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Netlinkz

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NETLINKZ LIMITED

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ACN 141 509 426

APPENDIX 4D

FY 2021 Interim Financial Report

Under ASX Listing Rule 4.2A

COMPANY DETAILS

Name of entity: Netlinkz Limited

ACN: 141 509 426

Reporting period: For the half year ended 31 December 2020

Previous period: For the half year ended 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory results summary

	Half year ended 31 December 2019	Half year ended 31 December 2020	Change	Change	Up/Down
	\$	\$	\$	%	
Revenue from customers	640,529	8,720,841	8,080,312	1262%	Up
Revenue from ordinary activities (incl. interest and grant income)	1,546,211	9,407,847	7,861,636	508%	Up
Loss from ordinary activities after tax attributable to members	(10,930,980)	(15,408,460)	(4,477,480)	41%	Up
Net loss for the period attributable to members	(10,930,980)	(15,408,460)	(4,477,480)	41%	Up

COMMENTARY ON RESULTS

Refer to the Directors' Report "Review of Operations" in the Interim Financial Report for commentary on the results for the period and explanations to understand the Group's revenue and loss from ordinary activities.

NET TANGIBLE ASSETS PER ORDINARY SHARE

	31 Dec 2020	30 Jun 2020
Net tangible assets per ordinary share	(\$0.0003)	(\$0.0063)

The number of ordinary shares on issue at 31 December 2020 is 2,488,148,584.

CONTROL GAINED OR LOST OVER ENTITIES DURING THE PERIOD

There were no entities for which control was gained or lost during the half year ended 31 December 2020.

DIVIDENDS

Current period

No dividends were paid, recommended, or declared during the half year ended 31 December 2020.

Previous period

No dividends were paid, recommended, or declared during the half year ended 31 December 2019.

DIVIDEND REINVESTMENT PLANS

Not applicable.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Company does not have any associates or joint venture entities.

Refer to Note 16. Interests in 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.

The financial information provided in the Appendix 4D is based on the attached Interim Financial Report which has been prepared in accordance with Australian Accounting Standards.

The 31 December 2020 Interim Financial Report has been reviewed and is not subject to audit dispute or qualification.

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.

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NETLINKZ LIMITED

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

ACN 141 509 426

CORPORATE DIRECTORY

Directors	James Tsiolis Hualin Zhang Geoff Raby AO James Stickland Grant Booker	CEO, Executive Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Company secretary	Erlyn Dale Winton Willesee	
Registered office	65 Stanley Street Darlinghurst NSW 2010	
Principal place of business	65 Stanley Street Darlinghurst NSW 2010	
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street 172 St Georges Terrace Abbotsford VIC 3067 Australia	
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia	
Stock exchange listing	Netlinkz Limited shares are listed on the Australian Securities Exchange ASX code: NET	
Website	www.netlinkz.com	

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DIRECTORS' REPORT

DIRECTORS

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

- James Tsiolis (appointed on 11 November 2015)
- Hualin Zhang (appointed on 28 February 2019)
- Grant Thomson (appointed on 1 November 2019, resigned 8 September 2020)
- Bruce Rathie (appointed on 21 April 2020, resigned 19 November 2020)
- James Stickland (appointed 8 September 2020)
- Geoff Raby AO (appointed 8 September 2020)
- Grant Booker (appointed 16 October 2020)

PRINCIPAL ACTIVITIES

Netlinkz Limited (Netlinkz or the Company) (ASX:NET) provides secure and efficient cloud networking solutions. The Company provides a physical and virtual secure 'Network as a Service' (NaaS) for enterprises of all sizes, via its patented technology and products. Netlinkz is focused on cloud-first, security, scalability and simplicity, allowing its customers to concentrate on business growth, team collaboration, and global sharing of critical data. The technology makes Fortune-500 security commercially available for organizations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

REVIEW OF OPERATIONS

The Directors of Netlinkz are pleased to present their report on the consolidated entity and the entities it controlled at the end of the half year period ended 31 December 2020. In the six months ended 31 December 2020, Netlinkz has achieved considerable growth in revenue and achieved several milestones. The transformation has allowed the Company to expand into new markets as network security and the cloud revolution continues globally.

The net loss for the consolidated entity amounted to \$15,610,680 (31 December 2019: loss of \$10,930,980).

The current period loss included selling, design, implementation and hardware costs of \$7,420,514 (31 December 2019: \$0), financing costs of \$8,579,181 (31 December 2019: \$2,863,819), and employee share based payment costs of \$634,866 (31 December 2019: \$664,931).

The Company's overarching focus for the period was to deploy capital to its highest leverage growth opportunities and core strengths to deliver top line growth whilst pursuing cash flow break-even. Pleasingly, the Australian entity operational cash burn has been reduced to approximately \$500,000 per month (excluding non-recurring items, interest and other costs of finance) from January 2021. Additional cost savings have been identified which are expected to materialise in 2H 2021.

A key milestone for the Company was the joint strategic partnership signed with LNS International (LNS), which has an extensive sales force, established customer network, system integration skills and local industry knowledge in the fast-growing APAC region. The partnership allows Netlinkz to focus on the localisation of the Virtual Secure Network (VSN) as well as providing secure network solutions based on customer requirements assessed by LNS.

Netlinkz is also rolling out partner technologies underpinned by the VSN, including customer-funded proof of concept deployments in Japan, Hong Kong, India and Australia. Further, the Company's partners have begun embedding the VSN in their products, sales strategies, and value proposition.

China

China revenue totalled \$7,699,410 for the half year, up approximately 1,100% versus 1H FY20 (\$640,529), with key sources of revenue being NaaS based services, including secure networking design, implementation, and engineering work.

