



ASX Announcement

31 July 2018

Linus Quarterly Activities Report – Period ending 30 June 2018

Overview

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

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

- Vision:** To make all of the worlds video accessible as data
- Mission:** To become the *de facto* standard for the management and broadcast of video
- Commercialisation:** 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 with a target completion date of three to six months. Those goals, announced in the June quarter, with a target completion timeline of three to six months (i.e., by the end of the September quarter) are:

- Deliver an end to end piracy solution with a movie studio
- Deliver POC (proof of concept) of Search in a global cloud environment
- Convert initial deal flow with IBM
- Sign an education-sector reseller
- Close 2 revenue-generating deals in the education sector
- Close 2 revenue-generating deals in the news or sports sector
- Sign a second (beyond IBM) global “name” partner
- Close 2 revenue-generating deals (other than the two named above)
- Integrate IBM search capability
- Launch VVE as a SaaS platform

The Company expects to execute on these goals in the timeframe specified. Progress towards these goals is described below, after the quarterly report and statement of cash flows.

Subsequent to the close of the quarter and as announced to the ASX today, the Company signed a commercial deal with Newstag. Newstag will both be a direct user of Linus’ software at a price point of US\$1 per video virtualized and US\$40 per thousand videos assembled (discounted to US\$10 per thousand until future commercial deals are signed), and will also be a reseller of Linus’ software into the global news market. This represents one of the 2 revenue-generating deals in the news or sports sector.

Appendix 4C Quarterly Report and statement of cash flows

The ASX Appendix 4C Quarterly Report for June 2018 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period and 12-months YTD to 30 June 2018 reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities.

Net operating cash outflows of \$2.5m for the quarter were offset by net financing cash inflows of \$2.6m, being further capital raised from the placement of shares which were approved by shareholders at a general meeting on 26 April 2018. The cash balance at 30 June 2018 was \$10.8 million.

As required in section 9 of the Appendix 4C, estimated operational cash outflows for the September 2018 quarter are disclosed at \$3.05m. This includes estimates of \$0.36m for the recruitment of new commercial staff.

Outlook

Going forward, the Company intends to complete its near term goals as well as other commercial initiatives. To accomplish this, the Company is focused on recruiting world-class talent in channel management, sales engineering, and deployment management (in addition to continuing to invest in sales, marketing, and R&D).

The Company's strategy remains to complete announced POCs, deliver direct sales, and drive those results through channels as solutions. Broadening the commercial team from pre-sales through delivery is important to achieving the Company's mission. The Company has remained at or under budget through the June quarter, and intends to maintain that fiscal responsibility going forward; however, the Company believes investing judiciously at this point to accelerate sales and ensure customer delight is the most prudent use of capital.

Warner Bros. POC

The Warner Bros. POC is nearing completion of development, and at this stage is largely focused on business decisions (e.g., what brand to use for the service, which titles to launch, etc...). The focus of this POC is a technical trial to demonstrate the analytics and KPI capabilities of virtual video. The Company expects the POC to go live in the September quarter.

Oklahoma State University (OK State) and MediaAmp POCs

These education-vertical POCs are expected to complete the NTGs of search in a global cloud environment resulting in a reseller agreement in the education sector by the end of the September quarter. Engagement with potential customers is strong.

Pipeline and other NTGs

As the Company completes its previously announced strategic POCs and POVs, it anticipates these to be repurposed as replicable, commercial solutions that can be sold either by the Company directly or by resellers in the relevant verticals. The Company is working with multiple channel partners around the world and continues to leverage the investments being made by the leading cloud providers in cloud infrastructure and artificial intelligence. The Company remains confident of commercial success in line with its NTGs, and continues to pursue solutions in sports, news, education, and corporate communications.

Self-Serve

The company's technology is available on Amazon AWS, Microsoft Azure, and IBM Cloud. The "self-serve" version of VVE — Linus Video Services — continues to be used by developers, partners, and channels, and commercial release is expected shortly. For those interested in experimenting with VVE, the self-serve service can be reached at <https://lvs.linus.com/>.

Blockchain

The Company previously announced its blockchain strategy and is actively working to deliver on that strategy in conjunction with its global partners. The company continues to believe that virtual video remains the only mechanism by which blockchain can be used to fulfil its purpose of protecting ownership rights of video as a digital asset.

About Linus Technologies Limited:

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

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 Linus 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.

Linus 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:

Chris Richardson, Chief Executive Officer

Linus 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 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(936)	(2,415)
(b) operating costs	(567)	(2,592)
(c) advertising and marketing	(321)	(928)
(d) leased assets	-	-
(e) staff and consultant costs	(491)	(1,599)
(f) administration, travel and corporate costs	(194)	(888)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	19
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	57	57
1.8 Other – legal & patent costs	(25)	(149)
1.9 Net cash from / (used in) operating activities	(2,465)	(8,495)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(12)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(5)	(12)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,750	19,342
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	(171)	(1,028)
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	2,579	18,314

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	10,657	959
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,465)	(8,495)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(12)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,579	18,314

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	10,766	10,766

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	880	1,384
5.2	Call deposits	1,835	9,222
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	8,051	51
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,766	10,657

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
140
-

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

Add notes as necessary for an understanding of the position

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	955
9.2	Operating costs	450
9.3	Advertising and marketing	215
9.4	Leased assets	-
9.5	Staff and consultant costs	770
	Recruitment fees	360
9.6	Administration, travel and corporate costs	250
9.7	Other – legal & patent costs	50
9.8	Total estimated cash outflows	3,050

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 July 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.