lavelle Networks: State of SD-WAN in India Report 2020

The ability to connect devices on a network



VSN a key growth driver

The VSN has evolved out of Netlinkz's VIN technology with the VSN scalable and Enterprise-ready. It can be tailored specifically for any customers' remote and local network requirements and this is why it is proving popular with respected corporations that are deploying the technology. Netlinkz is now aggressively pursuing sales with medium and large Enterprise engagements, as the VSN is more saleable for Enterprise-grade corporations and government customers. NET is now deploying its product via the cloud, allowing it to participate in the growing global trend of cloud migration.

Netlinkz will pursue local resellers to integrate its VSN product as part of bundle solutions for the Enterprise market.

Netlinkz anticipates that its strong growth will continue in the medium and long term, under the direction of its talented and highly motivated executive leadership team that is delivering tangible outcomes. Pursuing more sales in China through iLinkAll's accelerated release of the latest version of its VSN product, and the recently announced entry into new markets, most notably India, position the Company favourably.

For the remainder of CY2020, the Board and management will focus on continuing to enhance the VSN and VIN technology, introducing additional features to provide flexibility and scalability for secure enterprise network solutions. The Company anticipates that these new product offerings will be well received by new and existing customers.



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Comment

James Tsiolis added: *“The 2020 financial year has been a transformational one for Netlinkz and we now have in place the foundation to capitalise on the initiatives we undertook during the year to really fast-track growth in the current financial year and beyond.*

“We remain on track to meet our previously stated guidance of \$15m of customer receipts by year-end, with the Board being of the firm view that we are only just in the very early stages of growth. We have market-leading VSN technology, an expanding global footprint, quality partners, a growing base of blue chip and government customers as well as other revenue streams and technologies that underpin this confidence. As such, Netlinkz is exceptionally well positioned to capitalise and has a very strong market advantage.”

This announcement has been approved by James Tsiolis, Executive Chairman and CEO of Netlinkz Limited.

*****ENDS*****

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About Netlinkz Limited

Netlinkz provides secure and efficient cloud network solutions. The Netlinkz’s technology makes Fortune-500 security commercially available for organisations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

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APPENDIX 4E

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Appendix 4E (Rule 4.3A)

Preliminary final report for the year ended 30 June 2020

Company details

Name of entity:	Netlinkz Limited
ABN:	55 141 509 426
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

Results for announcement to the market

(All comparisons to year ended 30 June 2019)

	\$	Up/Down	% Movement
Revenue from customers	5,253,284	Up	846%
Revenue from ordinary activities (incl. interest and grant income)	6,265,219	Up	276%
Net (loss) after tax from ordinary activities	(22,761,663)	Up	23%
Net comprehensive (loss) after tax from ordinary activities	(23,068,295)	Up	25%
Net comprehensive (loss) attributable to members	(23,032,774)	Up	24%

Earnings per share

	30-Jun-20	30-Jun-19	% Movement
Basic earnings/(loss) per share	(\$0.0120)	(\$0.0133)	10%
Diluted earnings/(loss) per share	(\$0.0120)	(\$0.0133)	10%

Net tangible assets per security

	30-Jun-20	30-Jun-19
	\$	\$
Net assets	1,781,155	(5,384,706)
Less intangible assets	13,502,751	-
Net tangible assets	(11,721,596)	(5,384,706)
Fully paid ordinary shares at 30 June 2020	2,036,424,162	1,551,621,675
Net tangible assets per security	(\$0.0058)	(\$0.0035)

Control gained or lost over entities in the year

Control was gained over SSI Pacific Pty Ltd (SSI) on 6 January 2020.

The net profit contribution of SSI for the period 6 January 2020 to 30 June 2020 was a profit of A\$416,636.

Control was gained over AoFa Software Engineering (Shanghai) Co. Ltd (AoFa), and its 80% owned subsidiary Beijing iLinkAll Technology Co. Ltd (iLinkAll), on 3 February 2020.

The net profit contribution of AoFa and its subsidiary for the period 3 February 2020 to 30 June 2020 was a loss of A\$457,016.

Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

Dividends reinvestment plan

Not applicable.

Dividends per security

Not applicable.

Commentary on results

Netlinkz Limited (NET) (the Company) and its controlled subsidiaries (the Group) reported a loss after tax of \$22.76 million for the year ended 30 June 2020 - an increase of \$4.25 million on the prior year.

The net loss after tax includes a non-cash fair value loss from convertible notes and debt settlements of \$7.00 million. A further \$5.00 million in financing and restructuring costs were incurred during the year, noting that \$4.34 million of this \$5.00 million was non-cash and includes a fair value component. As a result, the after tax loss includes \$11.34 million of non-cash adjustments from these financing activities.

Revenue from ordinary activities for the Group increased 846% to \$5.25 million, from \$0.56 million in the prior year, with 76.2% being generated by the China operating segment. Other income of \$1.01 million was reported for the year, which included \$0.90 million from a R&D Tax Incentive refund and grant income of \$0.10 million.

Total operating expenses (excluding income tax, financing costs and fair value losses on debt settlement and convertible notes) increased \$9.90 million to \$17.63 million as a result of: up-front direct costs in relation to China operations; increased R&D expenditure to develop the Virtual Secure Network (VSN) and VSN Lite (previously known as VIN); scaling up Australian headcount and capability for new global market expansion; and, straight line recognition of the remaining 20% of the SSI Pacific Pty Ltd ("SSI") acquisition price, held in trust, which is treated as deferred remuneration to the vendors over 24 months.

