



## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### APPENDIX 4D HALF YEAR INFORMATION GIVEN TO ASX UNDER LISTING RULE 4.2A

<b>Name of entity</b>	<b>Netlinkz Limited</b>
<b>ABN</b>	<b>55 141 509 426</b>
<b>Half year ended</b>	<b>31 December 2016</b>
<b>Previous corresponding period</b>	<b>31 December 2015</b>

The information contained in this report should be read in conjunction with the most recent annual financial report.

#### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			<u>31 December 2016</u>	<u>31 December 2015</u>
			(6 months)	(6 months)
Revenue from ordinary activities	Down	89.5%	49,890	475,840
(Loss) from ordinary activities after income tax attributable to members	Down	2.4%	(4,118,976)	(4,219,365)
Total comprehensive loss attributable to members	Down	3.9%	(4,116,876)	(4,284,108)

The net loss for the consolidated entity after providing for income tax amounted to \$4,118,976 (31 December 2015 \$4,219,365). It is not proposed to pay dividends.

During the reporting period the Group have undertaken significant restructuring and cost reductions.

Since the end of the reporting period further restructuring and changes in operating activities have been completed which will result in further cost savings to Netlinkz, the company continues to reduce costs in all areas not related to revenue generation.

The loss included one off financing and restructuring costs of \$638,581 comprising \$189,837 legal costs, \$168,300 adviser costs, \$183,437 borrowing costs relating to payout of previous debt facilities, and \$97,007 interest and other costs.

The loss included: (a) sales, marketing, and travel costs of \$1,355,942 comprising corporate \$698,176, Australia market \$341,473, Europe market \$119,189, US market \$197,104; (b) administration, office, and corporate costs of \$523,844 comprising corporate \$368,190, US market \$155,654; and (c) development and commercialization costs of \$1,226,057.

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During the reporting period the Company raised \$6,329,999 pursuant to a placement the company issued 140,666,665 shares at \$0.045 per share. Since the end of the reporting period the Company has raised \$1,005,000 from the issue of 22,333,334 shares at \$0.045 per share.

During the reporting period the Company has reduced borrowings by \$3,537,921 and the associated finance costs.

The financial position of the consolidated entity depends on sales from the commercialization of the networking and internet security systems. The networking and internet security industry is a fast moving industry and the rate of technological change is significant. The main risk for the consolidated entity, and therefore the focus of management, is sales from the commercialization of the networking and internet security systems.

## 2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current period	Previous corresponding period
(0.005) cents	(0.003) cents

## 3. DETAILS OF CONTROLLED ENTITIES

3.1 Control gained over entities during the period – Nil

3.2 Loss of control of entities during the period - Nil

## 4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity accounted Associates and Joint Venture Entities - Nil

## 5. DIVIDENDS

No dividends have been declared for the half year ended 31 December 2016 or for the previous corresponding period.

## 6. ACCOUNTING STANDARDS

*AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4D.*

## 7. REVIEW STATUS

The Half Year Interim Financial Report has been reviewed.

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## NETLINKZ LIMITED

A.C.N. 141 509 426

### INTERIM FINANCIAL REPORT

### HALF-YEAR ENDED 31 DECEMBER 2016

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## DIRECTORS' REPORT



The Directors of Netlinkz Limited present their report on the Consolidated Entity consisting of Netlinkz Limited ("Company" or "Netlinkz") and the entities it controlled at the end of, or during, the half-year ended 31 December 2016 ("Consolidated Entity" or "Group").

### Directors

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

- James Tsiolis (appointed 11 November 2015)
- Timothy Gooch (appointed 10 December 2014)
- Robert Turner (appointed 1 August 2016)
- Trevor Cain (appointed 7 September 2016)
- James Wakim (appointed 1 February 2017)
- Katherine Foster (appointed 11 November 2015 resigned 29 September 2016)
- Kevin Greene (appointed 3 December 2015 resigned 29 September 2016)

### Significant change in the State of Affairs

During the reporting period the Group have undertaken significant restructuring and cost reductions, the restructuring and costs reductions. Since the end of the reporting period further restructuring and changes in operating activities have been completed which will result in further cost savings to Netlinkz, the company continues to reduce costs in all areas not related to revenue generation.

Netlinkz has adopted a new Global Business Development Strategy focused on Strategic Partnerships, Strategic Partnerships in key markets are the basis of the new marketing model that is aimed at generating recurring revenue for the business. The Strategic Partnering approach is a proven methodology developed by many organisations with technology offerings and in similar positions.

