

We connect.

Secure. Fast. Simple.



Netlinkz

NETLINKZ LIMITED

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

ACN 141 509 426

APPENDIX 4D

FY 2023 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 2022

Previous period: For the half year ended 31 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory results summary

Key information	1 July 2021 to 31 December 2021	1 July 2021 to 31 December 2022	Change	Change	Up/Down
	\$	\$	\$	%	
Revenue from customers	8,876,561	10,433,174	1,556,613	18%	Up
Revenue from ordinary activities (incl. interest and grant income)	8,899,060	10,469,446	1,570,386	18%	Up
Loss from ordinary activities after tax attributable to members	(4,441,739)	(6,328,357)	(1,886,618)	42%	Up
Net loss for the period attributable to members	(4,441,739)	(6,328,357)	(1,886,618)	42%	Up
Amount per security of final and interim dividends	Nil	Nil	-	-	-
Franked amount per security of final and interim dividends	Nil	Nil	-	-	-
Record rate for dividend entitlements	Nil	Nil	-	-	-

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 2022	31 Dec 2021
	\$	\$
Net tangible assets per ordinary share	0.0011	0.0020

The number of ordinary shares on issue at 31 December 2022 is 3,486,917,276.

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 2022.

DIVIDENDS

Current period

No dividends were paid, recommended, or declared during the half year ended 31 December 2022.

Previous period

No dividends were paid, recommended, or declared during the half year ended 31 December 2021.

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 17. 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.

REVIEW

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 2022 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.

We connect.
Secure. Fast. Simple.



Netlinkz

NETLINKZ LIMITED

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

ACN 141 509 426

CORPORATE DIRECTORY

Directors

Stephen Gibbs	Non-Executive Chairman
James Tsiolis	Managing Director and Chief Executive Officer
Geoffrey Raby	Non-Executive Director
James Stickland	Non-Executive Director
Grant Booker	Non-Executive Director
Hakan Eriksson	Non-Executive Director

Company secretary

Guy Robertson

Registered office

Suite 401 56 Bowman Street
Pymont NSW 2009

Principal place of business

Suite 401 56 Bowman Street
Pymont NSW 2009

Share register

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
172 St Georges Terrace
Abbotsford VIC 3067
Australia

Auditor

BDO Audit Pty Ltd
Level 11, 1 Margaret Street
Sydney, NSW, 2000
Australia

Stock exchange listing

Netlinkz Limited shares are listed on the Australian Securities Exchange

ASX code: NET

Website

www.netlinkz.com

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	25
Independent Auditor's Review Report	26

DIRECTORS' REPORT

DIRECTORS

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

- Stephen Gibbs – Non-Executive Chairman
- James Tsiolis – Executive Chairman and Chief Executive Officer
- James Stickland - Non-Executive Director
- Geoff Raby AO - Non-Executive Director
- Grant Booker - Non-Executive Director
- Hakan Eriksson – Non-Executive Director (appointed 20 October 2022)
- Hualin Zhang – Non-Executive Director (resigned 14 November 2022)

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 with 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 organisations of all sizes. NET has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

In November 2022 Netlinkz was appointed a global reseller of the Starlink satellite based highspeed, low latency broadband internet to enterprises, government, and non-government organisations. The agreement with Starlink creates a direct channel to market for the Company's proprietary network solution, the Virtual Secure Network (VSN). By bundling the VSN with Starlink, end users are provided with a fully encrypted invisible private network for all devices connected to the network that access the internet. This will provide enterprises, governments, rural and indigenous communities with enhanced security as protection against growing cybercrime without compromising the network performance.

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 2022. In the six months ended 31 December 2022, Netlinkz has increased its revenue year-on-year and continued investment in positioning the business outside of China, including costs to support the partnership with SpaceX on Starlink.

Revenue for the half-year ended 31 December 2022 of \$10,433,174 was 17% up on the prior half-year (31 December 2021: \$8,876,561). The net loss for the half-year ended 31 December 2022 amounted to \$6,363,218 (31 December 2021: loss of \$4,428,389). The current period included ~\$1.6m in share-based payment expenses relating to the recruitment and retention of key resources to drive future growth.

During the half-year, the Company entered into an agreement with Space Exploration Technology Corp. (SpaceX) for Netlinkz to be a non-exclusive global reseller of the Starlink satellite based high-speed, low-latency broadband internet. Netlinkz is targeting sales to rural and remote businesses offering a bundled service that provides access to reliable fast and secure internet in rural and remote areas. The Company will generate revenue streams from hardware sales, service, and licensing fees.

