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Secure. Fast. Simple.



**Netlinkz**

# NETLINKZ LIMITED

APPENDIX 4D  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ACN 141 509 426

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## 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<br>31 December<br>2019 | Half year ended<br>31 December<br>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**

# **NETLINKZ LIMITED**

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

**ACN 141 509 426**

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## CORPORATE DIRECTORY

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

## TABLE OF CONTENTS

|  |    |
|--|----|
| Corporate Directory.....   | 1  |
| Directors' Report .....  | 3  |
| Auditor's Independence Declaration .....                                     | 7  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income..... | 8  |
| Consolidated Statement of Financial Position .....                           | 9  |
| Consolidated Statement of Changes in Equity .....                            | 10 |
| Consolidated Statement of Cash Flows.....                                    | 11 |
| Notes to the Consolidated Financial Statements.....                          | 12 |
| Directors' Declaration .....   | 28 |
| Independent Auditor's Review Report .....                                    | 29 |

## 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 25<sup>th</sup> 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

|   | Note | Consolidated for the<br>half year ended |                            |
|---|------|---|----------------------------|
|   |      | 31 Dec 2020                             | 31 Dec 2019                |
|   |      | \$                                      | \$                         |
| <b>Continuing operations</b>  |      |   |                            |
| <b>Revenue</b>  | 3    | 8,720,841                               | 640,529                    |
| Other income  | 3    | 687,006                                 | 905,682                    |
|   |      | <u>9,407,847</u>                        | <u>1,546,211</u>           |
| <b>Expenses</b>   |      |   |                            |
| 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  |      | -                                       | -                          |
| <b>Loss after income tax expense for the half year</b>                |      | <b><u>(15,610,680)</u></b>              | <b><u>(10,930,980)</u></b> |
| <b>Other comprehensive income</b>                                     |      |   |                            |
| <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>                         | <u>-</u>                   |
| <b>Total comprehensive loss for the half year</b>                     |      | <b><u>(15,689,361)</u></b>              | <b><u>(10,930,980)</u></b> |
| <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>-</u>                   |
|   |      | <b><u>(15,610,680)</u></b>              | <b><u>(10,930,980)</u></b> |
| <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>-</u>                   |
|   |      | <b><u>(15,689,361)</u></b>              | <b><u>(10,930,980)</u></b> |
| <b>Loss per share from continuing operations</b>                      |      | <b>\$</b>                               | <b>\$</b>                  |
| 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       |
|   |       | \$                 | \$                |
| <b>ASSETS</b>   |       |                    |                   |
| <b>Current assets</b>   |       |                    |                   |
| 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         |
| <b>Total current assets</b>                                       |       | <b>8,839,409</b>   | <b>6,867,182</b>  |
| <b>Non-current assets</b>   |       |                    |                   |
| 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         |
| <b>Total non-current assets</b>                                   |       | <b>13,432,474</b>  | <b>13,852,723</b> |
| <b>Total assets</b>   |       | <b>22,271,883</b>  | <b>20,719,905</b> |
| <b>LIABILITIES</b>  |       |                    |                   |
| <b>Current liabilities</b>  |       |                    |                   |
| 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         |
| <b>Total current liabilities</b>                                  |       | <b>9,720,612</b>   | <b>19,913,660</b> |
| <b>Non-current liabilities</b>                                    |       |                    |                   |
| Other non-current liabilities                                     | 11(b) | 45,257             | 95,090            |
| <b>Total non-current liabilities</b>                              |       | <b>45,257</b>      | <b>95,090</b>     |
| <b>Total liabilities</b>  |       | <b>9,765,869</b>   | <b>20,008,750</b> |
| <b>Net assets</b>   |       | <b>12,506,014</b>  | <b>711,155</b>    |
| <b>Equity</b>   |       |                    |                   |
| 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           |
| <b>Total equity</b>   |       | <b>12,506,014</b>  | <b>711,155</b>    |

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)             |              |
| <b>Transactions with owners in their capacity as owners:</b> |           |  |                   |                     |                  |          |                          |              |
| Share issue  |           | 15,915,495                                 | 4,333,575         | -                   | 20,249,070       | -        | 20,249,070               |              |
| Capital raising costs  |           | (678,511)                                  | -                 | -                   | (678,511)        | -        | (678,511)                |              |
| <b>Balance at 31 December 2019</b>                           | <b>12</b> | <b>66,470,350</b>                          | <b>12,095,638</b> | <b>(75,311,115)</b> | <b>3,254,873</b> | <b>-</b> | <b>3,254,873</b>         |              |

|  | 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)             |              |
| <b>Transactions with owners in their capacity as owners:</b> |           |  |                   |                      |                   |                |                          |              |
| 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)              |              |
| <b>Balance at 31 December 2020</b>                           | <b>12</b> | <b>103,658,855</b>                         | <b>12,387,025</b> | <b>(103,746,541)</b> | <b>12,299,339</b> | <b>206,675</b> | <b>12,506,014</b>        |              |