A key milestone for the Group was the launch of VSN 2.0 in August 2020, which was quickly embedded into customer networks. Customer feedback is positive, with responses including praise for reduced latency and better handling of data packet loss, with enhanced features in Quality of Service, Deep Packet Inspection, and the new management console. The high throughput of data and secured data package transfer is the result of the VSN leveraging DPDK and VPP technologies. All China VSN research and development is now carried out by AOFA and iLinkAll employees which today number more than 80 and span research and development, client origination, product sales, engineering and implementation.

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

Japan

During the period, the Company executed a number of distribution agreements for the VSN 2.0. The Japan IoT Lab is located at the Uhuru office in Shirahama and showcased a Netlinkz embedded VSN securing the Cognian Syncromesh and ImageDeep thermal COVID-19 tracking application at the virtual Combined Exhibition of Advanced Technologies (CEATEC) exhibition. Testing of the VSN continues by Japanese multinational corporates and local Japanese organisations. Demand exists from commercial building owners looking for secure enhancements to create a COVID-safe work environment and to encourage tenants to go back to the office.

Australia

The Australian team has made strong progress and is focused on implementing the internal processes and infrastructure in order to facilitate the support of a global rollout of the VSN at speed. Australia is the focal point for developing and managing resellers, distributors and partners for Netlinkz globally.

In addition, the team signed a number of distributors, reseller and partner agreements, including with ImageDeep and Cognian. The Australian IoT lab is currently the support centre for Netlinkz global customers outside of China.

SSI is now integrated as a division of the Company with a greater focus on bundled sales solutions. SSI contributed the majority of the \$0.9 million of Australia & New Zealand segment revenue for the period.

India

In August 2020, Netlinkz engaged Natsoft Corporation to develop and source selected international markets and customers through a reseller agreement for the Netlinkz products; and establish an IoT Lab in Natsoft's offices in India.

Development of the IoT lab commenced in August 2020 building on the experience of the existing Netlinkz IoT labs. Natsoft has generated a pipeline of opportunities within India. These opportunities are in the financial services, telecommunications and retail sectors.

Malaysia

The partnership with LNS International is a key strategic initiative aimed at diversifying sourcing of larger-scale clients whilst requiring no capital outlay. The first phase of the partnership is to focus on Malaysia. LNS is a technology consultancy organisation with offices throughout the APAC region. The key focus of LNS is to provide total network solutions to key customers in Malaysia underpinned by Netlinkz's products and services.

In December 2020, Netlinkz announced it was committing IP and contributing design, implementation, and delivery expertise, in addition to product support.

Corporate Overview

On 29 September, Netlinkz completed a capital raising, following the issue of 13,960,644 Convertible Notes with an aggregate face value of A\$13,960,644 and 104,704,820 free attaching Options. This raise achieved the Company's primary objective of repaying outstanding debts and securing additional working capital, while settling existing debts totalling \$6,313,125, with the cash proceeds used to extinguish its loan facilities with Lind Global Macro Fund LP (Lind) and CST Capital Pty Ltd (CST).

In December 2020, Netlinkz secured funding of \$15,856,150 by way of firm commitments for \$7,914,000 of equity funding and debt for equity offsets for \$7,942,150.

Funds from the December Placement were utilised for repaying outstanding convertible notes, a portion of funds drawn down under existing loan arrangements entered into by the Company, costs of the offer and for general working capital purposes.

As a result of these transformational transactions, the Company entered 2021 with a robust balance sheet and in a stronger position to pursue a number of growing market opportunities.

Key Board Appointments made in the period

During the period Netlinkz strengthened the composition of its Board with the appointment of James Stickland, Grant Booker and Dr Geoff Raby AO as Independent Non-Executive Directors.

Mr Stickland is an experienced executive and has held senior roles with HSBC, JP Morgan Chase and Cisco. He was also CEO of biometric security business Veridium, where he was responsible for growing the company's revenue and balance sheet and completing a successful US\$16.5 million Series B funding round with American multinational software company Citrix.

Dr Raby is an Australian economist and diplomat with over 27 years in the public service. He served as the Australian Ambassador to the People's Republic of China from 2007 to 2011 and has extensive in-country experience. Dr Raby was also the Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT) from 2002 to 2006 and held a number of

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

Mr Booker is a senior business executive and has a strong track record of success in a number of sectors. He has extensive experience from working in senior roles with brands such as McDonalds, to founding and building a successful transport and logistics business from a one-truck operation to over 50 vehicles.

In 2006, Mr Booker sold Nepean Waste Management to ASX-listed company Transpacific Industries Group Limited (ASX: TPI), since renamed to Cleanaway Waste Management Limited (ASX: CWY). Mr Booker is a significant and long-term shareholder in Netlinkz.

Mr Hualin Zhang assumed the role of Non-Executive Director relinquishing executive duties. The Company wishes to thank Mr Zhang for his continued commitment to the business and his hands-on assistance in China since joining Netlinkz. Mr Zhang will continue to provide valuable advice and insight to the Company in the capacity of Non-Executive Director.

A favourable outlook

The second half of FY 2021 has commenced well for Netlinkz underpinned by the advanced technology offering that VSN 2.0 is delivering, a robust business development pipeline, growing recurring revenue streams, new customer engagements, increased penetration in key markets and an expanding geographical footprint. We now have a stronger balance sheet and expect the top line to continue growing while we maintain a vigilant focus on costs.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

It is the opinion of the Directors that there were no significant changes in the state of affairs of the consolidated entity during the half year period ended 31 December 2020, except as otherwise noted in this report.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

On 18 January 2021, 340,277 convertible notes with a face value of \$340,277 were redeemed for cash. As at the date of this report, there are 926,545 convertible notes with a face value of \$926,545 outstanding.

On 24 February 2021, Netlinkz announced that the details of its registered office have changed to 65 Stanley Street, Darlinghurst NSW 2010.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

DIVIDENDS

No dividends have been declared for the half year period ended 31 December 2020 or for the previous corresponding period.