In late December 2022 the Company received a Letter of Intent from ALT Telecom Public Company Limited (ALT), a listed Thailand Stock Exchange company, to form a partnership to distribute Netlinkz services, and VSN as network product bundles, for enterprises in Thailand to be followed by other Southeast Asian markets. ALT is a fully integrated telecommunication infrastructure provider, providing internet services, wholesale bandwidth, digital and renewable

energy infrastructure planning and construction. ALT holds a Type-III telecommunications license in Thailand. The partnership will have an initial focus on an integrated communication platform, Network as a Service (NaaS) for enterprises based in Thailand. This will be followed across the south-east Asian region which is seeing increasing demand for manufacturing as a result of global supply chain issues. ALT see a significant opportunity to support digitisation for enterprise which is leading to an increasing demand for NaaS integrated with a multi-cloud approach.

China

China revenue totalled \$8.1m for the half-year (31 December 2021: \$7.3m). Key sources of revenue included VSN and NaaS based services, including secure networking design, implementation, and engineering work. China continues to grow its contracted recurring revenue base with enterprise customers, which are predominantly foreign companies based in China. The business previously completed its restructure to facilitate a focus on business unit reporting and profitability.

Australia

SSI won a significant contract with a telecommunications company based in Australia and New Zealand for its interception software during the period entering into a master services contract with a 3 year duration. The company has a number of master services agreements in place with Telcos and government enterprises. SSI revenues were ~45% up on the previous half year to ~\$1.6 million.

MENA & ROW

The Company is expanding into MENA via the Al Rabban venture to provide master services for Telcos and government enterprises.

Netlinkz's Joint Venture with Al Rabban, Qatar continues to focus on the development of business in Qatar, Kuwait, Kingdom of Saudi Arabia, United Arab Emirates, Bahrain, Oman, Jordan, Lebanon, Egypt and Iraq.

Following the agreement with ALT the Company is working on building an integrated communication platform, Network as a Service (NaaS) for enterprises in Thailand, to be expanded into other south-east Asian countries. Hutchison Global Communications has recently joined the partnership to expand the NaaS into over its core network in 10 different countries.

Product Development

Development and evolution of VSN 3.0

Product releases continue with release of versions 3.0 and 3.1 code complete, focussed on enhancing platform security, industry interoperability with 3rd party solutions. This also included the validation of VSN inter-operability with SpaceX Starlink, augmenting their technology with client mobility and cloud Virtual Secure Networking.

Corporate Overview

Personnel

On 20 October 2022 the Company appointed Mr Hakan Eriksson as an independent non-executive director. Mr Eriksson is a globally experienced board director and technology leader, having worked extensively with R&D, innovation and strategy in multiple functions, organisations and countries. Mr Eriksson's corporate experience includes Chief Technology Officer at Telstra from 2017 to 2020, and a number of roles with Ericsson from 1998 to 2017, including Group Chief Technology Officer 2003-2012, culminating in the role of Chief Strategy Officer South East Asia and Oceania. Mr Eriksson has a Master of Science, Electrical Engineering and an Honorary PhD from Linköping University, Sweden.

Mr Hualin Zhang retired as a Director on 14 November 2022.

Ms Anthea Ye was appointed Chief operating Officer on 15 October 2022. Ms Ye has been the CEO – Australia and Oceania for China Telecom since 2010. Ms Ye has 19+ years' Asia Pacific experience, in building and managing, cross-functional, cross-border teams, delivering programs and project excellence, for complex Telecommunication / ICT projects. Ms Ye has a Bachelor of Computer Science, Nanjing University of Posts and Telecommunications, Nanjing, China, a Master of Computer Science, Beijing University of Posts and Telecommunications, Beijing, China and an MBA, Hong Kong University of Science and Technology, Hong Kong.

Funding

Equity placement facility

The Company drew down \$3m of the Regal Funds Management \$20.5m facility during the half-year. On settlement the Company issued 196,078,431 shares, at an effective price of \$0.0153 per share.

Debt facilities

Amounts drawn under debt facilities at period end amount to \$3.815m. Of this amount \$1.815m was provided by Booker Super Services Pty Limited (see ASX Announcement 9 May 2022) and a further short-term facility of \$2m was provided by Juel Litigation Finance Pty Ltd to fund an inventory purchase from Starlink Internet Services Pte Limited, repayable on 23 April 2023. The facility provided by Juel Litigation Finance Pty Ltd is a working capital facility and is not related to any litigation activity. At 31 December 2022 the Company had \$1.0m of Starlink inventory on hand.