The Group's net cash balance as at the end of the period was \$1.44 million, with a further \$2.68 million held in low-risk at-call financial products. Total liabilities include \$14.14 million of debt, of which \$2.28 million has been agreed to be settled in shares.

Earnings per share decreased from (1.33) cents per share to (1.20) cents per share on weighted average shares of 1,389,715,143 and 1,895,351,498, respectively.

In addition to the above, material factors relevant to the Company's financial performance are as follows:

On 24 December 2019, NET announced that it had entered into share purchase and convertible security agreements ('SPCSA') with each of CST Capital Pty Ltd as trustee for the CST Investments Fund ('CST') and Lind Global Macro Fund, LP ('Lind') pursuant to which CST and Lind had agreed to provide funding to NET through the issuance of shares upon receipt of funding tranches and the issuance of convertible notes. Each SPCSA limited the maximum number of securities that may be issued under it without prior shareholder approval to 100,000,000 fully paid ordinary shares ('Maximum Shares'). Refer to ASX announcement dated 24 December 2019 for further details.

During February 2020, the Company raised \$4.5 million under an equity placement ("February 2020 Placement").

On 1 July 2020, the Company announced that it had become aware that it exceeded its capacity to issue equity securities without security holder approval under ASX listing rule 7.1 ('Issue Capacity') by 80,098,389 on 14 February 2020 due to NET not including all of the Maximum Shares in its Issue Capacity calculation and then proceeding with the February 2020 Placement. In light of the breach, NET is not permitted to seek ratification from its shareholders for the 80,098,389 securities described above, and these securities will continue to use up a portion of NET's issue capacity for a period of 12 months from the date of the February 2020 Placement. Refer to ASX announcement dated 1 July 2020 for further details.

On 31 July 2020, the Company announced its intention to terminate the SPCSAs between the Company and each of Lind and CST. Further, the Company announced its intention to raise up to \$18 million through the issuance of convertible notes, subject to shareholder approval. Refer to ASX announcement dated 31 July 2020 for further details.

The Company is now in the process convening a meeting of shareholders to be held on 17 September 2020, to approve, amongst other things:

- a) the issuance of securities to each of Lind and CST to give effect to the proposed termination of the SPCSAs;
- b) the issuance of convertible notes to allow the Company to raise up to \$18 million; and
- c) the ratification of certain previous issues of securities, thereby increasing the Company's availability Issue Capacity.

Refer to the Notice of Meeting lodged with ASX on 17 August 2020 for further details.

The Company has announced material events occurring subsequent to 30 June 2020 to the ASX in accord with its continuous disclosure obligations.

Details of associates and joint venture entities

The Company does not have any associates or joint venture entities. Refer to Note 21. Interests in material subsidiaries for further information.

Foreign entity accounting standards

The Company compiled the consolidated financial information in accordance with International Financial Reporting Standards for all foreign entities.

Audit

The financial information provided in this Appendix 4E is based on accounts which are in the process of being audited.

It is not considered likely any audit modification will arise, however, an emphasis of matter is anticipated in relation to material uncertainty related to 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.

As disclosed in the financial statements, the Group incurred a total comprehensive loss of \$23,068,295, had net cash outflows from operating activities of \$8,888,157 and working capital deficiency of \$11,726,599. 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.

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 expects to generate revenues from its operations, in line with its earnings guidance released on 16 December 2019.
- 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 various successful capital raisings completed during financial year ended 30 June 2020. Further, the Company notes its intention to seek shareholder approval to raise up to \$18 million under a convertible note facility as announced on 31 July 2020.
- If necessary, the Group also has the ability to scale down its operations in order to curtail expenditure or otherwise divest of non-core assets, in the event capital raisings are delayed, or insufficient cash is available to meet projected expenditure.

These conditions indicate 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.

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.

Netlinkz Limited
 Consolidated statement of profit or loss and other comprehensive income
 For the year ended 30 June 2020