Through Strategic Partnering Netlinkz will gain competitive advantage through access to a Partner's resources, including markets, capital and people. The Partner will be responsible for sales, marketing, operations, support and infrastructure, along with all legal and statutory requirements. The Strategic Partnering will also provide a basis for knowledge and technology transfer of Netlinkz expertise to international markets.

Netlinkz is continuing its negotiations to complete significant joint venture partnerships in China and the USA, the partnerships involve dealing with Government bodies, Strategic Partners, and are subject to regulatory approval processes in finalizing the agreements. These requirements have resulted in completion taking longer than expected.

The Strategic Partnering for the China and USA agreements involve restructuring and changes in operating activities which are required to be completed as part of the agreement negotiations. The restructuring and changes in operating activities will result in further cost savings to Netlinkz.

In conjunction with the China and USA agreements and the restructuring and changes in operating activities Netlinkz will secure funding to continue its Strategic Partnering opportunities worldwide. Netlinkz is taking a regional approach to this strategy, with the regions covered including China, USA, Asia Pacific, Japan, Europe, and Middle East.

### Principal activities

The principal activities of the Group is the development and commercialization of networking and internet security systems.

## Review of operations

The net loss for the consolidated entity after providing for income tax amounted to \$4,118,976 (31 December 2015 \$4,219,365). It is not proposed to pay dividends.

During the reporting period the Group have undertaken significant restructuring and cost reductions.

Since the end of the reporting period further restructuring and changes in operating activities have been completed which will result in further cost savings to Netlinkz, the company continues to reduce costs in all areas not related to revenue generation.

The loss included one off financing and restructuring costs of \$638,581 comprising \$189,837 legal costs, \$168,300 adviser costs, \$183,437 borrowing costs relating to payout of previous debt facilities, and \$97,007 interest costs.

The loss included: (a) sales, marketing, and travel costs of \$1,355,942 comprising corporate \$698,176, Australia market \$341,473, Europe market \$119,189, US market \$197,104; (b) administration, office, and corporate costs of \$523,844 comprising corporate \$368,190, US market \$155,654; and (c) development and commercialization costs of \$1,226,057.

During the reporting period the Company raised \$6,329,999 pursuant to a placement the company issued 140,666,665 shares at \$0.045 per share. Since the end of the reporting period the Company has raised \$1,005,000 from the issue of 22,333,334 shares at \$0.045 per share.

During the reporting period the Company has reduced borrowings by \$3,537,921 and the associated finance costs.

The financial position of the consolidated entity depends on sales from the commercialization of the networking and internet security systems. The networking and internet security industry is a fast moving industry and the rate of technological change is significant. The main risk for the consolidated entity, and therefore the focus of management, is sales from the commercialization of the networking and internet security systems.

## Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2016.

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



**James Tsiolis**  
Director  
Perth

Dated this 28<sup>th</sup> day of February 2017

## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor for the review of Netlinkz Limited for the half-year ended 31 December 2016, 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.



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 28 February 2017

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**Consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2016**



		<b>Consolidated Half Year ended 31 December 2016</b>	<b>Consolidated Half Year ended 31 December 2015</b>
	Note	\$	\$
<b>Income</b>			
Sales		49,890	353,499
Grants		-	112,506
Interest		-	9,835
		<hr/> 49,890	<hr/> 475,840
<b>Expenses</b>			
Sales, Business Development, Marketing, Travel		1,355,942	1,334,100
Admin, Office, Corporate		523,844	841,060
Development & Commercialisation		1,226,057	1,865,176
Finance & restructuring costs (one off)	3	638,581	162,597
Share based payments (options granted)	4	424,442	492,272
		<hr/> 4,168,866	<hr/> 4,695,205
(Loss) before income tax		(4,118,976)	(4,219,365)
Income tax expense		-	-
<b>(Loss) for the period</b>		<hr/> <b>(4,118,976)</b>	<hr/> <b>(4,219,365)</b>
Other comprehensive income			
<i>Items that will be classified to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,101	(64,743)
Other comprehensive loss for the period, net of income tax		<hr/> 2,101	<hr/> (10,259)
<b>Total comprehensive loss for the period</b>		<hr/> <b>(4,116,876)</b>	<hr/> <b>(4,284,108)</b>
(Loss)/profit attributable to members of the parent entity		(4,118,976)	(4,219,365)
Total comprehensive loss attributable to members of the parent entity		(4,116,876)	(4,284,108)
Earnings/(Loss) per share from continuing operations			
- basic earnings per share (cents)	7	(0.005)	(0.01)
- diluted earnings per share (cents)	7	(0.005)	(0.01)

