

1 June, 2017

## **ASX ANNOUNCEMENT**

### **NETLINKZ RESTRUCTURE**

Netlinkz Limited (ASX:NET) ('Netlinkz' or 'the Company') is nearing completion of a corporate restructure that to date, has seen monthly costs reduced by over 60 per cent and the Company reorganised to support a new strategy of licensing of its proprietary software to key global telecommunication and IT providers with large customer bases.

As part of the new structure, Executive Chairman, James Tsiolis has replaced Suthan Naganayagam as the Chief Executive Officer of Netlinkz.

During Netlinkz's suspension from trading on the ASX, Netlinkz has been financially supported by an entity controlled by Mr Tsiolis's Strategic Capital Management, which has arranged investment in the Company through the SCM Absolute Return International Equity (ARIE) Trust of \$1.985m at \$0.045 per fully paid share (Share) during this period. Additionally, the ARIE Trust has lent Netlinkz \$306,594 which, subject to shareholder approval being obtained, will be converted into Shares in the Company.

Netlinkz's monthly operating costs continue to decline while being impacted by ongoing restructure and legacy costs. Cash restructuring and legacy costs for the three months to 30 June 2017 are expected to be approximately \$1.0m. Non-cash costs are still to be estimated and some of these costs will be subject to the outcome of shareholder approval at a yet to be announced shareholders meeting, the non-cash costs include the valuation of options that may be issued and accounting finance costs associated with debt repayment and conversion to equity. That shareholder meeting will seek approval on matters concerning the Company's restructuring, its capital raising, and proposed conversion of certain of the debt on issue in the Company to equity.

Netlinkz's new licensing model is aimed at securing the business licensing fees for deployment of its technology through partnerships with large telecommunication and IT businesses to achieve typical industry gross margins.

Licensing is expected to be with partner organisations who have existing distribution, sales, and customer support capabilities to effectively take on the costs of commercialising Netlinkz's IP and scaling user uptake. This is intended to enable Netlinkz shareholders to receive licensing revenue, without having to bear the risks and uncertainties of complex international businesses with diverse customer client bases and needs.

In addition to the progress that has been made with China Telecom (see Netlinkz's announcements of 20 February, 3 March and 25 May), negotiations are also being pursued with other potential partners in Australia, the UK and the USA.

“After a lengthy review, the Board concluded that the Company’s previous strategy of selling directly to end users was unsustainable and decided that a low-cost licensing model was in the best interest of the Company, its shareholders and the vision of its founders,” said Netlinkz Executive Chairman, James Tsiolis.

“Instead of pursuing the traditional and costly endeavour of attempting to secure customers of all shapes and sizes ourselves, the Company will now simply focus on developing and supporting partnerships with large established organisations that have ready built customer bases. Our technology has been tested and validated by many of these types of large businesses already, so the technology and its patented features have strong prospects to be adopted and promoted by others.”

“While costs have been reduced substantially over the last six months, further cost savings are anticipated as the Board moves the Company to a point where it has the right balance between running lean and having the correct amount of resources on hand to support trials and commercialisation agreements with our partners around the world,” said James Tsiolis.

As part of Netlinkz’s continued restructuring and new strategy, Netlinkz has commenced closing its USA offices. It is moving its ongoing technology development to an out-sourced model that should enhance Netlinkz’s capacity to help its partners implement and scale Netlinkz’s VIN and VSP platforms across the world. In the short term this out-sourcing may result in an increase in cash running costs.

Netlinkz will be making further announcements in the coming days and will be requesting the lifting of the ASX voluntary suspension as soon as possible.

**\*\*\*ENDS\*\*\***

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### **About NetLinkz Limited**

Netlinkz provides secure and efficient cloud network solutions and is the world’s only fully meshed peer-to-peer network provider. The company’s technology makes Fortune-500 security commercially available for organizations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.