INDEMNIFICATION OF AUDITORS

The Company has not, during or since the end of the half year period ended 31 December 2020, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the half year period ended 31 December 2020, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE GROUP

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

AUDITOR INDEPENDENCE

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

AUDITOR

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

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



James Tsiolis
Director
Sydney NSW

Dated this 25th day of February 2021.

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

As lead auditor for the review of Netlinkz Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2021

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	Note	Consolidated for the half year ended	
		31 Dec 2020	31 Dec 2019
		\$	\$
Continuing operations			
Revenue			
Other income	3	8,720,841	640,529
	3	687,006	905,682
		<u>9,407,847</u>	<u>1,546,211</u>
Expenses			
Business development, marketing, travel and accommodation expenses		(308,669)	(1,438,513)
Admin, office and corporate expenses		(7,414,378)	(2,593,352)
Development and commercialisation expenses		(750,662)	(2,638,190)
Selling, design, implementation and hardware expenses	4(a)	(7,420,514)	-
Financing costs	4(b)	(8,579,181)	(2,863,819)
Employee share based payment expenses (shares and options)	4(c)	(634,866)	(664,931)
Other share based payment expenses (shares and options)	4(d)	(210,000)	(3,216,317)
Net fair value gain on debt settlement	4(e)	334,504	937,931
Foreign exchange loss		(34,761)	-
	4(f)	<u>(25,018,527)</u>	<u>(12,477,191)</u>
Loss before income tax expense		<u>(15,610,680)</u>	<u>(10,930,980)</u>
Income tax expense		-	-
Loss after income tax expense for the half year		<u>(15,610,680)</u>	<u>(10,930,980)</u>
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(78,681)	-
Other comprehensive income (loss) for the year, net of tax		<u>(78,681)</u>	-
Total comprehensive loss for the half year		<u>(15,689,361)</u>	<u>(10,930,980)</u>
<i>Loss for the half year is attributable to:</i>			
Members of the parent entity		(15,408,460)	(10,930,980)
Non-controlling interests		<u>(202,220)</u>	-
		<u>(15,610,680)</u>	<u>(10,930,980)</u>
<i>Total comprehensive loss for the half year is attributable to:</i>			
Members of the parent entity		(15,499,152)	(10,930,980)
Non-controlling interests		<u>(190,209)</u>	-
		<u>(15,689,361)</u>	<u>(10,930,980)</u>
Loss per share from continuing operations		\$	\$
Basic loss per share	16	(0.0067)	(0.0065)
Diluted loss per share	16	(0.0067)	(0.0065)

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

	Note	Consolidated as at	
		31 Dec 2020	30 Jun 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	4,979,802	1,439,935
Trade and other receivables	6	1,695,408	589,552
Other assets	6	2,164,199	4,837,695
Total current assets		8,839,409	6,867,182
Non-current assets			
Property, plant and equipment		1,900	93
Investments		100,000	100,000
Right of use asset		171,965	249,879
Intangible assets	7	3,776,794	4,120,936
Goodwill	7	9,381,815	9,381,815
Total non-current assets		13,432,474	13,852,723
Total assets		22,271,883	20,719,905
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,207,315	2,163,193
Employee benefits	9	247,560	152,311
Borrowings	10	4,846,410	14,139,982
Other current liabilities	11(a)	3,419,327	3,458,174
Total current liabilities		9,720,612	19,913,660
Non-current liabilities			
Other non-current liabilities	11(b)	45,257	95,090
Total non-current liabilities		45,257	95,090
Total liabilities		9,765,869	20,008,750
Net assets		12,506,014	711,155
Equity			
Issued capital	12	103,658,855	79,736,988
Reserves	14	12,387,025	8,915,364
Accumulated losses	15	(103,746,541)	(88,338,081)
Capital and reserves attributable to members of the parent entity		12,299,339	314,271
Non-controlling interests		206,675	396,884
Total equity		12,506,014	711,155

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

	Notes	Attributable to owners of Netlinkz Limited					Non-controlling interest	Total equity
		Issued capital	Reserves	Accumulated losses	Total equity			
Consolidated		\$	\$	\$	\$	\$	\$	
At 1 July 2019		51,233,366	7,762,063	(64,380,135)	(5,384,706)	-	(5,384,706)	
Loss for the half year		-	-	(10,930,980)	(10,930,980)	-	(10,930,980)	
Total comprehensive loss for the half year		-	-	(10,930,980)	(10,930,980)	-	(10,930,980)	
Transactions with owners in their capacity as owners:								
Share issue		15,915,495	4,333,575	-	20,249,070	-	20,249,070	
Capital raising costs		(678,511)	-	-	(678,511)	-	(678,511)	
Balance at 31 December 2019	12	66,470,350	12,095,638	(75,311,115)	3,254,873	-	3,254,873	

	Notes	Attributable to owners of Netlinkz Limited					Non-controlling interest	Total equity
		Issued capital	Reserves	Accumulated losses	Total equity			
Consolidated		\$	\$	\$	\$	\$	\$	
Balance at 1 July 2020		79,736,988	8,915,364	(88,338,081)	314,271	396,884	711,155	
Loss for the half year		-	-	(15,408,460)	(15,408,460)	(202,220)	(15,610,680)	
Other comprehensive income		-	(90,692)	-	(90,692)	12,011	(78,681)	
Total comprehensive loss for the half year		-	(90,692)	(15,408,460)	(15,499,152)	(190,209)	(15,689,361)	
Transactions with owners in their capacity as owners:								
Share issue		23,717,588	-	-	23,717,588	-	23,717,588	
Collateral shares converted to ordinary shares		1,331,700	-	-	1,331,700	-	1,331,700	
Share based payments		-	3,562,353	-	3,562,353	-	3,562,353	
Capital raising costs		(1,127,421)	-	-	(1,127,421)	-	(1,127,421)	
Balance at 31 December 2020	12	103,658,855	12,387,025	(103,746,541)	12,299,339	206,675	12,506,014	