**The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the attached notes to the consolidated financial statements.**

**Consolidated statement of financial position  
As at 31 December 2016**



	Note	Consolidated Half Year ended 31 December 2016 \$	Consolidated Full Year ended 30 June 2016 \$
<b>Current assets</b>			
Cash and cash equivalents		26,245	377,045
Trade and other receivables		54,991	78,598
<b>Total current assets</b>		<b>81,236</b>	<b>455,643</b>
<b>Non-current assets</b>			
Property, plant and equipment		10,189	26,145
<b>Total non-current assets</b>		<b>10,189</b>	<b>26,145</b>
<b>Total assets</b>		<b>91,425</b>	<b>481,788</b>
<b>Current liabilities</b>			
Trade and other payables		1,926,096	1,930,967
Employee benefits		166,801	176,904
Borrowings	5	250,000	2,833,544
Other		-	85,189
<b>Total current liabilities</b>		<b>2,342,897</b>	<b>5,026,604</b>
<b>Non-current liabilities</b>			
Borrowings	5	1,188,929	2,143,306
<b>Total non-current liabilities</b>		<b>1,188,929</b>	<b>2,143,306</b>
<b>Total liabilities</b>		<b>3,531,826</b>	<b>7,169,910</b>
<b>Net assets (deficit)</b>		<b>(3,440,401)</b>	<b>(6,688,122)</b>
<b>Equity</b>			
Issued equity	6	22,622,484	15,682,329
Reserves		1,175,360	748,818
Retained earnings (losses)		(27,238,245)	(23,119,269)
<b>Total equity / (deficiency in equity)</b>		<b>(3,440,401)</b>	<b>(6,688,122)</b>

The consolidated statement of financial position should be read in conjunction with the attached notes to the consolidated financial statements.

**Consolidated statement of changes in equity for the half year ended 31 December 2016**



Consolidated	Issued capital \$	Reserves	Retained earnings (losses) \$	Total \$
<b>At 1 July 2015</b>	13,353,100	(86,906)	(13,199,309)	66,885
Total comprehensive loss for the period	-	(64,743)	(4,219,365)	(4,284,108)
<i>Transactions with owners in their capacity as owners:</i>				
Share issue	2,000,700	-	-	2,000,700
Capital raising	(257,753)	-	-	(257,753)
Financing costs	-	282,353	-	282,353
Share-based payments	-	492,272	-	492,272
<b>Balance at 31 December 2015</b>	<b>15,096,047</b>	<b>622,976</b>	<b>(17,418,674)</b>	<b>(1,699,651)</b>
<b>At 1 July 2016</b>	15,682,329	748,818	(23,119,269)	(6,688,122)
Total comprehensive loss for the period	-	2,101	(4,118,976)	(4,116,876)
<i>Transactions with owners in their capacity as owners:</i>				
Share issue	7,329,300	-	-	7,329,300
Capital raising	6 (389,145)	-	-	(389,145)
Share-based payments	4 -	424,442	-	424,442
<b>Balance at 31 December 2016</b>	<b>22,622,484</b>	<b>1,175,360</b>	<b>(27,238,245)</b>	<b>(3,440,401)</b>

The consolidated statement of changes in equity should be read in conjunction with the attached notes to the consolidated financial statements.

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**Consolidated Statement of cash flows for the half year ended 31 December 2016**



	<b>Consolidated Half Year ended 31 December 2016 \$</b>	<b>Consolidated Half Year ended 31 December 2015 \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	37,885	120,276
Payments to suppliers and employees	(3,362,152)	(4,650,510)
	<u>(3,324,267)</u>	<u>(4,530,234)</u>
Grants received	-	610,023
Interest received	6,223	9,835
Interest and other finance costs paid	(58,821)	(35,396)
	<u>(3,376,865)</u>	<u>(3,945,772)</u>
Net cash (used in) operating activities	8	(3,945,772)
<b>Cash flows from investing activities</b>		
Disposal (Payments) for property, plant and equipment	8,191	(9,671)
Refund (Payments) for security deposits	29,289	47,834
	<u>37,580</u>	<u>38,163</u>
Net cash (provided by) investing activities		38,163
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	6,329,999	2,000,699
Share issue transaction costs	(389,145)	(171,544)
Proceeds from borrowings	-	950,000
Repayment of borrowings	(2,952,369)	-
	<u>2,988,485</u>	<u>2,779,155</u>
Net cash provided by financing activities		2,779,155
Net change in cash and cash equivalents held	(350,800)	(1,128,454)
Cash and cash equivalents at beginning of financial period	377,045	1,741,857
	<u>26,245</u>	<u>613,403</u>
<b>Cash and cash equivalents at end of financial period</b>		<b>613,403</b>

The consolidated statement of cash flows should be read in conjunction with the attached notes to the consolidated financial statements.