Continuing operations	Note	Consolidated	
		2020	2019
		\$	\$
Revenue	4	5,253,284	555,500
Other Income	4	1,011,934	1,109,936
Expenses			
Business development, marketing, travel and accommodation expenses		(1,876,009)	(3,883,988)
Admin, office and corporate expenses		(7,905,560)	(1,564,355)
Development and commercialisation expenses		(3,546,639)	(513,565)
Direct costs	5(a)	(3,434,979)	-
Finance and restructuring costs	5(b)	(5,004,865)	(1,388,738)
Employee share based expenses (shares and options)	5(c)	(852,051)	(1,563,028)
Other share based expenses (shares and options)		-	(4,566,677)
Net fair value gain/(loss) on debt settlement	5(d)	(3,482,677)	(6,489,065)
Net fair value gain/(loss) on convertible note	5(e)	(3,517,667)	-
Foreign exchange movements		(10,334)	(205,311)
		<u>(29,630,781)</u>	<u>(20,174,727)</u>
(Loss) before income tax expense		(23,365,563)	(18,509,291)
Income tax (expense)/benefit	6	603,900	-
(Loss) after income tax expense for the year		<u>(22,761,663)</u>	<u>(18,509,291)</u>
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(306,632)	-
Other comprehensive income (loss) for the year, net of tax		(306,632)	-
Total comprehensive loss for the year		<u>(23,068,295)</u>	<u>(18,509,291)</u>
<i>Loss for the year is attributable to:</i>			
Members of the parent entity		(22,745,337)	-
Non-controlling interests		(16,326)	-
		<u>(22,761,663)</u>	<u>(18,509,291)</u>
<i>Total comprehensive loss for the year is attributable to:</i>			
Members of the parent entity		(23,032,774)	(18,509,291)
Non-controlling interests		(35,521)	-
		<u>(23,068,295)</u>	<u>(18,509,291)</u>
(Loss) per share from continuing operations		\$	\$
Basic earnings/(loss) per share	20	(0.0120)	(0.0133)
Diluted earnings per/(loss) share	20	(0.0120)	(0.0133)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Netlinkz Limited
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,439,935	2,399,243
Trade and other receivables	8	589,552	1,341,127
Other assets	8	5,087,573	2,587,000
Total current assets		7,117,060	6,327,370
Non-current assets			
Property, plant and equipment		93	-
Investments		100,000	-
Intangible assets	9	4,120,936	-
Goodwill	9	9,381,815	-
Total non-current assets		13,602,844	-
Total assets		20,719,904	6,327,370
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,963,193	1,892,220
Employee benefits	11	152,311	-
Borrowings	12	14,139,982	7,021,106
Other current liabilities	13(a)	2,588,174	2,798,750
Total current liabilities		18,843,659	11,712,076
Non-current liabilities			
Borrowings	12	-	-
Other non-current liabilities	13(b)	95,090	-
Total non-current liabilities		95,090	-
Total liabilities		18,938,749	11,712,076
Net assets/(liabilities)		1,781,155	(5,384,706)
EQUITY			
Issued capital	14	79,736,988	51,233,366
Reserves	15	8,772,755	7,762,063
Accumulated losses	16	(87,125,472)	(64,380,135)
Capital and reserves attributable to members of the parent entity		1,384,272	(5,384,706)
Non-controlling interests	17	396,883	-
Total equity / (deficiency)		1,781,155	(5,384,706)

*The consolidated statement of financial position
should be read in conjunction with the accompanying notes*

Netlinkz Limited
 Consolidated statement of changes in equity
 For the year ended 30 June 2020

Attributable to owners of Netlinkz Limited

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
<i>Year ended 30 June 2019</i>						
Balance at 1 July 2018	34,462,142	4,856,700	(45,870,845)	(6,552,003)	-	(6,552,003)
Loss for the year	-	-	(18,509,290)	(18,509,290)	-	(18,509,290)
Total comprehensive loss for the year	-	-	(18,509,290)	(18,509,290)	-	(18,509,290)
Transactions with owners in their capacity as owners:						
Share issue	16,864,403	-	-	16,864,403	-	16,864,403
Options issued	-	2,166,226	-	2,193,965	-	2,193,965
Share based payment	-	739,137	-	711,398	-	711,398
Capital raising costs	(93,179)	-	-	(93,179)	-	(93,179)
Balance at 30 June 2019	51,233,366	7,762,063	(64,380,135)	(5,384,706)	-	(5,384,706)

Attributable to owners of Netlinkz Limited

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
<i>Year ended 30 June 2020</i>						
Balance at 1 July 2019	51,233,366	7,762,063	(64,380,135)	(5,384,706)	-	(5,384,706)
Loss for the year	-	-	(22,745,337)	(22,745,337)	(16,326)	(22,761,663)
Other comprehensive income	-	(287,437)	-	(287,437)	(19,195)	(306,632)
Total comprehensive loss for the year	-	(287,437)	(22,745,337)	(23,032,774)	(35,521)	(23,068,295)
Transactions with owners in their capacity as owners:						
Share issue	30,587,282	-	-	30,587,282	-	30,587,282
Options issued	-	1,463,129	-	1,463,129	-	1,463,129
Share based payments	-	(165,000)	-	(165,000)	-	(165,000)
Capital raising costs	(2,083,659)	-	-	(2,083,659)	-	(2,083,659)
Transactions with non-controlling interests:						
Share issue	-	-	-	-	432,404	432,404
Balance at 30 June 2020	79,736,988	8,772,755	(87,125,472)	1,384,272	396,883	1,781,155