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

	Note	Consolidated	
		31 Dec 2020	31 Dec 2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		10,879,184	285,000
Payments to suppliers and employees		(16,525,828)	(6,879,380)
Grants received		79,293	860,913
Interest received		36,040	10,730
Interest paid		(277,366)	-
Net cashflows used in operating activities		(5,808,677)	(5,722,737)
Cash flows from investing activities			
Investment in low-risk at-call financial assets (FVTPL)		2,683,264	-
Prepayments for business acquisition and investments		-	(8,413,049)
Payments for intellectual property		-	(12,029)
Payment for software development costs		(36,631)	-
Net cashflows from/(used in) investing activities		2,646,633	(8,425,078)
Cash flows from financing activities			
Proceeds from issue of shares		7,914,000	4,000,000
Proceeds from issue of convertible notes		4,995,000	7,603,975
Payments of convertible note redemptions		(11,193,822)	-
Proceeds from exercise of share options		1,486,350	2,870,402
Capital raising expenses		(672,088)	(673,097)
Proceeds from borrowings		11,250,000	3,400,000
Payments of borrowings		(6,870,000)	-
Principle lease payments		(65,510)	-
Net cashflows from financing activities		6,843,930	17,201,280
Net increase in cash and cash equivalents		3,681,885	3,053,466
Effect of foreign exchange movements on cash		(142,018)	-
Cash and cash equivalents at the beginning of the period		1,439,935	3,149,243
Cash and cash equivalents at the end of the period	5	4,979,802	6,202,709

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General information

The financial statements cover Netlinkz Limited as a consolidated entity consisting of Netlinkz Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2020.

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

Going concern

These interim 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 interim financial statements, the Group incurred a total comprehensive loss of \$15,408,460, had net cash outflows from operating activities of \$5,808,677 for the six months and working capital deficiency of \$881,203 as at 31 December 2020. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

- The Group is demonstrating significant revenue growth (+1262% in 1H FY2021 versus 1H FY2020).
- As at the date of this Report, there are 247.9 million unlisted options on issue, the exercise of which may provide additional funding to the Company (although no forecast is made of whether any options will be exercised into shares).
- Subject to shareholder approval, or its available issue capacity pursuant to ASX Listing Rule 7.1, the Company has the ability to issue additional equity under the Corporations Act 2001 to raise further working capital and has a track record for being able to do so in the past, as evidenced by the two successful share placements (\$4,500,000 and \$7,914,000) completed in the calendar year ended 31 December 2020.
- The business is capable of raising additional debt financing against its assets and has an existing \$5 million facility with Akuna Finance Pty Limited which is currently undrawn.
- The Board receives consolidated profit and loss, balance sheet and cash flow statements on a monthly basis. The directors regularly monitor the Group's cash position and consider a number of strategic initiatives to ensure that adequate funding continues to be available.

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

NOTE 2. OPERATING SEGMENTS

Identification of reportable operating segments

Given the recent acquisitions and appointment of new directors, the consolidated entity is reorganised into two operating segments based on differences in geography: Australia & New Zealand and International of which China is the first material country starting operations to develop and sell products and services. Each country has a management team to oversee the local operations and undertakes local research and development, including source code specific to that country and/or region. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews monthly management and financial reports, including EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Consulting, design & implementation services	the design and execution of secure network migration and deployment services and hardware.
Software & licensing revenue	the sale, licensing and support of software.

Intersegment transactions

No intersegment transactions occurred during the period.

Intersegment receivables, payables and loans

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

Operating segment information

For the half year ended 31 December 2020	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
EBITDA				
Revenue	918,630	7,699,410	102,801	8,720,841
Other income	29,293	-	657,713	687,006
Total revenue	947,923	7,699,410	760,514	9,407,847
Selling, design, implementation and hardware expenses	(66,990)	(7,353,524)	-	(7,420,514)
Employees share based expenses (shares and options)	-	-	(634,866)	(634,866)
Other share based expenses (shares and options)	-	-	(210,000)	(210,000)
Net fair value gain on debt settlement	-	-	334,504	334,504
Foreign exchange movements	(13,530)	-	(21,231)	(34,761)
Other operating expenses	(735,222)	(1,458,561)	(5,816,393)	(8,010,176)
Total EBITDA	132,181	(1,112,675)	(5,587,472)	(6,567,966)
Depreciation and amortisation	(191,233)	(1,736)	(270,565)	(463,534)
Finance and restructuring costs	(6)	(7,026)	(8,572,148)	(8,579,180)
Loss before income tax from continuing operations	(59,058)	(1,121,437)	(14,430,185)	(15,610,680)

For the half year ended 31 December 2019	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
EBITDA				
Revenue	-	640,529	-	640,529
Other income	-	-	905,682	905,682
Total revenue	-	640,529	905,682	1,546,211
Employees share based expenses (shares and options)	-	-	(664,931)	(664,931)
Other share based expenses (shares and options)	-	-	(3,216,317)	(3,216,317)
Net fair value gain/(loss) on debt settlement	-	-	937,931	937,931
Other operating expenses	-	-	(6,477,297)	(6,477,297)
Total EBITDA	-	640,529	(8,514,932)	(7,874,403)
Depreciation and amortisation	-	-	(192,758)	(192,758)
Finance and restructuring costs	-	-	(2,863,819)	(2,863,819)
Profit/(loss) before income tax from continuing operations	-	640,529	(11,571,509)	(10,930,980)