## Notes to the Consolidated financial statements for the half year ended 31 December 2016



### Note 1. Basis of preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

#### **New and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

#### **Impact of standards issued but not yet applied by the entity**

There were no new standards issued since 30 June 2016 that have been applied by Netlinkz Group. The 30 June 2016 annual report disclosed that Netlinkz Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

#### **Going Concern**

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

As disclosed in the financial statements, the Group incurred a loss of \$4,118,976, had net cash outflows from operating activities of \$3,376,865 and working capital deficiency of \$2,261,661. The Group is dependent upon future equity raisings and the ongoing support of creditors to meet its obligations as and when they fall due. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the group's ability to continue as a going concern.

The directors believe that there are reasonable grounds to believe that the Group will continue as going concern, after considering the following factors:

- The completion post 31 December 2016 of a placement raising \$1,005,000;
- Substantial cost cutting measures have been undertaken during the period and post 31 December 2016;
- The Group expects to increase revenues during calendar year 2017 from its patented technology solutions and its new partnering sales strategy.
- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimize its working capital requirements;
- The directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available;

- During the period the Group repaid borrowings of \$3,537,921 which will not be incurred in the subsequent years;
- The Directors have determined that future equity raisings may be required and could be achieved to provide funding for the Group's activities and to meet the Group's objectives. The Group has historical success in raising equity and debt capital and the Group is publicly listed on the ASX;
- The Group has successfully received grants for prior years Research & Development expenditure;
- The Group retains the ability, if required, to wholly or in part dispose of its intellectual property.

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

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this financial report.

## Note 3. Finance costs

	Half Year ended 31 December 2016 \$	Half Year ended 31 December 2015 \$
Legal costs relating to pay out of previous debt facilities restructuring	189,837	-
Advisor costs relating to funding and restructuring	168,300	86,208
Finance costs relating to pay out of previous debt facilities and funding <sup>1, 2, 3</sup>	161,103	-
Interest & other costs	119,341	114,087
	638,581	162,597

<sup>1</sup> On 30 December 2016 the Company issued shares to Alpha First Pty Ltd in payment of \$165,000 fees (refer to Note 4 and Note 6). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$62,333 which gives rise to a gain on settlement of liability of \$102,667 which is offset against Finance costs.

<sup>2</sup> On 30 December 2016 the Company issued shares to Talks One Pty Ltd in repayment of \$64,953 loan (refer to Note 5 and Note 6). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$24,556 which gives rise to a gain on settlement of liability of \$40,397 which is offset against Finance costs.

<sup>3</sup> On 17 October 2016 the Company issued shares in repayment of \$524,943 loan (refer to Note 5 and Note 6). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$829,113 which gives rise to a Finance cost on repayment of \$304,167.

## Note 4. Share-based payments

### Shares

On 11 November 2016 the Company issued 1,851,111 Shares at \$0.045 per share to an advisor in payment of \$83,300 fees.

On 30 December 2016 the Company issued 3,666,667 shares at \$0.045 per share to Alpha First Pty Ltd in payment of \$165,000 fees. Alpha First Pty Ltd is related party of James Tsiolis and the issue of the Shares were approved at the Annual General Meeting on 30 November 2016.

## Options

Pursuant to their appointment and in payment of services the following Directors were granted unlisted Options, the issue of the Options to the Directors were approved at the Annual General Meeting on 30 November 2016. For the purposes of the Australian Accounting Standards the Options are required to be accounted for as a share based payment granted during the reporting period.

On 30 December 2016 Mr Tsiolis was issued unlisted Options expiring on 1 August 2020 to subscribe for: 20.0 million ordinary fully paid shares at an exercise price of 4.5 cents per share (for services rendered to date of commencement); 2.5 million ordinary fully paid shares at an exercise price of 6.0 cents per share at the first anniversary; 2.5 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary, and 5.0 million ordinary fully paid shares at an exercise price of 30.0 cents per share at the third anniversary.