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Netlinkz Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		5,542,293	357,669
Payments to suppliers and employees		(15,457,648)	(7,413,166)
Grants received		993,345	-
Tax refund/(paid)		33,853	1,082,039
Interest received		-	2,087
Interest paid		-	(955,180)
Net cashflows from/(used in) operating activities	19	(8,888,157)	(6,926,551)
Cash flows from investing activities			
Payment to funds held in trust		(2,040,000)	-
Investment in Cello Pty Ltd		(100,000)	-
Acquisition of SSI (Net of cash)	18	(7,725,132)	(2,587,000)
Acquisition of AOFA (Net of cash)	18	(508,786)	-
Investment in low-risk at-call financial assets (FVTPL)		(2,683,264)	-
Transfer from fixed deposit		750,000	(750,000)
Development		(2,018,336)	-
Net cashflows from/(used in) investing activities		(14,325,518)	(3,337,000)
Cash flows from financing activities			
Proceeds from issue of shares		12,749,369	6,155,739
Transaction from non-controlling interest		413,209	-
Proceeds from exercise of options - shares yet to be issued		157,500	-
Share issue transaction costs		(758,233)	(54,732)
Proceeds from borrowings		14,619,486	6,592,936
(Payments) of borrowings		(4,492,155)	(77,580)
Lease payments		(137,038)	-
Net cashflows from/(used in) financing activities		22,552,138	12,616,363
Net increase/(decrease) in cash and cash equivalents		(661,537)	2,352,812
Effect of foreign exchange movements on cash		(297,771)	-
Cash and cash equivalents at the beginning of the financial year		2,399,243	46,431
Cash and cash equivalents at the end of the financial year	7	<u>1,439,935</u>	<u>2,399,243</u>

*The above consolidated statement of cash flows
should be read in conjunction with the accompanying notes*

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 year. 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 of preliminary financial report

This preliminary financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Standards Board and the Corporations Act 2001.

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the last annual financial statements and the last half-year financial statements and any public announcements made by Netlinkz Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The following changes in accounting policies, estimation methods and measurement bases have occurred since the last annual financial statements:

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Interpretation 23 Uncertainty Over Income Tax Treatments

The interpretation outlines recognition and measurement requirements of AASB 112 Income Taxes and how these requirements should be applied when there is uncertainty over income tax treaties, having no material impact on the Group.

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:

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 which the Group's right to consideration when that right is conditioned 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 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.

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 the amortised cost basis 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 is 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.

Provisions

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.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

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 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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.

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.

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 is 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 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 considering using a net present value calculated using discount rate derived from securities 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 product. 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 execution of secure network migration services
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 period ended 30 June 2020	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
EBITDA				
Revenue	1,250,071	4,003,213	-	5,253,284
Other income	19,175	-	992,759	1,011,934
Total revenue	1,269,246	4,003,213	992,759	6,265,219
Direct costs	(98,608)	(3,336,371)	-	(3,434,979)
Other operating expenses	(713,519)	(94,905)	(12,243,132)	(13,051,556)
Total EBITDA	457,119	571,937	(11,250,372)	(10,221,317)
Depreciation and amortisation				(276,652)
Finance and restructuring costs				(5,004,865)
Employees share based expenses (shares and options)				(852,051)
Other share based expenses (shares and options)				-
Net fair value gain/(loss) on debt settlement				(3,482,677)
Net fair value gain/(loss) on convertible note				(3,517,667)
Foreign exchange movements				(10,334)
Profit before income tax from continuing operations				(23,365,563)

Netlinkz Limited
Notes to the consolidated financial statements
For the year ended 30 June 2020

For the period ended 30 June 2019	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
EBITDA				
Revenue	-	555,500	-	555,500
Other income	-	-	1,109,936	1,109,936
Total revenue	-	555,500	1,109,936	1,665,436
Direct costs	-	-	-	-
Other operating expenses	-	-	(5,937,523)	(5,937,523)
Total EBITDA	-	555,500	(4,827,587)	(4,272,087)
Depreciation and amortisation				(24,385)
Finance and restructuring costs				(1,388,738)
Employees share based expenses (shares and options)				(1,563,028)
Other share based expenses (shares and options)				(4,566,677)
Net fair value gain/(loss) on debt settlement				(6,489,065)
Net fair value gain/(loss) on convertible note				-
Foreign exchange movements				(205,311)
Profit before income tax from continuing operations				(18,509,291)

As at 30 June 2020	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
Summarised balance sheet	\$	\$	\$	\$
Current assets	208,030	3,550,258	3,358,771	7,117,060
Current liabilities	(651,696)	(10,795)	(18,181,168)	(18,843,659)
Current net assets	(443,665)	3,539,463	(14,822,397)	(11,726,599)
Non-current assets	8,487,176	3,073,329	2,042,339	13,602,844
Non-current liabilities	-	-	(95,090)	(95,090)
Non-current net assets	8,487,176	3,073,329	1,947,250	13,507,755
Net assets	8,043,510	6,612,792	(12,875,147)	1,781,155

As at 30 June 2019	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
Summarised balance sheet	\$	\$	\$	\$
Current assets	-	-	6,327,370	6,327,370
Current liabilities	-	-	(11,712,076)	(11,712,076)
Current net assets	-	-	(5,384,706)	(5,384,706)
Non-current assets	-	-	-	-
Non-current liabilities	-	-	-	-
Non-current net assets	-	-	-	-
Net assets	-	-	(5,384,706)	(5,384,706)

Note 4. Revenue and other Income
Disaggregation of revenue

	Consolidated	
	2020	2019
	\$	\$
Consulting, design and implementation revenue	3,407,684	400,000
Software and licensing revenue	1,845,600	155,500
Total revenue	<u>5,253,284</u>	<u>555,500</u>

Other Income	Consolidated	
	2020	2019
	\$	\$
Interest	18,590	2,086
Rent	-	25,811
Grants and R&D Income	993,344	1,082,039
	<u>1,011,934</u>	<u>1,109,936</u>

Note 5. Expenses

(a) Direct costs

Direct costs associated with design, implementation and hardware costs of sales in China.