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 2022, except as otherwise noted in this report.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

On 2 February 2023 the Company acquired the 20% minority interest in iLinkAll held by iSoftStone Information and Technology (Group) Co. Ltd for RMB500,000 (approximately \$105,000).

Subsequent to half-year end the Company drew down a further \$4m on the Regal Funds Management (Regal) equity placement facility and issued 261,437,909 shares. The shares are an estimate of the shares required to be issued to Regal on settlement date, being 27 March 2023.

No other matter or circumstance has arisen since 31 December 2022 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, except as otherwise stated in this report.

DIVIDENDS

No dividends have been declared for the half-year period ended 31 December 2022 or for the previous corresponding period.

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 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 28th day of February 2023.

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor for the review of Netlinkz Limited for the half-year ended 31 December 2022, 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.



Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 28 February 2023

Continuing operations	Note	Consolidated for the half-year ended	
		31 Dec 2022	31 Dec 2021
		\$	\$
Revenue	3	10,433,174	8,876,561
Other income	3	36,273	22,499
		<u>10,469,447</u>	<u>8,899,060</u>
Expenses			
Business development, marketing, travel and accommodation expenses		(1,832,705)	(715,129)
Admin, office and corporate expenses		(4,324,009)	(3,132,878)
Development and commercialisation expenses		(712,942)	(899,201)
Selling, design, implementation and hardware expenses	4(a)	(8,218,088)	(7,326,021)
Finance costs	4(b)	(162,854)	(232,725)
Employee share-based payment expenses	4(c)	(1,574,341)	(643,506)
Foreign exchange loss		(7,726)	(377,989)
	4(d)	<u>(16,832,665)</u>	<u>(13,327,449)</u>
Loss before income tax expense		(6,363,218)	(4,428,389)
Income tax expense		-	-
Loss after income tax expense for the half-year		(6,363,218)	(4,428,389)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		56,196	210,940
Other comprehensive income for the half-year, net of tax		56,196	210,940
Total comprehensive loss for the half-year		(6,307,022)	(4,217,449)
<i>Loss for the half-year is attributable to:</i>			
Members of the parent entity		(6,328,357)	(4,441,739)
Non-controlling interests		(34,861)	13,350
		<u>(6,363,218)</u>	<u>(4,428,389)</u>
<i>Total comprehensive loss for the half-year is attributable to:</i>			
Members of the parent entity		(6,270,274)	(4,250,563)
Non-controlling interests		(36,748)	33,114
		<u>(6,307,022)</u>	<u>(4,217,449)</u>
Loss per share from continuing operations		\$	\$
Basic loss per share	16	(0.0019)	(0.0014)
Diluted loss share	16	(0.0019)	(0.0014)

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

		Consolidated as at	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	2,296,953	2,689,024
Trade and other receivables	6	4,699,925	2,531,586
Inventory		1,040,298	78,583
Other assets	6	503,884	511,161
Total current assets		8,541,060	5,810,354
Non-current assets			
Property, plant and equipment		39,218	56,332
Investments		100,000	100,000
Right of use assets		420,740	173,269
Intangible assets	7	2,233,341	2,611,084
Goodwill	7	9,531,080	9,531,080
Total non-current assets		12,324,379	12,471,765
Total assets		20,865,439	18,282,119
LIABILITIES			
Current liabilities			
Trade and other payables	8	990,899	1,100,566
Employee benefits	9	107,821	108,026
Borrowings	10	2,000,000	75,750
Other current liabilities	11	2,089,089	1,098,492
Total current liabilities		5,187,809	2,382,834
Non-current liabilities			
Borrowings	10	1,815,000	-
Other non-current liabilities	11	139,230	88,597
Total non-current liabilities		1,954,230	88,597
Total liabilities		7,142,039	2,471,431
Net assets		13,723,400	15,810,688
Equity			
Issued capital	12	125,646,795	122,528,735
Reserves	14	14,532,157	13,372,400
Accumulated losses	15	(126,529,142)	(120,200,785)
Capital and reserves attributable to members of the parent entity		13,649,810	15,700,350
Non-controlling interests		73,590	110,338
Total equity		13,723,400	15,810,688