On 30 December 2016 Mr Gooch was issued unlisted Options expiring on 1 August 2020 to subscribe for: 2.5 million ordinary fully paid shares at an exercise price of 6.0 cents per share at the first anniversary; 2.5 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary, and 5.0 million ordinary fully paid shares at an exercise price of 30.0 cents per share at the third anniversary.

On 30 December 2016 Mr Cain was issued unlisted Options expiring on 1 August 2020 to subscribe for 7.5 million ordinary fully paid shares at an exercise price of 4.5 cents per share that will vest over three years in equal annual instalments.

On 30 December 2016 Mr Turner was issued unlisted Options expiring on 1 August 2020 to subscribe for 7.5 million ordinary fully paid shares at an exercise price of 4.5 cents per share that will vest over three years in equal annual instalments.

On 30 December 2016 Mr Naganayagam was issued unlisted Options expiring on 1 November 2020 to subscribe for: 4.0 million ordinary fully paid shares at an exercise price of 6.0 cents per share at the first anniversary; 4.0 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary, and 4.0 million ordinary fully paid shares at an exercise price of 30.0 cents per share at the third anniversary.

On 9 February 2017 pursuant to an executive employment contract effective 1 October 2016 the Company issued 8,000,000 unlisted Options expiring on 1 October 2021 to subscribe for: 2.0 million ordinary fully paid shares at an exercise price of 6.0 cents per share at the first anniversary; 2.0 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary; 2.0 million ordinary fully paid shares at an exercise price of 24.0 cents per share at the third anniversary; and 2.0 million ordinary fully paid shares at an exercise price of 36.0 cents per share at the fourth anniversary.

On 9 February 2017 in payment of past services of an executive employee the Company issued 10,000,000 unlisted options expiring on 1 August 2020 to subscribe for ordinary fully paid shares at an exercise price of \$0.045 per share

On 13 February 2017 in payment of US based services the Company issued 13,000,000 unlisted options expiring on 1 January 2020 to subscribe for: 5.5 million ordinary fully paid shares at an exercise price of \$0.045 per share; 2.5 million ordinary fully paid shares at an exercise price of \$0.12 per share; and 5.0 million ordinary fully paid shares at an exercise price of \$0.30 per share. 10 million of the unlisted options will be exercisable subject to achieving agreed revenue milestones

	Number of Options	Fair value
James Tsiolis	30,000,000	\$330,715
Timothy Gooch	10,000,000	\$75,531
Trevor Cain	7,500,000	\$95,694
Robert Turner	7,500,000	\$95,694
Suthan Naganayagam	12,000,000	\$107,462
Executive employee contract	8,000,000	\$162,261
Executive employee services	10,000,000	\$83,275
Executive US services	13,000,000	\$77,758
Total	98,000,000	\$1,028,390

To be expensed over vesting periods	\$(603,948)
Expensed for current period	<u>\$424,442</u>

For the options granted during the current period, the valuation model inputs used 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 issue date
01/10/2016	01/10/2021	\$0.038	\$0.06	100.00%	0.00%	1.91%	\$0.0261
01/10/2016	01/10/2021	\$0.038	\$0.12	100.00%	0.00%	1.91%	\$0.0221
01/10/2016	01/10/2021	\$0.038	\$0.24	100.00%	0.00%	1.91%	\$0.0177
01/10/2016	01/10/2021	\$0.038	\$0.36	100.00%	0.00%	1.91%	\$0.0152
30/11/2016	01/08/2020	\$0.023	\$0.045	100.00%	0.00%	1.91%	\$0.0128
30/11/2016	01/08/2020	\$0.023	\$0.06	100.00%	0.00%	1.91%	\$0.0115
30/11/2016	01/08/2020	\$0.023	\$0.12	100.00%	0.00%	1.91%	\$0.0085
30/11/2016	01/08/2020	\$0.023	\$0.30	100.00%	0.00%	1.91%	\$0.0051
30/11/2016	01/11/2020	\$0.023	\$0.06	100.00%	0.00%	1.91%	\$0.0121
30/11/2016	01/11/2020	\$0.023	\$0.12	100.00%	0.00%	1.91%	\$0.0092
30/11/2016	01/11/2020	\$0.023	\$0.30	100.00%	0.00%	1.91%	\$0.0057
31/12/2016	01/08/2020	\$0.017	\$0.045	100.00%	0.00%	1.91%	\$0.0083
31/12/2016	31/01/2020	\$0.017	\$0.045	100.00%	0.00%	1.91%	\$0.0092
31/12/2016	31/01/2020	\$0.017	\$0.12	100.00%	0.00%	1.91%	\$0.0054
31/12/2016	31/01/2020	\$0.017	\$0.30	100.00%	0.00%	1.91%	\$0.0027