As at 31 December 2020	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Summarised balance sheet				
Current assets	394,549	3,373,548	5,071,312	8,839,409
Current liabilities	(1,091,899)	(451,856)	(8,176,857)	(9,720,612)
Current net assets	(697,350)	2,921,692	(3,105,545)	(881,203)
Non-current assets	8,292,983	3,034,659	2,104,832	13,432,474
Non-current liabilities	-	-	(45,257)	(45,257)
Non-current net assets	8,292,983	3,034,659	2,059,575	13,387,217
Net assets	7,595,632	5,956,351	(1,045,970)	12,506,014

As at 30 June 2020	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Summarised balance sheet				
Current assets	208,030	3,550,258	3,108,894	6,867,182
Current liabilities	(651,696)	(10,795)	(19,251,169)	(19,913,660)
Current net assets	(443,666)	3,539,463	(16,142,275)	(13,046,478)
Non-current assets	8,487,176	3,073,329	2,292,218	13,852,723
Non-current liabilities	-	-	(95,090)	(95,090)
Non-current net assets	8,487,176	3,073,329	2,197,128	13,757,633
Net assets	8,043,510	6,612,792	(13,945,147)	711,155

NOTE 3. REVENUE AND OTHER INCOME

Disaggregation of revenue

	Consolidated for the half year ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
Consulting, design and implementation revenue	7,699,410	445,000
Software, service and licensing revenue	1,021,431	195,529
Total revenue	8,720,841	640,529

	Consolidated for the half year ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
Other Income		
Interest	36,040	10,730
COVID-19 cash flow boost	79,293	-
Grants and research and development tax offset	571,673	894,952
Total other income	687,006	905,682

Revenue	Consolidated for the half year ended 31 Dec 2020		
	Consulting, design & implementation revenue	Software and Licensing revenue	Total
	31 Dec 2020	31 Dec 2020	31 Dec 2020
	\$	\$	\$
Primary Geographical markets			
Australia	-	305,818	305,818
New Zealand	-	693,701	693,701
China	7,699,410	-	7,699,410
Other	-	21,912	21,912
	7,699,410	1,021,431	8,720,841

	Consolidated for the half year ended 31 Dec 2020		
Timing of revenue Recognition	Consulting, design & implementation revenue	Software and Licensing revenue	Total
	31 Dec 2020	31 Dec 2020	31 Dec 2020
	\$	\$	\$
Products transferred at point in time	7,699,410	25,853	7,725,263
Products and services transferred over time	-	995,578	995,578
	7,699,410	1,021,431	8,720,841

Revenue	Consolidated for the half year ended 31 Dec 2019		
	Consulting, design & implementation revenue	Software and Licensing revenue	Total
	31 Dec 2019	31 Dec 2019	31 Dec 2019
	\$	\$	\$
Primary Geographical markets			
China	445,000	195,529	640,529
	445,000	195,529	640,529

	Consolidated for the half year ended 31 Dec 2019		
Timing of revenue Recognition	Consulting, design & implementation revenue	Software and Licensing revenue	Total
	31 Dec 2019	31 Dec 2019	31 Dec 2019
	\$	\$	\$
Products transferred at point in time	-	-	-
Products and services transferred over time	445,000	195,529	640,529
	445,000	195,529	640,529

NOTE 4. EXPENSES

(a) Selling, design, implementation and hardware expenses

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

(b) Financing costs

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

(c) Employees share based payment expenses

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

(d) Other share based payment expenses

The Company issued 3,500,000 shares at \$0.06 per share as payment of investor relations and media strategy services to Everblu Capital Pty Ltd, the Company's corporate advisor.

(e) Net fair value gain on debt settlements

During the half year, the Group settled outstanding debts, fees and claims using shares and options. Net fair value gain represents the difference between the fair value of instruments used for debt settlements and carrying amount of the debts, fees and claims.

(f) Included in expenses are the following costs:

	Consolidated for the half year ended	
	31 Dec 20	31 Dec 19
	\$	\$
Employee salary & wages expense	3,094,398	1,520,026
Interest paid/payable	1,740,117	254,452
Consulting fees	1,629,789	452,503
Legal and other costs	944,627	354,389
Contractor fees	496,037	132,536
Amortisation expense	378,968	-
Compliance and other costs related to being listed	177,219	192,758
Depreciation expense	84,565	82,743
Rental outgoings	56,029	99,402
Foreign exchange loss	34,761	798

NOTE 5. CASH AND CASH EQUIVALENTS

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Cash at bank	4,979,802	1,439,935

Restricted cash

The 30 June 2020 cash and cash equivalents balance disclosed above and in the statement of cash flows includes \$157,500 of cash held in trust which pertains to cash received for options exercised. As at 31 December 2020, the restricted cash balance was \$nil.

NOTE 6. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Trade receivables	1,221,841	107,912
Security deposits	21,472	21,642
Prepayments	452,095	459,998
Trade and other receivables	<u>1,695,408</u>	<u>589,552</u>
	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Funds held on trust for deferred consideration of SSI Pacific Pty Ltd	2,040,000	2,040,000
Financial assets at fair value through profit or loss (FVTPL)	-	2,683,264
Other receivable	124,199	114,431
Total other assets	<u>2,164,199</u>	<u>4,837,695</u>

NOTE 7. INTANGIBLE ASSETS

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
For the half year period ended 31 Dec 2020				
Opening net book amount	9,381,815	2,049,600	2,071,336	13,502,751
Additions - internal development	-	-	34,826	34,826
Amortisation charge	-	(146,400)	(232,568)	(378,968)
Closing net book amount	<u>9,381,815</u>	<u>1,903,200</u>	<u>1,873,594</u>	<u>13,158,609</u>
As at 31 Dec 2020				
Cost	9,381,815	2,196,000	2,335,662	13,913,477
Accumulated amortisation and impairment	-	(292,800)	(462,068)	(754,868)
Net book amount	<u>9,381,815</u>	<u>1,903,200</u>	<u>1,873,594</u>	<u>13,158,609</u>

NOTE 8. TRADE AND OTHER PAYABLES

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Trade payables and accruals	<u>1,207,315</u>	<u>2,163,193</u>

NOTE 9. EMPLOYEE BENEFITS

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Employee benefits	247,560	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 10. BORROWINGS

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Current		
Borrowings - unsecured ¹	3,579,588	5,248,025
Related party loans	-	172,556
Convertible notes (FVTPL) ²	1,266,822	8,719,401
	<u>4,846,410</u>	<u>14,139,982</u>

¹ Short term loans totalling \$2,400,000 from Viriathus Capital investors with 3-12 month terms and 20% per annum interest rate paid monthly. Short term loan of \$1,000,000 with a 3 month term and 15% interest rate paid monthly.