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

Attributable to owners of Netlinkz Limited						
Notes	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	120,447,809	12,594,317	(111,789,961)	21,252,165	115,187	21,367,352
Loss for the half-year	-	-	(4,441,739)	(4,441,739)	13,350	(4,428,389)
Other comprehensive income	-	191,176	-	191,176	19,764	210,940
Total comprehensive loss for the half-year	-	191,176	(4,441,739)	(4,250,563)	33,114	(4,217,449)
Transactions with owners in their capacity as owners:				-		-
Share issue	1,564,432	-	-	1,564,432	-	1,564,432
Share based payments	-	411,066	-	411,066	-	411,066
Shares issued on conversion of performance rights	461,494	(461,494)	-	-	-	-
Balance at 31 December 2021	122,473,735	12,735,065	(116,231,700)	18,977,100	148,301	19,125,401

Attributable to owners of Netlinkz Limited						
	Issued capital	Reserves	Accumulated losses	Total equity	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	122,528,735	13,372,400	(120,200,785)	15,700,350	110,338	15,810,688
Loss for the half-year	-	-	(6,328,357)	(6,328,357)	(34,861)	(6,363,218)
Other comprehensive income	-	58,083	-	58,083	(1,887)	56,196
Total comprehensive loss for the half-year	-	58,083	(6,328,357)	(6,270,274)	(36,748)	(6,307,022)
Transactions with owners in their capacity as owners:						
Share issue	3,526,393	-	-	3,526,393	-	3,526,393
Shares issued on vesting of performance rights	91,667	(91,667)	-	-	-	-
Share based payments	-	1,193,341	-	1,193,341	-	1,193,341
Capital raising costs	(500,000)	-	-	(500,000)	-	(500,000)
Balance at 31 December 2022	12	125,646,795	14,532,157	(126,529,142)	13,649,810	73,590

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

	Note	Consolidated	
		31-Dec-22 \$	31-Dec-21 \$
Cash flows from operating activities			
Receipts from customers		12,483,437	10,845,208
Payments to suppliers and employees		(19,222,569)	(14,232,253)
Grants received		-	8,540
Tax refund/(paid)		249,808	(843)
Interest received		3,875	13,959
Interest paid		(160,761)	(114,817)
Net cashflows used in operating activities		(6,646,210)	(3,480,206)
Cash flows from investing activities			
Advances made to third party borrowers		-	(538,550)
Payment for software development costs		-	(21,002)
Net cashflows used in investing activities		-	(559,552)
Cash flows from financing activities			
Proceeds from issue of shares		3,000,000	-
Proceeds from exercise of share options		-	820,000
Capital raising expenses		(500,000)	-
Proceeds from borrowings		4,815,000	-
Repayments of borrowings		(1,000,000)	(20,000)
Principle lease payments		(77,876)	(27,151)
Net cashflows from financing activities		6,237,124	772,849
Net decrease in cash and cash equivalents		(409,086)	(3,266,909)
Effect of foreign exchange movements on cash		17,015	(186,754)
Cash and cash equivalents at the beginning of the half-year		2,689,024	10,836,411
Cash and cash equivalents at the end of the half-year	5	2,296,953	7,382,748

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*, as appropriate for for-profit oriented entities. 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 2022.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a loss after income tax of \$6,363,218 (31 December 2021: \$4,428,389) for the half-year, had net cash outflows from operating activities of \$6,646,210 (31 December 2021: \$3,480,206) for the half-year and net working capital of \$3,353,252 at 31 December 2022 (31 December 2021: \$3,427,520).

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group is demonstrating strong revenue growth, with a 17% increase on the comparative period.
- the Company has the ability to raise debt via a Debt Funding Facility (approximately \$8.2 million undrawn) (see ASX announcement dated 9 May 2022) and issue equity via its Equity Placement Facility (\$13.5 million undrawn as at the date of this report) (See ASX Announcement dated 1 August 2022).
- 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.
- The Board receives consolidated profit and loss, balance sheet and cash flow statements on a regular 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.

NOTE 2. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in geography: Australia & New Zealand and International, of which China is currently the major part. Each country has a management team to oversee the local operations and undertake 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 is reported to the CODM on a monthly basis.