(b) Finance & restructuring costs

Costs and facilitation fees incurred to secure financing and funding for the Group.

(c) Employees share based expenses

Incentives or termination payments paid to directors and employees settled in shares or options.

(d) Net fair value loss on debt settlements

During the year, 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.

(e) Net fair value loss on convertible notes

During the year, the Group settled convertible note liabilities using shares and options. Net fair value loss represents the difference between the fair value of the financial instruments used for convertible note liability settlements and face value of the convertible notes.

(f) Included in expenses are also the following costs:

	Consolidated	
	2020	2019
	\$	\$
Employee salary & wages expense ¹	4,825,690	799,036
Legal and other costs	1,024,999	573,511
Advisor costs relating to funding and restructuring	314,630	950,937
Interest paid/payable	981,638	521,119
Depreciation expense	276,652	24,385
Amortisation expense	375,900	-
Rental outgoings	101,848	254,353
Foreign exchange loss	10,334	205,311

¹ The 2020 employee salary & wages expense includes an accrual for the proposed issuance of 20,000,000 shares, with a market value of \$1,160,000 as at the last share price as at 30 June 2020, to James Tsiolis 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. The shares were approved by the Board in November 2018 and will be issued subject to shareholder approval at the next AGM.

Note 6. Income tax expense

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current income tax expense	-	-
Deferred income tax expense	603,900	-
Total income tax expense	603,900	-
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Accounting profit / (loss) before income tax	(23,365,563)	(18,509,290)
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	6,425,530	5,090,055
<i>Add/(less) tax effect of:</i>		
Movement in Provision for Annual Leave	-	38,650
Non-Deductible Entertainment	-	(54,815)
Non-Deductible share and options expenses	(1,062,482)	(1,685,668)
Non-Deductible fair value loss on debt settlement	(665,325)	(1,784,493)
Non-assessable government grants	265,135	-
R&D	(361,403)	-
Foreign operations	(620,830)	-
Debt forgiveness	7,342	-
Penalties	(434)	-
Legal claims	(64,839)	-
Tax losses not recognised	3,922,694	1,603,729
Effect of temporary differences arising in the period for which a DTA is recognised - Australia	(28,751)	-
Effect of temporary differences arising in the period for which no DTA is recognised - Australia	(1,832,619)	-
Effect of tax losses arising in the period for which no DTA is recognised - Australia	(1,322,026)	(1,603,729)
Effect of tax losses arising in the period for which no DTA is recognised at local tax rates - Foreign	(125,075)	-
Tax rate differential	(10,323)	-
Income tax (expense)/benefit	603,900	-

	Consolidated	
	2020	2019
	\$	\$
Unused tax losses for which no deferred tax has been recognised – Income (Australian)	38,074,564	29,637,600
Unused tax losses for which no deferred tax has been recognised – Income (Foreign)	492,357	
Unused tax losses for which no deferred tax has been recognised – Capital (Australian)	9,596,682	9,546,682

Revenue losses - Australia

Tax losses brought forward on which no DTA has been recognised	29,637,601	
Additional tax losses arising in the prior period on lodgement of the income tax return	3,629,597	
Gross tax losses arising in the current period for which no DTA is recognised	<u>4,807,366</u>	
	38,074,564	

Revenue losses - Foreign

Tax losses brought forward on which no DTA has been recognised	-	
Gross tax losses arising in the current period for which no DTA is recognised - Australian	<u>492,357</u>	
	492,357	

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. Current assets - Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank	<u>1,439,935</u>	<u>2,399,243</u>

Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include \$157,500 of cash held in trust which pertain to cash received for options exercised. The cash is not for general use until the shares have been issued in relation to the exercised options.

Note 8. Current assets - Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	107,912	285,000
Security deposits	21,642	21,313
Prepayments	459,998	284,814
Fixed deposits	-	750,000
Trade and other receivables	<u>589,552</u>	<u>1,341,127</u>

	Consolidated	
	2020	2019
	\$	\$
Financial assets at fair value through profit or loss (FVTPL) ¹	2,683,264	-
Funds held on trust for deferred consideration of SSI Pacific Pty Ltd	2,040,000	-
Right of use asset	249,878	-
Other receivable	114,431	2,587,000
Total other assets	<u>5,087,573</u>	<u>2,587,000</u>

¹ 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.

Refer to note 18 for an overview of the SSI Pacific Pty Ltd acquisition and consideration paid.

Note 9. Intangible assets

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
For the year ended 30 June 2020				
Opening net book amount	-	-	-	-
Additions - internal development	-	2,196,000	2,300,836	4,496,836
Acquisition of business (Note 18)	9,381,815	-	-	9,381,815
Amortisation charge	-	(146,400)	(229,500)	(375,900)
Closing net book amount	9,381,815	2,049,600	2,071,336	13,502,751
As at 30 June 2020				
Cost	9,381,815	2,196,000	2,300,836	13,878,651
Accumulated amortisation and impairment	-	(146,400)	(229,500)	(375,900)
Net book amount	9,381,815	2,049,600	2,071,336	13,502,751

Note 10. Current liabilities - Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables and accruals	1,963,193	1,892,220

Note 11. Current liabilities - Employee benefits

	Consolidated	
	2020	2019
	\$	\$
Employee benefits	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	
	2020	2019
	\$	\$
Current		
Related party loans	172,556	374,668
Borrowings - unsecured ¹	5,248,025	6,646,438
Borrowings - secured	-	-
Convertible notes (FVTPL) ²	8,719,401	-
	<u>14,139,982</u>	<u>7,021,106</u>
Non-current		
Borrowings	-	-

¹ A loan of \$2,900,000 owing to Jamber Investments Pty Ltd at interest of 20% per annum with a fixed maturity date of 31 July 2020. A loan of \$2,098,025 owing to Akuna Finance Pty Ltd at interest of 15% per annum with no fixed maturity date. The remaining loans are at interest rates of between 8% and 20% per annum with no fixed maturity date.