² As at 31 December 2020, there were 1,266,822 unsecured convertible notes outstanding with a face value of \$1,266,822. Refer to the following table for a reconciliation of the convertible note balance.

	#	\$
Opening balance of convertible notes 1 July 2020	2	8,719,401
Settlement of CST and Lind convertible notes (i)	(2)	(8,719,401)
Initial recognition of September 2020 convertible notes (net of capitalised transaction costs) (ii)	13,960,644	9,789,309
Interest expense accretion of convertible notes to face value	-	4,171,335
Convertible note redemptions - Cash - December 2020 (iii)	(11,193,822)	(11,193,822)
Convertible note redemptions - Shares - December 2020 (iv)	(1,500,000)	(1,500,000)
Closing balance of convertible notes 31 December 2020	<u>1,266,822</u>	<u>1,266,822</u>

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

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

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

transaction costs, as disclosed in Note 13 (ii). Nil value was attributed to the residual equity component of the notes and an initial financing expense of \$2,158,142 was recognised upon issue of the convertible notes.

(iii) 11,193,822 convertible notes with a face value of \$11,193,822 were redeemed in December 2020 for cash.

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

NOTE 11. OTHER LIABILITIES

(a) Other current liabilities

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
Unearned income	1,991,612	131,666
Deferred consideration on SSI Pacific Pty Ltd acquisition	1,020,000	510,000
Payroll tax and other statutory liabilities	206,556	273,218
AASB 16 Lease liability - Current	131,135	161,594
Share/option based payables	129,196	1,064,196
Bonus provision	-	1,160,000
Capital Raising Funds in Trust	-	157,500
GST/VAT	(59,172)	-
	<u>3,419,327</u>	<u>3,458,174</u>

(b) Other non-current liabilities

	Consolidated as at	
	31 Dec 20	30 Jun 20
	\$	\$
AASB 16 Lease liability - Non-current	45,257	95,090
	<u>45,257</u>	<u>95,090</u>

NOTE 12. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	31 Dec 20	31 Dec 20	30 Jun 20	30 Jun 20
	Shares	\$	Shares	\$
Ordinary shares - fully paid	2,488,148,584	102,327,155	2,017,124,162	79,736,988
Issue of collateral shares subsequently forgiven ¹	-	1,331,700	19,300,000	-
Total issued capital	<u>2,488,148,584</u>	<u>103,658,855</u>	<u>2,036,424,162</u>	<u>79,736,988</u>

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

Movements in ordinary share capital – Year ended 30 June 2020

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

Movements in ordinary share capital – Half year ended 31 December 2020

	Notes	#	\$
Opening balance 1 July 2020		2,036,424,162	79,736,988
Issue of shares – placement	(i)	131,900,004	7,914,000
Issue of shares – exercise of options	(ii)	95,779,279	2,811,043
Issue of shares – debt settlement	(iii)	148,869,159	8,347,804
Issue of shares – services	(iv)	75,175,980	4,644,741
Collateral Shares forgone	(v)	-	1,331,700
		<u>2,488,148,584</u>	<u>104,786,276</u>
Less: Capital raising costs arising on share issues		-	(1,127,421)
Closing balance 31 Dec 2020		<u>2,488,148,584</u>	<u>103,658,855</u>

(i) Share placement

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

(ii) Exercise of options

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

(iii) Debt settlement

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

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

(iv) Provision of services

75,175,980 shares were issued pursuant to the provision of services, primarily in relation to financing and capital raising, as follows:

- On 22 September 2020, the Company issued 15,000,000 shares to Systemic Pty Ltd in respect of a software development agreement entered into on 15 April 2020. These shares were accrued at 30 June 2020 at fair value of \$870,000. On date of issue, the share price was \$0.07 resulting in fair value at settlement of \$1,005,000.
- On 24 September 2020 the Company issued 10,307,471 shares to Everblu Capital Pty Ltd in respect of capital raising fees in relation to the September 2020 convertible note offer. The amount recorded in issued capital of \$597,834 represents the fair value of the services on grant date.
- On 28 September 2020 the Company issued 2,615,661 shares to Everblu Capital Pty Ltd in respect of capital raising fees in relation to the September 2020 convertible note offer. The amount recorded in issued capital of \$151,708 represents the fair value of the services on grant date.
- On 29 September 2020 the Company issued 868,659 shares to Helicopter Creative Pty Ltd in consideration for branding, identity development and positioning services provided to the Company. These shares were accrued at 30 June 2020 at fair value of \$50,000. On date of issue, the share price was \$0.07 resulting in fair value at settlement of \$59,069.
- On 27 November 2020 the Company issued 20,000,000 shares to Mr James Tsiolis in relation to a share bonus owing by the Company to Mr Tsiolis in the financial year ended 30 June 2018. These shares were accrued at 30 June 2020 at fair value of \$1,160,000. On date of issue, the share price was \$0.07 resulting in fair value at settlement of \$1,380,000.
- On 22 December 2020 the Company issued 537,000 shares to a small number of brokers who assisted with the December 2020 share placement. On date of issue, the share price was 0.06 resulting in fair value at settlement of \$29,535.
- On 22 December 2020 the Company issued 6,232,150 shares to ARIE Manager Pty Ltd, Akuna Finance Pty Ltd and Trevor Nairn in respect of the 6% loan fee on the debt they converted to equity under the December placement. On date of issue, the share price was \$0.06 resulting in fair value at settlement of \$342,768.
- On 22 December 2020 the Company issued 3,500,000 shares at \$0.06 per share as payment of a \$210,000 invoice in relation to investor relations and media strategy services, with the fair value at issue date being \$192,500 based on the prevailing share price of \$0.055. The resulting gain on settlement was \$17,500.
- On 22 December 2020 the Company issued 8,115,039 shares to Everblu Capital Pty Ltd in respect of capital raising fees in relation to the December 2020 share placement. On the date of issue, the share price was \$0.06 resulting in fair value at settlement of \$446,327.
- On 22 December 2020 the Company issued 8,000,000 shares to Everblu Capital Pty Ltd in respect of capital raising fees of \$440,000 relating to the December 2020 share placement. The amount recorded in issued capital represents the fair value of the services on grant date.