Types of products and services

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

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

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 2022	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	2,180,668	8,252,506	-	10,433,174
Other income	32,393	4	3,876	36,273
Total revenue	2,213,061	8,252,510	3,876	10,469,447
Selling, design, implementation and hardware expenses	(183,702)	(8,034,064)	(322)	(8,218,088)
Employees share based payment expenses	(332,789)	(1,240,970)	(582)	(1,574,341)
Foreign exchange movements	2,329	(10,050)	(5)	(7,726)
Other operating expenses	(1,951,853)	(4,380,780)	(1,427)	(6,334,060)
Total earnings before interest, tax, depreciation and amortisation	(252,954)	(5,413,354)	1,540	(5,664,768)
Depreciation and amortisation	(474,479)	(61,117)	-	(535,596)
Finance costs	-	(2,718)	(160,136)	(162,854)
Loss before income tax from continuing operations	(727,433)	(5,477,189)	(158,596)	(6,363,218)

For the half-year ended 31 December 2021	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	1,516,204	7,360,357	-	8,876,561
Other income	7,872	306	14,321	22,499
Total revenue	1,524,076	7,360,663	14,321	8,899,060
Selling, design, implementation and hardware expenses	(560,602)	(6,764,906)	(513)	(7,326,021)
Employees share based payment expenses	(110,208)	(532,262)	(1,036)	(643,506)
Foreign exchange movements	(80,956)	(296,456)	(577)	(377,989)
Other operating expenses	(1,211,481)	(3,103,787)	(3,864)	(4,319,132)
Total earnings before interest, tax, depreciation and amortisation	(439,171)	(3,336,748)	8,331	(3,767,588)
Depreciation and amortisation	(178,035)	(235,051)	(14,990)	(428,076)
Finance costs	-	(47,533)	(185,192)	(232,725)
Loss before income tax from continuing operations	(617,206)	(3,619,332)	(191,851)	(4,428,389)
As at 31 December 2022				
Summarised balance sheet	\$	\$	\$	\$
Current assets	3,623,330	4,112,772	804,958	8,541,060
Current liabilities	(1,725,971)	(352,517)	(3,109,321)	(5,187,809)
Current net assets	1,897,359	3,760,255	(2,304,363)	3,353,251
Non-current assets	7,763,974	4,362,973	197,432	12,324,379
Non-current liabilities	(71,351)	-	(1,882,879)	(1,954,230)
Non-current net assets	7,692,623	4,362,973	(1,685,447)	10,370,149
Net assets	9,589,982	8,123,228	(3,989,810)	13,723,400
As at 30 June 2022				
Summarised balance sheet	\$	\$	\$	\$
Current assets	231,391	4,382,212	1,196,751	5,810,354
Current liabilities	(526,846)	(40,679)	(1,815,309)	(2,382,834)
Current net assets	(295,455)	4,341,533	(618,558)	3,427,520
Non-current assets	7,853,783	4,122,637	495,345	12,471,765
Non-current liabilities	(88,597)	-	-	(88,597)
Non-current net assets	7,765,186	4,122,637	495,345	12,383,168
Net assets	7,469,731	8,464,170	(123,213)	15,810,688

NOTE 3. REVENUE AND OTHER INCOME

Disaggregation of revenue

	Consolidated for the half-year ended	
	31 Dec 22	31 Dec 21
	\$	\$
Consulting, design and implementation revenue	8,473,126	7,527,401
Software, service and licensing revenue	1,960,048	1,349,160
Total revenue	10,433,174	8,876,561

Other income

	Consolidated for the half-year ended	
	31 Dec 22	31 Dec 21
	\$	\$
Interest income	3,875	13,959
COVID-19 cash flow boost	-	8,540
Other income	32,398	-
Total other income	36,273	22,499

	Consulting, design & implementation revenue	Software and licensing revenue	Total
Revenue	31 Dec 22	31 Dec 22	31 Dec 22
	\$	\$	\$
Primary geographical markets			
Australia	220,620	1,135,149	1,355,769
New Zealand	-	824,899	824,899
China	8,252,506	-	8,252,506
	8,473,126	1,960,048	10,433,174

Timing of revenue recognition

Products transferred at point in time	220,620	677,964	898,584
Products and services transferred over time	8,252,506	1,282,084	9,534,590
	8,473,126	1,960,048	10,433,174

Revenue	Consulting, design & implementation revenue 31 Dec 21 \$	Software and licensing revenue 31 Dec 21 \$	Total 31 Dec 21 \$
Primary geographical markets			
Australia	167,044	626,590	793,634
New Zealand	-	722,570	722,570
China	7,360,357	-	7,360,357
Other	-	-	-
	<u>7,527,401</u>	<u>1,349,160</u>	<u>8,876,561</u>
Timing of revenue recognition			
Products transferred at point in time	167,044	157,975	325,019
Products and services transferred over time	7,360,357	1,191,185	8,551,542
	<u>7,527,401</u>	<u>1,349,160</u>	<u>8,876,561</u>

NOTE 4. EXPENSES

(a) Selling, design, implementation and hardware expenses

These are direct costs associated with design, implementation and hardware costs of sales in China and New Zealand.