² Of the liability as at 30 June 2020, \$2,279,401 is to be settled in shares as part of the settlement deed entered into post year end (announced 31 July 2020) with 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. The settlement also requires a total cash payment of \$6,440,000.

Note 13. Other liabilities

(a) Other current liabilities

	Consolidated	
	2020	2019
	\$	\$
Shares to be issued for debt settlement	-	2,632,054
Bonus provision	1,160,000	-
Deferred consideration on SSI Pacific Pty Ltd acquisition	510,000	-
Payroll tax and other statutory liabilities	273,218	-
AASB 16 Lease liability - Current	161,594	-
Capital Raising Funds in Trust	157,500	-
Options and shares to be issued to directors and creditors	140,750	105,750
Unearned income	131,666	-
Options to be issued for financing costs	38,446	38,446
Directors fee payable	15,000	22,500
	<u>2,588,174</u>	<u>2,798,750</u>

(b) Other non-current liabilities

	Consolidated	
	2020	2019
	\$	\$
AASB 16 Lease liability - Non-current	95,090	-
	<u>95,090</u>	<u>-</u>

Note 14. Equity – Issued capital

	Consolidated		Consolidated	
	2020	2020	2019	2019
	Shares	\$	Shares	\$
Ordinary shares - fully paid	2,017,124,162	79,736,988	1,551,621,675	51,233,366
Issue of collateral shares ¹	19,300,000	-	-	-
Total issued capital	<u>2,036,424,162</u>	<u>79,736,988</u>	<u>1,551,621,675</u>	<u>51,233,366</u>

¹ These collateral shares were issued on 24 December 2019 as part of the convertible notes announced to the ASX on that date.

Movements in ordinary share capital – Year ended 30 June 2019

	#	\$
Opening balance 1 July 2018	1,233,665,563	34,462,142
Issue of shares – placement	48,460,031	1,502,261
Issue of shares – exercise of options	102,592,916	1,888,418
Issue of shares – debt settlement	133,703,165	11,751,724
Issue of shares – services	33,200,000	1,722,000
	<u>1,551,621,675</u>	<u>51,326,545</u>
Less: Capital raising costs arising on share issues		(93,179)
Closing balance 30 June 2019	<u>1,551,621,675</u>	<u>51,233,366</u>

Movements in ordinary share capital – Year ended 30 June 2020

	Notes	#	\$
Opening balance 1 July 2019		1,551,621,675	51,233,366
Issue of shares – placement	(i)	100,482,388	8,531,355
Issue of shares – exercise of options	(ii)	75,036,998	2,968,014
Issue of shares – debt settlement	(iii)	251,779,015	15,814,487
Issue of shares – services	(iv)	31,800,240	2,758,425
Issue of shares – employee share scheme	(v)	6,403,846	515,000
		<u>2,017,124,162</u>	<u>81,820,647</u>
Less: Capital raising costs arising on share issues			(2,083,659)
Closing balance 30 June 2020		<u>2,017,124,162</u>	<u>79,736,988</u>

(i) Share placement

On 11 December 2019, pursuant to a placement the company issued 30,769,231 shares at \$0.1300 per share to raise \$4.0 million. On 20 February 2020, pursuant to a placement the company issued 69,713,157 shares at \$0.0650 per share to raise \$4.5 million. In addition to providing working capital, the share placements assisted with the acquisition of a reseller (SSI Pacific) and additional capital for China respectively.

(ii) Exercise of options

75,036,998 options were exercised at a weighted average exercise price of \$0.0396 generating proceeds of \$2,968,014. Reflected within (iii) Debt settlement is a further 31,000,000 options which were exercised during the year, with the exercise price being set off against an agreement for removal of the exclusivity clause in a facility agreement. Refer to Options section below for more information.

(iii) Debt settlement

251,779,015 shares with a fair value of \$15,814,487 were issued pursuant to the settlement of debt.

(iv) Provision of services

31,800,240 shares were issued pursuant to the provision of services, primarily in relation to financing and capital raising.

(v) Employee share scheme

On 16 December 2019 the company issued 6,403,846 shares under its Employee Share Scheme.

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.

