



ASX Announcement

31 October 2018

Linus Quarterly Activities Report – Period ending 30 September 2018

Highlights

- **Linus signs first commercial deal with Stockholm-based video news service Newstag**
- **Cash reserves strong at \$8.23 million at 30 September 2018**
- **Announced Proof of Concepts (POC's) progressing well with Oklahoma State University going live in the quarter and the Warner Bros trial to go live in November 2018**

Linus Technologies Limited (ASX: LNU) (**Company** or **Linus**) is pleased to lodge its Quarterly Activities Report and Appendix 4C with the ASX for the quarter ending 30 September 2018.

During the September 2018 quarter the Company has continued its strategic focus, summarised as:

- Vision:** To make all of the world's video accessible as data
Mission: To become the *de facto* standard for the management and broadcast of video
Commercialization: Linus patented Video Virtualization Engine™ (VVE) to deliver to mass markets in 3 ways:
- Industry specific divisions and solution sets built around VVE
 - Mass distribution through partners, such as IBM
 - Self-service to global markets through a SaaS model

In April 2018 the Company published a list of near-term goals (NTGs), which are intended to both drive revenue and the long-term goal of increasing the penetration of virtual video. A number of these goals have been completed, and we expect the majority of the others to follow.

The goals reflect the Company's primary focus of delivering growth. During the quarter Linus has made significant inroads towards delivering the goals at scale, thereby facilitating the strategies to directly sell point solutions that are easily replicable by channel partners; sign up channel partners to deliver those solutions into specific verticals; and leverage the power of modern SaaS platforms for scalability.

Oklahoma State University and Newstag represent examples of point solutions that are easily replicable in specific verticals, respectively education and news, providing the Company with opportunities to commercialize the solutions on a global scale.

Additionally, the general availability launch of Linus Video Services (LVS) puts Linus in the Company's desired position of being able to leverage the investments of Amazon, Google, IBM, and others in cloud infrastructure generally, and video and AI specifically. Details on the completed NTGs are provided below.

Appendix 4C Quarterly Report and statement of cash flows

The ASX Appendix 4C Quarterly Report for September 2018 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period to 30 September 2018 reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities.

Net operating cash outflows for the quarter were \$2.54m. This compares favourably with the estimated cash outflow of \$3.05m as published in the prior quarterly report and reflects management's efforts to prudently direct funds to the business activities most relevant to the achievement of the Company's business goals. The cash balance at 30 September 2018 was \$8.23 million.

Near Term Goals leading to Revenue and Industry Acknowledgement

The Company set its near term goals to demonstrate the nexus between the Linius technology and the potential for commercialization in substantial and high-profile markets. They reflect the Linius strategy to complete announced POCs, deliver direct sales, and drive those results through channel as solutions.

Achievement of these near-term goals will place the Company in a strong position to deliver industry transforming solutions with its channel partners and customers.

The Company has ensured that progress has been developed within current budget during the September 2018 quarter, and will continue to do so until significant commercialization is reached. The current business plan enables the required investment into people and resources to accelerate sales and support customer solutions.

A primary focus of the Company is to deliver revenue generating agreements of which Linius targeted six in its near-term goals. The targets reflected a portion of the existing sales pipeline at the time they were set, and the Company remains confident that the potential agreements envisaged are deliverable.

In addition the sales pipeline has grown significantly in each of Linius' target markets. Newstag and MediaAMP are examples of solutions that can be delivered via channel and the Company expects to deliver continuing high-profile examples as they complete. The Newstag and MediaAMP solutions themselves are contributing to further deals in the sales pipeline within their respective markets.

The Company did not forecast significant revenues in 2018 but expects to deliver commercial deals which demonstrate the potential for Linius' technology to substantially transform several industries, delivering revenue in 2019 and beyond.

Newstag

In August, the Company achieved its most significant commercial milestone to-date: a commercial agreement with Stockholm-based video news service Newstag to deliver hyper-personalized news. The service with Newstag has now gone live. The importance of such a commercial deal for a paradigm-shifting technology like Linius' video virtualization cannot be overstated, and as noted above is already contributing to the pipeline of future commercial deals. According to Nielsen's Total Audience Report 2016, news consumption is showing significant growth. In the US alone, adults over 18-years-old watched more than 27 billion minutes of national cable television news programming per week. The hype-personalization of news content represents a dramatic shift in people's ability to get the content they want, when they want it, delivered in an easy to consume single environment. Not only does the solution demonstrate the power of virtual video, it represents a tremendous opportunity to scale Linius' business. The execution of this agreement represents partial completion of the NTG, "close 2 revenue-generating deals in the news or sports sector".