(b) Finance costs

These are costs and facilitation fees incurred to secure financing and funding for the Group including interest expense.

(c) Employees share based payment expenses

These are incentives paid to directors, employees, and contractors settled in shares or options.

(d) Included in expenses are the following costs:

	Consolidated for the half-year ended	
	31 Dec 22 \$	31 Dec 21 \$
Employee salary and wages expense	1,947,847	2,677,767
Consulting and contractor expense	1,199,888	1,130,426
Foreign exchange loss	7,726	377,989
Amortisation expense	377,743	377,743
Interest expense	157,854	131,514
Compliance and listing costs	105,194	88,163
Rental expense	49,781	57,392
Depreciation expense	157,853	50,333

NOTE 5. CASH AND CASH EQUIVALENTS

	Consolidated as at	
	31 Dec 22 \$	30 Jun 22 \$
Cash at bank	<u>2,296,953</u>	<u>2,689,024</u>

NOTE 6. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Trade receivables	1,595,472	1,805,676
GST/VAT receivable	173,443	-
Security deposits	4,535	13,215
Prepayments	2,926,475	712,695
Trade and other receivables	4,699,925	2,531,586
	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Other receivables	503,884	511,161
Total other assets	503,884	511,161

NOTE 7. INTANGIBLE ASSETS

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
For the half-year period ended 31 Dec 2022				
Opening net book amount	9,531,080	1,432,473	1,178,611	12,142,164
Amortisation charge	-	(151,700)	(226,043)	(377,743)
Closing net book amount	9,531,080	1,280,773	952,568	11,764,421
As at 31 Dec 2022				
Cost	9,531,080	2,196,000	2,300,836	14,027,916
Accumulated amortisation and impairment	-	(915,227)	(1,348,268)	(2,263,495)
Net book amount	9,531,080	1,280,773	952,568	11,764,421

NOTE 8. TRADE AND OTHER PAYABLES

	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Trade payables and accruals	990,899	1,100,566

NOTE 9. EMPLOYEE BENEFITS

	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Employee benefits	107,821	108,026

Amounts are not expected to be settled within the next 12 months. The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The above amounts reflect annual leave that has accrued as at the reporting date.

NOTE 10. BORROWINGS

	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Current		
Borrowings - unsecured ¹	2,000,000	75,750
	2,000,000	75,750
Non-current		
Related party loans ²	1,815,000	-
	1,815,000	-

¹ The Company entered into an unsecured short-term facility of \$2 million provided by Juel Litigation Finance Pty Ltd to fund an inventory purchase from Starlink Internet Services Pte Limited, at an interest rate of 20% per annum. The facility had a maturity date of 23 February 2023, that was then extended to 23 April 2023. The facility provided by Juel Litigation Finance Pty Ltd is a working capital facility and is not related to any litigation activity.

² The Company has a \$10 million loan facility with Booker Super Services Pty Ltd, an entity related to a Director of the Company. At 31 December 2022 the Company had drawn \$1.815m of funds. The facility was provided at an initial interest rate of 6.8%, which has been adjusted by the value of increased to the cash rate by the Reserve Bank of Australia. The facility is unsecured and has a maturity date of 30 June 2025.

NOTE 11. OTHER LIABILITIES

Other current liabilities	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
Unearned income	1,432,559	563,704
Payroll tax and other statutory liabilities	249,080	254,228
AASB 16 lease liability	287,450	59,983
GST/VAT payable	-	60,177
Accrued Directors fees	120,000	160,400
	<u>2,089,089</u>	<u>1,098,492</u>

Other non-current liabilities

	Consolidated as at	
	31 Dec 22	30 Jun 22
	\$	\$
AASB 16 lease liability	139,230	88,597
	<u>139,230</u>	<u>88,597</u>

NOTE 12. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	31 Dec 22	31 Dec 22	30 Jun 22	30 Jun 22
	Shares	\$	Shares	\$
Ordinary shares - fully paid	3,486,917,276	125,646,795	3,265,909,706	122,528,735
Total issued capital	<u>3,486,917,276</u>	<u>125,646,795</u>	<u>3,265,909,706</u>	<u>122,528,735</u>