Options

Options

Consolidated	
2020	2019
Options	Options
204,671,658	301,979,377

Unissued ordinary shares under option:

Details

Details	Grant date	No. of Options	Average Exercise price
Opening balance	1-Jul-18	305,772,293	
Options issued with expiry date of 21 December 2021	21-Dec-18	25,000,000	\$0.0200
Options issued with expiry date of 31 January 2022	31-Jan-19	83,800,000	\$0.0370
Exercise of options(1)		(102,592,916)	\$0.0180
Options lapsed		(10,000,000)	
Closing balance	30-Jun-19	<u>301,979,377</u>	
Opening balance	1-Jul-19	301,979,377	
Options issued with expiry date of 24 December 2022 (2)	24-Dec-19	10,000,000	\$0.2000
Options issued with expiry date of 31 October 2020 (3)	11-Feb-20	2,604,279	\$0.0450
Options issued with expiry date of 18 February 2023 (4)	14-Feb-20	1,125,000	\$0.1300
Exercise of options(1)		(75,036,998)	
Options exercised by Agreement(5)		(31,000,000)	
Options lapsed		(5,000,000)	
Closing balance	30-Jun-20	<u>204,671,658</u>	

(1) Weighted average share price at date of option exercise during year ended 30 June 2020 was \$0.201 (2019: \$0.053).

(2) On 24 December 2019 the Company issued two lots of 5,000,000 unlisted options each to CST Capital Pty Ltd and Lind Global Macro Fund LP, with an expiry date of 24 December 2022 and an exercise price of \$0.200.

(3) On 11 February 2020 the Company granted 2,604,279 unlisted options to subscribe for ordinary fully paid shares at an exercise price of \$0.05 per share, expiring on 31 October 2020, to Goonet Pty Ltd in part settlement of a debt owed.

(4) On 14 February 2020 the Company granted 1,125,000 unlisted options to subscribe for ordinary fully paid shares at an exercise price of \$0.13 per share, expiring on 18 February 2023, to Everblu Capital in part payment for lead manager services provided in respect of the February Placement.

(5) 31,000,000 of options were exercised by Gem Global Yield Fund LLC SCS as part of an agreement for removing the exclusivity clause in the original facility agreement.

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For the options granted during the current period and prior period other than the free attaching options, the valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

2020								
Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date	Number Granted
11/02/2020	31/10/2020	\$0.073	\$0.045	90%	0%	2.04%	\$0.035	2,604,279
14/02/2020	18/02/2023	\$0.075	\$0.130	90%	0%	2.04%	\$0.034	1,125,000
24/12/2019	24/12/2022	\$0.130	\$0.200	95%	0%	0.88%	\$0.066	10,000,000
2019								
Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date	Number Granted
21/12/2018	21/12/2021	\$0.036	\$0.020	100%	0%	2.25%	\$0.026	25,000,000
31/01/2019	31/01/2022	\$0.032	\$0.037	90%	0%	2.04%	\$0.018	83,800,000

Share options outstanding as at end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	2020	2019
31/12/2016	31/01/2020	\$0.120	-	2,500,000
13/02/2017	31/01/2020	\$0.045	-	188,890
13/02/2017	31/01/2020	\$0.300	-	5,000,000
6/06/2018	2/07/2020	\$0.010	39,375,000	47,976,451
30/12/2016	1/08/2020	\$0.045	31,500,000	41,000,000
30/12/2016	1/08/2020	\$0.060	2,500,000	5,000,000
30/12/2016	1/08/2020	\$0.120	5,000,000	5,000,000
9/02/2017	1/08/2020	\$0.300	10,000,000	10,000,000
11/02/2020	31/10/2020	\$0.045	2,604,279	-
4/11/2015	3/11/2020	\$0.187	267,379	2,139,036
9/02/2017	1/01/2021	\$0.120	3,300,000	3,300,000
9/02/2017	1/01/2021	\$0.060	3,300,000	3,300,000
9/02/2017	1/01/2021	\$0.240	3,400,000	3,400,000
6/06/2018	2/07/2021	\$0.020	26,000,000	41,625,000
6/06/2018	2/07/2021	\$0.045	2,250,000	2,250,000
6/06/2018	2/07/2021	\$0.090	6,250,000	7,500,000
6/06/2018	2/07/2021	\$0.150	5,000,000	5,000,000
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
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	83,800,000
24/12/2019	24/12/2022	\$0.200	10,000,000	-
14/02/2020	18/02/2023	\$0.130	1,125,000	-
Total			204,671,658	301,979,377

Note 15. Equity - Reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency translation reserve	(287,437)	-
Share based payments and options reserve	9,060,192	7,762,063
Total reserves	8,772,755	7,762,063

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 16. Equity – Accumulated losses

	Consolidated	
	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	64,380,135	45,870,845
Loss after income tax expense for the year	22,745,337	18,509,290
Accumulated losses at the end of the financial year	87,125,472	64,380,135

Note 17. 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

	2020
	\$
Current assets	1,989,071
Current liabilities	(4,654)
Current net assets	1,984,417
Non-current assets	-
Non-current liabilities	-
Non-current net assets	-
Net assets	1,984,417
Accumulated NCI	396,883

Summarised statement of comprehensive income

	2020
	\$
Revenue	1,709,580
(Loss) for the period	(81,629)
Other comprehensive income	-
Total comprehensive income	(81,629)
Profit allocated to NCI	(16,326)

Summarised cash flows

	2020
	\$
Cash flows from operating activities	466,557
Cash flows from investing activities	(2,078,231)
Cash flows from financing activities	1,899,996
Effect of movement in exchange rates on cash held	(208,640)
Net increase/(decrease) in cash and cash equivalents	79,682