(v) Collateral shares forgone

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

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 13. SHARE BASED PAYMENTS

Options

		31 Dec 2020	30 Jun 2020
		Options	Options
Options		257,887,340	204,671,658
Unissued ordinary shares under option:	Grant date	No of Options	Average Exercise price
Opening balance 1 July 2019		301,979,377	
Options issued in relation to convertible notes ¹	24/12/2019	10,000,000	\$0.2000
Options issued with expiry date of 31 October 2020	11/02/2020	2,604,279	\$0.0450
Options issued with expiry date of 18 February 2023	14/02/2020	1,125,000	\$0.1300
Options exercised for cash		(75,036,998)	
Options exercised per Agreement ²		(31,000,000)	
Options lapsed		(5,000,000)	
Closing balance 30 June 2020		<u>204,671,658</u>	
Opening balance 1 July 2020		204,671,658	
Options issued with expiry date of 24 December 2021 (i)	17/12/2020	4,057,520	\$0.1200
Options issued with expiry date of 24 September 2022 (ii)	17/09/2020	83,634,229	\$0.1000
Options issued with expiry date of 25 September 2022 (ii)	17/09/2020	17,366,875	\$0.1000
Options issued with expiry date of 28 September 2022 (ii)	17/09/2020	3,703,716	\$0.1000
Options issued with expiry date of 24 September 2022 (iii)	17/09/2020	5,000,000	\$0.0600
Options issued with expiry date of 1 September 2023 (iv)	19/11/2020	40,000,000	\$0.1750
Options issued with expiry date of 24 September 2023 (v)	10/12/2019	2,500,000	\$0.1600
Options issued with expiry date of 24 December 2023 (v & vi)	19/11/2020	5,500,000	\$0.1273
Options issued with expiry date of 24 December 2025 (v)	19/11/2020	2,500,000	\$0.1600
Exercise of options		(95,779,279)	
Options lapsed		(15,267,379)	
Closing balance 31 December 2020		<u>257,887,340</u>	

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

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

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

(ii) On 17 September 2020 the Company issued 104,704,830 options pursuant to the Convertible Note Offer under the Prospectus announced by the Company to ASX on 17 September 2020. These options have an expiry date of 24 September 2022 and an exercise price of \$0.100. The options were treated as transaction costs and capitalised to the carrying value of the Convertible Note debt, expensed to profit or loss over the term of the Notes or upon redemption. Refer to Note 10 for further information.

For the options granted during the current period, other than 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:

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

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

(iv) On 19 November 2020 the Company issued 10,000,000 options to the Chief Revenue Officer, Mr Grant Thomson, and 10,000,000 each to the following directors: Dr Geoff Raby AO; Mr James Stickland; and, Mr Zhang as detailed in the Notice of Annual General Meeting and Explanatory Statement dated 15 October 2020. These options have been valued at grant date being date of shareholder approval. Refer to Note 18 for further information.

For the options granted during the current period, other than 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:

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

Additionally, subject to shareholder approval, Mr Grant Booker will be issued director options. These options have been valued at the date of appointment, and will be revalued at shareholder approval.

For the options granted during the current period, other than 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:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Number Granted
16/10/2020	1/09/2023	\$0.067	\$0.100	95%	0%	0.29%	\$0.033	2,500,000
16/10/2020	1/09/2023	\$0.067	\$0.150	95%	0%	0.29%	\$0.027	2,500,000
16/10/2020	1/09/2023	\$0.067	\$0.200	95%	0%	0.29%	\$0.023	2,500,000
16/10/2020	1/09/2023	\$0.067	\$0.250	95%	0%	0.29%	\$0.020	2,500,000

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

For the options granted during the current period, other than 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:

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

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

For the options granted during the current period, other than 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:

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

Share options outstanding as at 31 December 2020 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	31 Dec 2020	30 Jun 2020
4/11/2015	3/11/2020	\$0.187	-	267,379
30/12/2016	1/08/2020	\$0.045	-	31,500,000
30/12/2016	1/08/2020	\$0.060	-	2,500,000
30/12/2016	1/08/2020	\$0.120	-	5,000,000
9/02/2017	1/08/2020	\$0.300	-	10,000,000
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
9/02/2017	1/10/2021	\$0.060	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.120	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.240	2,000,000	2,000,000
9/02/2017	1/10/2021	\$0.360	2,000,000	2,000,000
6/06/2018	2/07/2020	\$0.010	-	39,375,000
6/06/2018	2/07/2021	\$0.020	26,000,000	26,000,000
6/06/2018	2/07/2021	\$0.045	2,250,000	2,250,000
6/06/2018	2/07/2021	\$0.090	6,250,000	6,250,000
6/06/2018	2/07/2021	\$0.150	5,000,000	5,000,000
21/12/2018	21/12/2021	\$0.020	25,000,000	25,000,000
31/01/2019	31/01/2022	\$0.037	-	19,800,000
10/12/2019	24/09/2023	\$0.160	2,500,000	-
24/12/2019	24/12/2022	\$0.200	10,000,000	10,000,000
11/02/2020	31/10/2020	\$0.045	-	2,604,279
14/02/2020	18/02/2023	\$0.130	1,125,000	1,125,000
17/09/2020	24/09/2022	\$0.100	83,634,229	-
17/09/2020	25/09/2022	\$0.100	17,366,875	-
17/09/2020	28/09/2022	\$0.100	3,703,716	-
24/09/2020	24/09/2022	\$0.060	5,000,000	-
19/11/2020	1/09/2023	\$0.100	10,000,000	-
19/11/2020	1/09/2023	\$0.150	10,000,000	-
19/11/2020	1/09/2023	\$0.200	10,000,000	-
19/11/2020	1/09/2023	\$0.250	10,000,000	-
19/11/2020	24/12/2023	\$0.100	3,000,000	-
19/11/2020	24/12/2023	\$0.160	2,500,000	-
19/11/2020	24/12/2025	\$0.160	2,500,000	-
17/12/2020	24/12/2021	\$0.120	4,057,520	-
Total			257,887,340	204,671,658

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

NOTE 14. EQUITY – RESERVES

	Consolidated as at	
	31 Dec 2020	30 Jun 2020
	\$	\$
Foreign currency translation reserve	(378,129)	(287,437)
Share based payments and options reserve	12,765,154	9,202,801
Total reserves	<u>12,387,025</u>	<u>8,915,364</u>

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 15. EQUITY – ACCUMULATED LOSSES

	Consolidated as at	
	31 Dec 2020	30 Jun 2020
	\$	\$
Accumulated losses at the beginning of the half year period	(88,338,081)	(64,380,135)
Loss after income tax expense for the half year period	(15,408,460)	(23,957,946)
Accumulated losses at the end of the half year period	<u>(103,746,541)</u>	<u>(88,338,081)</u>

NOTE 16. EARNINGS PER SHARE

	Consolidated for the half year ended	
	31 Dec 20	31 Dec 19
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(15,408,460)	(10,930,980)

	Consolidated for the half year ended	
	31 Dec 20	31 Dec 19
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	<u>2,298,973,873</u>	<u>1,671,903,832</u>

NOTE 17. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		31 Dec 20	31 Dec 19
		%	%
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%
Netlinkz Japan K.K.	Japan	100%	0%
Beijing iLinkAll Science and Technology Co	China	80%	0%

NOTE 18. RELATED PARTY TRANSACTIONS

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

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

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

Directors fees and remuneration

James Stickland (appointed as non-executive director on 8 September 2020), Geoff Raby AO (appointed as non-executive director on 8 September 2020), Mr Zhang (appointed as executive director on 28 February 2019 and moved to non-executive director on 31 December 2020) and Grant Booker (appointed as non-executive director on 16 October 2020) were directors during the half year period ended 31 December 2020. Their remuneration is set at \$90,000 each per annum. In addition, they are entitled to 10 million share options exercisable at various prices during the period of their directorship. The options to be issued to Grant Booker are subject to shareholder approval. Refer to Note 13 - Share based payments for further information.

Mr Bruce Rathie (appointed as a non-executive director on 21 April 2020) ceased to be a director on 19 November 2020.

James Tsiolis' Chairman/CEO fee is set at \$720,000 per annum plus agreed insurance costs of up to \$40,000 per annum.

Issuance of shares, options and performance rights

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

On 19 November 2020, Mr Zhang, James Stickland, Geoff Raby AO and Grant Thomson (Chief Revenue Officer) each were issued: 2,500,000 options at an exercise price of \$0.10; 2,500,000 options at an exercise price of \$0.15; 2,500,000 options at an exercise price of \$0.20; and 2,500,000 options at an exercise price of \$0.25. These options are subject to vesting conditions and have an expiry date of 1 September 2023. Refer to note 13 – Share based payments for further information.

On 24 December 2020, Sandy Aitken (Chief Operating Officer) was issued 3,000,000 options at an exercise price of \$0.10. These are subject to vesting conditions and have an expiry of 31 December 2023. Refer to note 13 – Share based payments for further information.

On 24 December 2020, Matthew Ryan (Chief Financial Officer) was issued three tranches of 3,500,000 performance rights. Each tranche carries a service vesting condition of 31 August 2021, 31 August 2022 and 31 August 2023 respectively. All tranches carry an expiry of 24 December 2025. Refer to note 13 – Share based payments for further information.

On 24 December 2020, Masamichi Tanaka was issued three tranches of 2,500,000 options. The first tranche was granted on 10 December 2019, with the second and third tranches granted on 19 November 2020. These options have an exercise price of \$0.160 and each tranche expires on 24 September 2023, 24 December 2023 and 24 December 2025 respectively. Refer to note 13 – Share based payments for further information.

NOTE 19. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2020.

NOTE 20. EVENTS SUBSEQUENT TO REPORTING DATE

On 18 January 2021, 340,277 convertible notes with a face value of \$340,277 were redeemed for cash. As at the date of this report, there are 926,545 convertible notes with a face value of \$926,545 outstanding.

On 24 February 2021, Netlinkz announced that the details of its registered office have changed to 65 Stanley Street, Darlinghurst NSW 2010.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 27 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
 - b. complying with Accounting Standard AASB 134 "Interim Financial Reporting".
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



James Tsiolis
Director
Sydney NSW

Dated this 25th day of February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Netlinkz Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Netlinkz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Material uncertainty relating to going concern

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 25 February 2021