Movements in ordinary share capital – Half-year ended 31 December 2022

	Notes	Number of shares	\$
Opening balance 1 July 2022		3,265,909,706	122,528,735
Issue of shares – placement	(i)	196,078,431	3,000,000
Issue of shares – services performed	(ii)	17,277,777	381,000
Issue of shares – performance rights	(iii)	3,666,667	91,667
Issue of shares – director's fees	(iv)	3,984,695	145,393
		<u>3,486,917,276</u>	<u>126,146,795</u>
Less: Capital raising costs arising on share issues			(500,000)
Closing balance 31 December 2022		<u>3,486,917,276</u>	<u>125,646,795</u>

Movements in ordinary share capital – Year ended 30 June 2022

	Number of shares	\$
Opening balance 1 July 2021	3,191,671,270	120,447,809
Issue of shares – exercise of options	41,000,000	820,000
Issue of shares – debt settlement	6,846,197	194,432
Issue of shares – services	8,142,354	275,000
Issue of shares – vesting of performance rights	6,500,000	461,494
Issue of shares – termination benefits	1,749,885	30,000
Issue of shares – staff incentives	10,000,000	300,000
	3,265,909,706	122,528,735
Less: Capital raising costs arising on share issues		-
Closing balance 30 June 2022	3,265,909,706	122,528,735

(i) Placement

On 30 December 2022 the Company issued 196,078,431 shares at a price of \$0.0153 per share to Regal Funds Management Pty Ltd on behalf of certain of its investment funds under the \$20.5m Equity Placement Facility.

(ii) Services performed

On 25 November 2022, at the Company Annual General Meeting, 8,000,000 shares were issued to several individuals in relation to services performed. On 16 November 2022 7,277,777 shares were issued to employees as a performance bonus, at a deemed price of \$0.018 per share and 2,000,000 shares were issued as a sign on bonus, at a deemed price of \$0.025 per share.

(iii) Performance rights

On 16 November 2022, 3,666,667 shares were issued on vesting of performance rights, at a deemed price of \$0.025 per share.

(iv) Directors' fees

On 25 November 2022, at the Company Annual General Meeting, it was resolved to issue 3,984,695 shares to Directors as part of their remuneration for prior services performed, instead of making cash payments.

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 number 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 2022	30 Jun 2022
Options	75,500,000	80,500,000

Unissued ordinary shares under option:

Details	Grant date	Number of options	Average exercise price \$
Opening balance 1 July 2022		80,500,000	
Options granted	12-Oct-22	10,000,000	0.125
Options expired		(15,000,000)	
Closing balance 31 December 2022		<u>75,500,000</u>	

On 20 October 2022 the Company granted 10,000,000 options to Mr. Hakan Ericsson on his appointment as a Director of the Company. The options were issued in four tranches, with an average exercise price of \$0.125 per share. 50% of the options vested immediately, and the remaining 50% vest over 18 months from the date of his appointment.

On 24 December 2022 10,000,000 options with an average exercise price of \$0.20 per share expired. On 24 September 2022 5,000,000 options with an average exercise price of \$0.06 per share expired.

Share options outstanding as at 31 December 2022 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	31 Dec 2022	30 Jun 2022
10-Dec-19	24-Sep-23	0.16	2,500,000	2,500,000
24-Dec-19	24-Dec-22	0.20	-	10,000,000
24-Sep-20	24-Sep-22	0.06	-	5,000,000
19-Nov-20	1-Sep-23	0.10	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.15	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.20	10,000,000	10,000,000
19-Nov-20	1-Sep-23	0.25	10,000,000	10,000,000
19-Nov-20	24-Dec-23	0.10	3,000,000	3,000,000
16-Jun-21	1-Sep-23	0.10	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.15	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.20	5,000,000	5,000,000
16-Jun-21	1-Sep-23	0.25	5,000,000	5,000,000
20-Oct-22	20-Oct-24	0.05	2,500,000	-
20-Oct-22	20-Oct-24	0.10	2,500,000	-
20-Oct-22	20-Oct-24	0.15	2,500,000	-
20-Oct-22	20-Oct-24	0.20	2,500,000	-

Performance rights

	31 Dec 2022	30 Jun 2022
Performance rights	201,000,000	60,000,000

Details

	Number of performance rights
Opening balance 1 July 2022	60,000,000
Performance rights granted	143,000,000
Performance rights expired	(2,000,000)
Closing balance 31 December 2022	<u>201,000,000</u>

During the half-year ended 31 December 2022, the Company issued 93,000,000 performance rights to employees which are subject to employees meeting individual and Company performance hurdles.