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        |
|   |          | \$                 | \$                 |
| <b>Cash flows from operating activities</b>               |          |                    |                    |
| 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)          | -                  |
| <b>Net cashflows used in operating activities</b>         |          | <b>(5,808,677)</b> | <b>(5,722,737)</b> |
| <b>Cash flows from investing activities</b>               |          |                    |                    |
| 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)           | -                  |
| <b>Net cashflows from/(used in) investing activities</b>  |          | <b>2,646,633</b>   | <b>(8,425,078)</b> |
| <b>Cash flows from financing activities</b>               |          |                    |                    |
| 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)           | -                  |
| <b>Net cashflows from financing activities</b>            |          | <b>6,843,930</b>   | <b>17,201,280</b>  |
| 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          |
| <b>Cash and cash equivalents at the end of the period</b> | <b>5</b> | <b>4,979,802</b>   | <b>6,202,709</b>   |

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 &<br>New Zealand | China              | Unallocated/<br>Corporate | Netlinkz<br>Group   |
|--|----------------------------|--------------------|---------------------------|---------------------|
|  | \$                         | \$                 | \$                        | \$                  |
| <b>EBITDA</b>  |                            |                    |                           |                     |
| Revenue  | 918,630                    | 7,699,410          | 102,801                   | 8,720,841           |
| Other income   | 29,293                     | -                  | 657,713                   | 687,006             |
| <b>Total revenue</b>                                     | <b>947,923</b>             | <b>7,699,410</b>   | <b>760,514</b>            | <b>9,407,847</b>    |
| 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)         |
| <b>Total EBITDA</b>                                      | <b>132,181</b>             | <b>(1,112,675)</b> | <b>(5,587,472)</b>        | <b>(6,567,966)</b>  |
| Depreciation and amortisation                            | (191,233)                  | (1,736)            | (270,565)                 | (463,534)           |
| Finance and restructuring costs                          | (6)                        | (7,026)            | (8,572,148)               | (8,579,180)         |
| <b>Loss before income tax from continuing operations</b> | <b>(59,058)</b>            | <b>(1,121,437)</b> | <b>(14,430,185)</b>       | <b>(15,610,680)</b> |

| For the half year ended 31 December 2019                          | Australia &<br>New Zealand | China          | Unallocated/<br>Corporate | Netlinkz<br>Group   |
|---|----------------------------|----------------|---------------------------|---------------------|
| EBITDA  | \$                         | \$             | \$                        | \$                  |
| Revenue   | -                          | 640,529        | -                         | 640,529             |
| Other income  | -                          | -              | 905,682                   | 905,682             |
| <b>Total revenue</b>  | <b>-</b>                   | <b>640,529</b> | <b>905,682</b>            | <b>1,546,211</b>    |
| 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)         |
| <b>Total EBITDA</b>   | <b>-</b>                   | <b>640,529</b> | <b>(8,514,932)</b>        | <b>(7,874,403)</b>  |
| Depreciation and amortisation                                     | -                          | -              | (192,758)                 | (192,758)           |
| Finance and restructuring costs                                   | -                          | -              | (2,863,819)               | (2,863,819)         |
| <b>Profit/(loss) before income tax from continuing operations</b> | <b>-</b>                   | <b>640,529</b> | <b>(11,571,509)</b>       | <b>(10,930,980)</b> |

| As at 31 December 2020        | Australia &<br>New Zealand | China            | Unallocated/<br>Corporate | Netlinkz<br>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)       |
| <b>Current net assets</b>     | <b>(697,350)</b>           | <b>2,921,692</b> | <b>(3,105,545)</b>        | <b>(881,203)</b>  |
| Non-current assets            | 8,292,983                  | 3,034,659        | 2,104,832                 | 13,432,474        |
| Non-current liabilities       | -                          | -                | (45,257)                  | (45,257)          |
| <b>Non-current net assets</b> | <b>8,292,983</b>           | <b>3,034,659</b> | <b>2,059,575</b>          | <b>13,387,217</b> |
| <b>Net assets</b>             | <b>7,595,632</b>           | <b>5,956,351</b> | <b>(1,045,970)</b>        | <b>12,506,014</b> |