Mr Wakim was appointed a Director on 2 February 2017 and is to be granted unlisted Options expiring on 1 February 2021 to subscribe for 7.5 million ordinary fully paid shares at an exercise price of 4.5 cents per share that will vest over the next three years in equal annual instalments, the issue of the Options is subject to shareholder approval.

#### Note 5. Borrowings

<b>Current liabilities</b>	<b>Half Year ended 31 December 2016</b>	<b>Full Year ended 30 June 2016</b>
	<b>\$</b>	<b>\$</b>
February 2016 debt facility	250,000	250,000
March 2016 debt facility <sup>1</sup>	-	1,725,701
June 2016 debt facility <sup>2</sup>	-	802,675
Other loans	-	55,168
	<u>250,000</u>	<u>2,833,544</u>
<b>Non-current liabilities</b>		
March 2016 debt facility <sup>1</sup>	-	871,519
Related party loans <sup>3,4</sup>	-	94,757
Other loans <sup>4</sup>	1,188,929	1,177,030
	<u>1,188,929</u>	<u>2,143,306</u>

<sup>1</sup> On 22 August 2016 the Company entered into a settlement deed in relation to the March 2016 debt facility pursuant to which the parties agreed that following the Company making cash payments in the amount of US\$1,889,759 (A\$2,597,220) representing the amount owing to by the Company under the March 2016 debt facility plus a premium to be paid by the Company for early discharge. The Company has paid US\$1,417,319 (A\$1,912,712) on 22 August 2016 and paid US\$472,440 (A\$684,508) on 5 October 2016.

<sup>2</sup> On 12 October 2016 the Company made a cash payment of US\$200,000 (A\$277,729) loan repayment. On

17 October 2016 the Company issued 21,347,872 shares at \$0.045 per share in payment of US\$400,000 (A\$524,946) loan repayment (refer to Note 6).

<sup>3</sup> On 30 December 2016 the Company issued 1,443,404 shares at \$0.045 per share to Talks One Pty Ltd in repayment of \$64,953 loan. Talks One Pty Ltd is related party of Timothy Gooch and the issue of the Shares were approved at the Annual General Meeting on 30 November 2016 (refer to Note 6).

<sup>4</sup> The balance of the related party loan from the comparative period is no longer a related party loan and is included in other loans

#### Note 6. Equity - issued capital

	Ordinary Shares	\$
Balance 1 July 2015	609,059,604	13,353,100
Issues of shares	11,768,821	2,000,700
Less: Capital raising costs	-	(277,468)
Collateral shares <sup>(1)</sup>	10,000,000	-
Borrowing repayment in shares	3,772,887	285,405
Equity drawdown	4,696,707	270,592
Balance at 30 June 2016	639,298,019	15,682,329
	<b>Ordinary Shares</b>	<b>\$</b>
Issues of shares	140,666,655	6,329,999
Less: Capital raising costs	-	(389,145)
Expenses paid in shares <sup>2,3</sup>	5,517,778	248,300
Fair value gain on payment of expenses <sup>2</sup>	-	(102,667)
Borrowing repayment in shares <sup>4,5</sup>	22,791,276	589,899
Fair value gain for repayment of loan <sup>4</sup>	-	(40,397)
Fair value cost for repayment of loan <sup>5</sup>	-	304,167
Balance at 31 December 2016	808,273,728	22,622,484

<sup>1</sup> On 14 March 2016 the Company issued 10,000,000 collateral shares under the March 2016 debt facility, during the reporting period the debt facility was repaid and the shares are no longer held as collateral shares, the shares are now to be purchased at a price being a 90% of three daily volume weighed average prices selected by the lender within the 20 trading days preceding the payment date on or before 15 March 2018, if the shares are not purchased then the shares are to be returned to the Company for cancellation. As at the reporting date the amount that would have been payable for the shares was \$171,000.

<sup>2</sup> On 30 December 2016 the Company issued 3,666,667 shares at \$0.045 per share in payment of \$165,000 fees (refer to Note 4). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$62,333 which gives rise to a gain on settlement of liability of \$102,667 which is offset against Finance costs (refer to Note 3).