The Company also issued 50,000,000 performance rights to a Director of the Company, Mr James Tsiolis. The hurdles for vesting of these performance rights are 25,000,000 in the event that the 90 day VWAP is greater than \$0.075 per share and 25,000,000 in the event that the 90 day VWAP is greater than \$0.10 per share.

NOTE 14. EQUITY – RESERVES

	Consolidated as at	
	31 Dec 2022	30 Jun 2022
	\$	\$
Foreign currency translation reserve	17,765	(40,318)
Share based payments and options reserve	14,514,392	13,412,718
Total reserves	<u>14,532,157</u>	<u>13,372,400</u>

Share based payments and options reserve

This reserve is used to record the value of equity benefits provided for the issue of equity instruments.

NOTE 15. EQUITY – ACCUMULATED LOSSES

	Consolidated as at	
	31 Dec 2022	30 Jun 2022
	\$	\$
Accumulated losses at the beginning of the period	(120,200,785)	(111,789,961)
Loss after income tax expense for the period	(6,328,357)	(8,410,824)
Accumulated losses at the end of the period	<u>(126,529,142)</u>	<u>(120,200,785)</u>

NOTE 16. LOSS PER SHARE

	Consolidated for the half-year ended	
	31 Dec 22	31 Dec 21
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(6,328,357)	(4,441,739)
	Consolidated for the half-year ended	
	31 Dec 22	31 Dec 21
Weighted average number of ordinary shares used in calculating basic diluted loss per share	3,385,018,959	3,247,410,324
	\$	\$
Basic loss per share	(0.0019)	(0.0014)
Diluted loss per share	(0.0019)	(0.0014)

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 22	31 Dec 21
		%	%
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
SSI Pacific Pty Ltd	Australia	100%	100%
AoFa Software Engineering (Shanghai) Co. Ltd	China	100%	100%
Beijing iLinkAll Science and Technology Co	China	80%	80%
Netlinkz Technology Hong Kong Limited	Hong Kong	100%	100%
Netlinkz Japan K.K.	Japan	100%	100%
Netlinkz (Private) Limited	Pakistan	100%	0%
Southcloud Holdings Pty Ltd	Australia	100%	0%
Southcloud Pty Ltd	Australia	100%	0%

NOTE 18. RELATED PARTY TRANSACTIONS

Since the end of the previous reporting period, 30 June 2022, the following related party transactions occurred:

Share based payments

On 20 October 2022 the Company granted 10,000,000 options to Mr Hakan Ericsson on his appointment as a Director of the Company. The options were issues in four tranches, with an average exercise price of \$0.125 per share. 50% of the options vested immediately, and the remaining 50% vest over 18 months from the date of his appointment.

The Company issued 50,000,000 performance rights to a Director of the Company, Mr James Tsiolis. The hurdles for vesting of these performance rights are 25,000,000 in the event that the 90 day VWAP is greater than \$0.075 per share and 25,000,000 in the event that the 90 day VWAP is greater than \$0.10 per share.

Borrowings

During the period, \$1.815 million was provided by Booker Super Services Pty Ltd, an entity related to a Director of the Company, Mr Grant Booker. These were provided under a \$10m facility that was provided at an initial interest rate of 6.8%, which has been adjusted by the value of increased to the cash rate by the Reserve Bank of Australia. The facility is unsecured and has a maturity date of 30 June 2025. Interest paid in relation to this facility for the half-year ended 31 December 2022 was \$51,297.

During the period, \$1.0 million was provided by entities associated with a Director of the Company, Mr James Tsiolis. The funds were provided on a short-term basis for fees of \$72,296. The loan was repaid, including fees, before 31 December 2022.

NOTE 19. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2022.

NOTE 20. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 February 2023 the Company acquired the 20% minority interest in iLinkAll held by iSoftStone Information and Technology (Group) Co. Ltd for RMB500,000 (around \$105,000).

Subsequent to half-year end the Company drew down a further \$4m on the Regal Funds Management (Regal) equity placement facility and issued 261,437,909 shares. The shares are an estimate of the shares required to be issued to Regal on settlement date, being 27 March 2023.

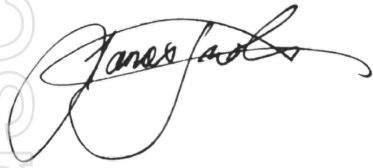
There are no other matters or circumstances that have arisen since 31 December 2022 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 24 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 2022 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 28th day of February 2023

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 2022, 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 2022 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.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2022 and its financial 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 Pty Ltd

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Director

Sydney, 28 February 2023