| As at 30 June 2020            | Australia &<br>New Zealand | China            | Unallocated/<br>Corporate | Netlinkz<br>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)        |
| <b>Current net assets</b>     | <b>(443,666)</b>           | <b>3,539,463</b> | <b>(16,142,275)</b>       | <b>(13,046,478)</b> |
| Non-current assets            | 8,487,176                  | 3,073,329        | 2,292,218                 | 13,852,723          |
| Non-current liabilities       | -                          | -                | (95,090)                  | (95,090)            |
| <b>Non-current net assets</b> | <b>8,487,176</b>           | <b>3,073,329</b> | <b>2,197,128</b>          | <b>13,757,633</b>   |
| <b>Net assets</b>             | <b>8,043,510</b>           | <b>6,612,792</b> | <b>(13,945,147)</b>       | <b>711,155</b>      |

## 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                                 | <u>8,720,841</u>                     | <u>640,529</u> |

|  | Consolidated for the half year ended |                |
|--|--------------------------------------|----------------|
|  | 31 Dec 2020                          | 31 Dec 2019    |
|  | \$                                   | \$             |
| 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                             | <u>687,006</u>                       | <u>905,682</u> |

| Revenue                             | Consolidated for the half year ended |                  |                  |
|-------------------------------------|--------------------------------------|------------------|------------------|
|                                     | 31 Dec 2020                          | 31 Dec 2020      | 31 Dec 2020      |
|                                     | \$                                   | \$               | \$               |
|                                     |                                      |                  |                  |
| <b>Primary Geographical markets</b> |                                      |                  |                  |
| Australia                           | -                                    | 305,818          | 305,818          |
| New Zealand                         | -                                    | 693,701          | 693,701          |
| China                               | 7,699,410                            | -                | 7,699,410        |
| Other                               | -                                    | 21,912           | 21,912           |
|                                     | <u>7,699,410</u>                     | <u>1,021,431</u> | <u>8,720,841</u> |

### Timing of revenue Recognition

|   | 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          |
|   | <u>7,699,410</u> | <u>1,021,431</u> | <u>8,720,841</u> |

| Revenue                             | Consolidated for the half year ended |                |                |
|-------------------------------------|--------------------------------------|----------------|----------------|
|                                     | 31 Dec 2019                          | 31 Dec 2019    | 31 Dec 2019    |
|                                     | \$                                   | \$             | \$             |
|                                     |                                      |                |                |
| <b>Primary Geographical markets</b> |                                      |                |                |
| China                               | 445,000                              | 195,529        | 640,529        |
|                                     | <u>445,000</u>                       | <u>195,529</u> | <u>640,529</u> |

### Timing of revenue Recognition

|   | 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        |
|   | <u>445,000</u> | <u>195,529</u> | <u>640,529</u> |

## 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             |
|---|------------------|--------------------------------------|-------------------------------|-------------------|
|   | \$               | \$                                   | \$                            | \$                |
| <b>For the half year period ended 31 Dec 2020</b> |                  |                                      |                               |                   |
| 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> |
| <b>As at 31 Dec 2020</b>                          |                  |                                      |                               |                   |
| 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

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

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>1</sup> | -                    | 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> |

<sup>1</sup> 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                   |
| <b>Unissued ordinary shares under option:</b>                | <b>Grant date</b> | <b>No of Options</b> | <b>Average Exercise price</b> |
| <b>Opening balance 1 July 2019</b>                           |                   | 301,979,377          |                               |
| Options issued in relation to convertible notes <sup>1</sup> | 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 <sup>2</sup>                 |                   | (31,000,000)         |                               |
| Options lapsed   |                   | (5,000,000)          |                               |
| <b>Closing balance 30 June 2020</b>                          |                   | <b>204,671,658</b>   |                               |
| <b>Opening balance 1 July 2020</b>                           |                   | 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)         |                               |
| <b>Closing balance 31 December 2020</b>                      |                   | <b>257,887,340</b>   |                               |

<sup>1</sup> 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.

<sup>2</sup> 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          | -                  |
| <b>Total</b> |             |                | <b>257,887,340</b> | <b>204,671,658</b> |

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 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 25<sup>th</sup> 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.

**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**



**Glyn O'Brien**

**Director**

Perth, 25 February 2021