Note 18. 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 consideration of \$10,200,000 is reflected by up-front consideration of \$8,160,000 (80%) and deferred consideration of \$2,040,000 (20%) to be paid in 2 equal tranches 12 and 24 months post-acquisition (subject to service conditions and warranties). 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 \$
Current assets	
Cash and cash equivalents	834,868
Accounts receivable	526,335
Prepayments	93,830
GST	24,830
Investments	-
Total current assets	1,479,863
Non-current assets	
Office furniture & equipment	1,769
Less: Accumulated depreciation	(1,676)
Software	53,000
Customer Contracts and relationships	2,196,000
Total non-current assets	2,249,093
Total assets	3,728,956
Current liabilities	
Accounts payable	-
Payroll liabilities	18,862
Provision for tax	(37,160)
Unearned revenue	973,137
Total current liabilities	954,839
Non-current liabilities	
DTL on intangibles	603,900
Total non-current liabilities	603,900
Total liabilities	1,558,739
Net assets	2,170,217
Equity	
Fully paid ordinary shares of \$1	2
Retained earnings	2,170,215
Total equity	2,170,217
Net assets acquired	2,170,217
Goodwill	6,389,783
Fair value of total consideration transferred at acquisition date	8,560,000
Representing:	
Cash	8,560,000
Shares issued	-

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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:

	Fair value
	\$
Assets	
Cash and cash equivalents	41,214
Other receivables	107,107
Total assets	148,321
Liabilities	
Trade payables	-
Other payables	47
Tax payable	3,307
Total Liabilities	3,354
Net assets	144,967
Equity	
Paid-in Capital - Netlinkz-Capital	42,843
Retained Earnings (Current year earnings)	102,124
Total Equity	144,967
Net assets acquired	144,967
Non-controlling interest acquired	-
Goodwill	2,992,033
Fair value of total consideration transferred at acquisition date	3,137,000
Representing:	
Cash	3,137,000
Shares issued	-
(b) Purchase consideration - cash outflow	2020
	\$
Outflow of cash to acquire subsidiaries, net of cash acquired	11,697,000
Cash consideration	11,697,000
<i>Less: Balances acquired</i>	
Cash	876,082
Net outflow of cash - investing activities	10,820,918
Acquisition of SSI	7,725,132
Acquisition of AOFA	508,786
Deposit paid in May 2019 in relation to acquisition of AOFA	2,587,000

There were no acquisitions in the year ended 30 June 2019.

Note 19. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax expense for the year	(22,761,663)	(18,509,290)
Adjustments for non-cash transactions:		
Depreciation and amortisation	290,244	555
Foreign exchange differences	10,334	243,157
Fair value loss/(gain) on convertible note	3,482,677	-
Fair value loss/(gain) on debt settlement	3,517,667	6,489,065
Operating expenses paid in shares and options	1,686,500	6,129,705
Share based payments	852,051	-
Borrowing finance cost	4,336,213	440,811
Income tax benefit	(603,900)	-
Others	-	41,497
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	639,245	(356,717)
Increase/(decrease) in trade and other payables	317,782	(1,363,992)
Increase/(decrease) in unearned income	(841,471)	-
Increase/(decrease) in employee benefits	152,311	(41,342)
Increase/(decrease) in income tax provision	33,853	-
Net cashflows from/(used in) operating activities	(8,888,157)	(6,926,551)

Loan reconciliation

	Balance as at 1 July 2018	Cash flows	Interest payable	Foreign exchange mvmt	Fair value changes	Non-cash settlement	Balance as at 30 June 2019
	\$	\$	\$	\$	\$	\$	\$
QMAC Loan	1,414,223	-	119,971	80,087	-	(1,614,281)	-
Other related party loans	382,966	(40,000)	31,702	-	-	-	374,668
Other loans	654,244	-	163,443	112,313	-	(930,000)	-
Akuna Finance Pty Ltd	-	1,555,356	91,082	-	-	-	1,646,438
COJIM Pty Ltd	-	2,500,000	-	-	-	-	2,500,000
OSCF Pty Ltd	-	2,500,000	-	-	-	-	2,500,000
	2,451,433	6,515,356	406,198	192,400	-	(2,544,281)	7,021,106
	Balance as at 1 July 2019	Cash flows	Interest payable	Foreign exchange mvmt	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	-	-	1,582,225	-	4,259,700
Everblu Capital Pty Ltd	-	250,000	-	-	-	-	250,000
	7,021,106	10,127,331	638,553	-	3,165,426	(6,812,435)	14,139,981

Note 20. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(22,745,337)	(18,509,290)
	Consolidated	
	2020	2019
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	1,895,351,498	1,389,715,143
	\$	\$
Basic earnings/(loss) per share	(0.0120)	(0.0133)
Diluted earnings/(loss) per share	(0.0120)	(0.0133)

Note 21. Interests in material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries in accordance with the accounting policies described in note 1:

Name	Country of incorporation	Ownership interest	
		2020	2019
		%	%
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
SSI Pacific Pty Ltd	Australia	100%	0%
AoFa Software Engineering (Shanghai) Co. Ltd	China	100%	0%
Beijing iLinkAll Science and Technology Co	China	80%	0%