<sup>3</sup> On 11 November 2016 the Company issued 1,851,111 Shares at \$0.045 per share to an advisor in payment of \$83,300 fees (refer Note 4).

<sup>4</sup> On 30 December 2016 the Company issued 1,443,404 shares at \$0.045 per share in payment of \$64,953 loan repayment (refer to Note 5). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$24,556 which gives rise to a gain on settlement of liability of \$40,397 which is offset against Finance costs. (refer to Note 3).

<sup>5</sup> On 17 October 2016 the Company issued 21,347,872 shares at \$0.045 per share in payment of \$524,946 loan repayment (refer to Note 5). For the purposes of the Australian Accounting Standards the Shares are required to be accounted for at fair market value on the date of issue being \$829,113 which gives rise to a Finance cost on repayment of \$304,167 (refer to Note 3).

	<b>Options</b>	<b>Exercise price</b>
Expiry date of 31 October 2017	11,768,821	\$0.25
Expiry date of 4 November 2020	2,139,036	\$0.25
Expiry date of 8 March 2019	1,500,000	\$0.1412
Expiry date of 16 March 2019	8,500,000	\$0.147
Balance at 30 June 2016	<u>23,907,857</u>	
Expiry date of 1 August 2020	45,000,000	\$0.045
Expiry date of 1 August 2020	5,000,000	\$0.06
Expiry date of 1 August 2020	5,000,000	\$0.12
Expiry date of 1 August 2020	10,000,000	\$0.30
Expiry date of 1 January 2020	5,500,000	\$0.045
Expiry date of 1 January 2020	2,500,000	\$0.12
Expiry date of 1 January 2020	5,000,000	\$0.30
Expiry date of 1 November 2020	4,000,000	\$0.06
Expiry date of 1 November 2020	4,000,000	\$0.12
Expiry date of 1 November 2020	4,000,000	\$0.30
Expiry date of 1 October 2021	2,000,000	\$0.06
Expiry date of 1 October 2021	2,000,000	\$0.12
Expiry date of 1 October 2021	2,000,000	\$0.24
Expiry date of 1 October 2021	2,000,000	\$0.36
Balance at 31 December 2016	<u><u>121,907,857</u></u>	

#### Note 7. Earnings per share

	<b>Half Year ended 31 December 2016</b>	<b>Half Year ended 31 December 2015</b>
(Loss) used in the earnings per share calculation	\$(4,118,976)	\$(4,219,365)
Weighted average number of ordinary shares	786,526,659	613,396,186
Loss per share (cents)	(0.005)	(0.01)

#### Note 8. Reconciliation of loss after income tax to net cash from operating activities

	<b>Half Year ended 31 December 2016</b>	<b>Half Year ended 31 December 2015</b>
Loss after income tax expense for the year	(4,118,976)	(4,219,365)
Adjustments for:		
Director share based payments (options granted)	424,442	492,272
Depreciation and amortisation	7,764	10,298
Foreign exchange differences	2,101	(64,743)
Impairment of receivables	-	27,879
Interest accrued on loans	4,347	13,114
Advisor costs relating to funding	83,300	-
Finance Borrowing Cost	161,103	-
Change in operating assets and liabilities:		
Increase /(decrease) in trade and other receivables	(5,782)	264,294
Decrease/(increase) in other operating assets	-	-
Increase/(decrease) in trade and other payables	(95,292)	(502,574)
Increase (decrease) in employee benefits	160,128	33,053
Net cash deficit from operating activities	<u><u>(3,376,864)</u></u>	<u><u>(3,945,772)</u></u>

## **Note 9. Related party**

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 favorable 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 recognized during the half year (excluding re-imbusement of expenses incurred on behalf of the Company) relating to directors and their director-related entities were as follows:

### *Corporate advisory fees, and capital raising:*

For the period ending 31 December 2016 \$48,745 of corporate advisory, capital raising, office rent fees was paid to Strategic Capital Management Ltd (of which Mr James Tsiolis is a Director). As at the 31 December 2016 \$10,000 is payable to Strategic Capital Management Ltd.

### *Director fees and remuneration:*

For the period ending 31 December 2016 \$35,000 of remuneration was incurred from Alpha First Pty Ltd (of which Mr James Tsiolis is a Director). As at the 31 December 2016 \$nil is payable to Alpha First Pty Ltd.