MediaAMP

In September, the Company entered into a strategic partnership with US-based higher-education cloud service provider MediaAMP. MediaAMP's customers include the University of Washington, the University of California and Arizona State University. As noted above the execution of this agreement is also contributing to the pipeline of future commercial deals. There are nearly 5,000 colleges and universities in the US alone. Higher education institutions across the US, and around the world, keep enormous archives of digital video content across a multitude of faculties, business groups and other bodies – from academic videos, to sports, alumni, and promotional content. The signing of the MediaAMP agreement satisfied the Company's NTG of "Sign an education-sector reseller".

Oklahoma State University (OK State) POC

Subsequent to the close of the quarter, the OK State POC went live. The POC was delivered on Linius Video Services (LVS), the Company's SaaS platform which combines cloud technologies from Amazon AWS and Microsoft Azure. The initial focus of the POC is to provide search capability across "famous" faces in University videos (famous within the context of the University). The delivery of this POC meets the NTG of "Deliver POC (proof of concept) of Search in a global cloud environment". The Company will publicly announce more details upon completion of the POC.

Linius Video Services (LVS)

The Company's technology is available on Amazon AWS, Microsoft Azure, and IBM Cloud. The "self-serve" version of VVE — Linius Video Services — was in closed, beta release with developers, partners, and channels from February 2018. Subsequent to the close of the quarter, LVS became commercially available for the wider developer and technology market. For those interested in experimenting with VVE, LVS can be reached at <https://lvs.linius.com/>. LVS is fundamental to Linius' vision of making all the world's video accessible as data. Whilst Linius expects its direct sales and channel partnerships to deliver sustainable commercial success, that success will only be a fraction of the possibility that virtual video represents. LVS is a mechanism to make virtual video available to the rest of the world. The Software as a Service (SaaS) model, opening VVE to global markets, has been one of the three key pillars of the Company's commercialization strategy. Newstag, OK State, and MediaAMP are all built on LVS, and LVS is expected to be the largest contributor to Linius' revenue in the mid-term.

Warner Bros. POC

In February, the Company announced Warner Bros. and Linius had agreed to collaborate on a pilot to demonstrate the analytics and KPI capabilities of Linius' virtual video. Since then, a TVOD (Transactional Video-On-Demand) test platform has been constructed by Linius' System Integration partners, and the original agreement has been extended to include Roadshow Films as the in-country partner for the test. Formal testing of the POC is expected to begin in November and take approximately 30 days to complete.

About Linius Technologies Limited:

Linius Technologies Limited (ASX:LNU) has invented and patented the **Video Virtualization Engine™ (VVE)**, which is available on Amazon Web Services, Microsoft Azure and IBM Cloud.

Amazon, Microsoft and IBM are investing billions in virtualizing video services (technologies) and artificial intelligence in the cloud. It is arguably the biggest battle on the internet, given that video accounts for nearly 80 percent of internet traffic.

Only Linius can expose the data that makes up the video file, making cumbersome video as flexible as all other forms of data. Accessing the data within the video file is the missing link for video cloud service providers, creating unparalleled value across the internet video industry.

Linius has the potential to transform many multi-billion dollar markets, and is initially focused on:

- **Anti-Piracy:** Applying proven data protection methods to video to solve piracy
- **Search:** Search within videos and compile new videos on the fly
- **Security and Defense:** Intelligent search and immediate distribution of security footage
- **Personalized Advertising:** Hyper personalized to individuals, timeslots and content

For more information please contact:

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Linius Technologies Limited

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Linius Technologies Limited

ABN

84 149 796 332

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(907)	(907)
(b) operating costs	(369)	(369)
(c) advertising and marketing	(164)	(164)
(d) leased assets	-	-
(e) staff and consultant costs	(676)	(676)
- recruitment fees	(217)	(217)
(f) administration, travel and corporate costs	(203)	(203)
1.3 Dividends received (see note 3)		
1.4 Interest received	54	54
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	-
1.8 Other – legal & patent costs	(53)	(53)
1.9 Net cash from / (used in) operating activities	(2,535)	(2,535)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities		

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	10,766	10,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,535)	(2,535)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	8,231	8,231

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	465	880
5.2	Call deposits	2,165	1,835
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	5,601	8,051
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,231	10,766

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
139
-

Amounts in item 6.1 relate to remuneration of directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	990
9.2 Operating costs	390
9.3 Advertising and marketing	180
9.4 Leased assets	-
9.5 Staff and consultant costs	840
Recruitment fees	100
9.6 Administration, travel and corporate costs	240
9.7 Other – legal & patent costs	50
9.8 Total estimated cash outflows	2,790

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31 October 2018

Print name: Stephen Kerr

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.