During the period ending 31 December 2016 \$165,000 owed to Alpha First Pty Ltd (of which Mr James Tsiolis is a Director) was settled through the issue of shares at \$0.045 per shares, the issue of shares was approved by shareholders at the AGM on 30 November 2016. As at the 31 December 2016 \$nil is payable to Alpha First Pty Ltd.

### *Loan payable:*

During the period ending 31 December 2016 \$64,953 owed to Talks One Pty Ltd as trustee for the Gooch Family Trust (of which Tim Gooch is a director and beneficiary) was settled through the issue of shares at \$0.045 per shares, the issue of shares was approved by shareholders at the AGM on 30 November 2016. For the period ending 31 December 2016 \$1,877 interest has accrued on the loan. As at the 31 December 2016 \$nil is payable to Talks One Pty Ltd.

### *Director options*

Pursuant to their appointment and in payment of services the Directors were granted unlisted Options (refer to Note 4), the issue of the Options to the Directors were approved at the Annual General Meeting on 30 November 2016.

## **Note 9: Contingent Liabilities**

There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2016.

## **Note 10: Events subsequent to reporting date**

On 5 January 2017 pursuant to a placement of \$450,000 the Company issued 10,000,000 shares at \$0.045 per share.

On 23 January 2017 pursuant to a placement of \$555,000 the Company issued 12,333,334 shares at \$0.045 per share.

On 25 January 2017 pursuant to the joint venture agreement with JianNan Information Technology Limited issued 4,444,445 shares at \$0.045 per share.

On 9 February 2017 in payment of fees owed of \$50,332 the Company issued 1,118,483 shares at \$0.045 per share.

On 9 February 2017 in payment of past services of an executive employee the Company issued 10,000,000 unlisted options expiring on 1 August 2020 to subscribe for ordinary fully paid shares at an exercise price of \$0.045 per share.

On 9 February 2017 pursuant to an executive employment contract the Company issued 8,000,000 unlisted Options expiring on 1 October 2021 to subscribe for: 2.0 million ordinary fully paid shares at an exercise price

of 6.0 cents per share at the first anniversary; 2.0 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary; 2.0 million ordinary fully paid shares at an exercise price of 24.0 cents per share at the third anniversary; and 2.0 million ordinary fully paid shares at an exercise price of 36.0 cents per share at the fourth anniversary.

On 9 February 2017 pursuant to an executive employment contract the Company issued 10,000,000 unlisted Options expiring on 1 January 2021 to subscribe for: 3.3 million ordinary fully paid shares at an exercise price of 6.0 cents per share at the first anniversary; 3.3 million ordinary fully paid shares at an exercise price of 12.0 cents per share at the second anniversary; and 3.4 million ordinary fully paid shares at an exercise price of 24.0 cents per share at the third anniversary

On 13 February 2017 in payment of services the Company issued 13,000,000 unlisted options expiring on 1 January 2020 to subscribe for: 5.5 million ordinary fully paid shares at an exercise price of \$0.045 per share; 2.5 million ordinary fully paid shares at an exercise price of \$0.12 per share; and 5.0 million ordinary fully paid shares at an exercise price of \$0.30 per share. 10 million of the unlisted options will be exercisable subject to achieving agreed revenue milestones.

On 14 February 2017 Netlinkz announced a non-exclusive joint venture agreement with JianNan Information Technology Limited (JNN) aimed at growing the company's revenues in China through strategic licensing of its proprietary cloud network technology. The joint venture has successfully secured a customer trial of its technology with China Telecom Wuxi and is in ongoing negotiations with the organisation to commercialise the technology through its substantial customer base, pending a successful trial result. Netlinkz has issued \$200,000 worth of shares at 4.5 cents as part of the terms of the JNN joint venture agreement. If milestones and market penetration targets are met, JNN will be paid by way of shares issued in Netlinkz at the prevailing market price.

There has been no other material event subsequent to the half year ended 31 December 2016.

## DIRECTORS' DECLARATION



The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 4 to 15 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 2016 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.

A handwritten signature in black ink, appearing to read "James Tsiolis", written over a faint, large watermark that says "For personal use only".

**James Tsiolis**  
Director

**Perth**

Dated this 28th day of February 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Netlinkz Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Netlinkz Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2016 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. As the auditor of Netlinkz Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

#### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Netlinkz Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Netlinkz Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - 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 consolidated entity's ability to continue as a going concern and therefore the consolidated entity 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.

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth, 28 February 2017

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