

DECEMBER QUARTER 2020 ACTIVITIES REPORT

Highlights:

- Cash receipts for the quarter ending 31 December 2020 was \$4.0 million (vs. \$3.5M previous quarter) – **an improvement of 15%QoQ**
- Crowd Direct **sales revenue was up 20% quarter-on-quarter** to \$379,000
- Extinguished the full BillFront Debt facility of \$1.7m – **saving \$200,000 annual interest & admin costs**
- **Cash at Bank of approximately \$5.0 million** at the end of January 2021 following the Placement
- Launched Crowd's beta test of "Talking Head" Emma, **12 months ahead of schedule**
- Agreed to invest USD\$250,000 (AUD\$325,000) in a Joint Venture with **Israeli-based VFR Assets and Holdings Ltd.** (www.zoe01.com) - **creating the visual Talking Head**
- Completed USD\$250,000 (AUD\$325,000) strategic investment into UneeQ Ltd., **giving the company access to AI digital human technology**
- Progressed partnership and investment opportunity negotiations with Artificial Intelligence **voice-cloning company** Aflorithmic Labs Ltd. (AFLR)
- Crowd Media is now in a strong position to **compete with LivePerson (NASDAQ: LPSN)** and revolutionise conversational commerce

Financial Update:

- The balance of cash on hand as at 31 December 2020 was \$3.0 million, an increase of \$1.7 million from the prior quarter. This increases to approximately \$5.0 million at the end of January 2021 following the Placement completed in the month of January – giving the company >2 years of runway.
- Net cash used in operating activities for the quarter was (\$667k), reflecting higher marketing costs and increased inventory purchases within Crowd Direct.
- The Company paid \$165k in interest, mainly on convertible notes outstanding (\$88k) and the BillFront loan (\$51k); the latter has now been extinguished saving \$180,000 in annual interest costs and \$20,000 in annual administration costs
- Net cash flow from investing activities for the period was (\$445k). Crowd invested \$332k in the form of an interest-bearing Convertible Notes loan to UneeQ Ltd., further cementing the strategic alliance and underpinning Crowd's "Talking Head" strategy
- Net cash flow from financing activities was \$2.9 million. Crowd raised \$3.6 million (net of transaction costs) from the share placement in November 2020 and then used \$1.7 million to fully repay and extinguish (early) the BillFront loan to preserve cash.
- A further \$1.1 million was received from Options exercised during the quarter and \$119k was used for repayment of lease liabilities.
- Total borrowings were \$1.7 million at 31 December 2020, a decrease of \$1.9 million compared to the prior quarter, mainly due to the full repayment of the loan payable to BillFront. The borrowings at 31 December 2020 consist of the European Investments Consortium convertible notes, maturing in April 2021 and December 2021 for tranche 1 and 2, respectively. Noteholders have expressed interest in converting and/or extending the facilities.

Outlook and Future Activities:

- The Board has a very clear objective, as laid out at the November 2019 AGM, to build and commercialise a technical platform based on Crowd's Q&A chatbot (integrated with the AI, AR, machine learning, and voice cloning of others) before the end of 2022 noting that we are ahead of our internal schedule. This ambitious goal, if successfully executed, has the potential to propel the company toward significant valuation multiples. In the past year we have made substantial progress in bringing together key players in each space, and now with the AFLR investment we have secured the execution power to drive the project to commercialization. Recognising this, and believing that the likelihood of success with this project is substantially ahead of where it was a year ago, the Board is united in its view that having a single primary focus is a sound strategy. Accordingly, the company's infrastructure and capability will continue to be shaped and aligned behind this objective and anything seen as a distraction will have to stand behind or to one side.
- The Crowd Direct business has performed below our internal expectations as measured by return on marketing spend. We are seeing retail marketing dollars moving away from bricks & mortar, to aggressive online deployment. Accordingly, we have restructured this business segment in a positive way, to focus on our best-performing brands: Kamu and KINN - which we see as having the strongest potential.
- The Mobile division (Subscription and Q&A) continues to collectively deliver ongoing profits to Crowd notwithstanding regulatory and other headwinds in the sector. The Company continues to optimise its cost base within the division in order to maximise short term profits and cashflow. The Company is not expecting any growth within this segment, as previously communicated to the market.

Subsequent events and Talking Head update:

The Company is able to provide further clarification in relation to its recent announcement concerning the Aflorithmic Partnership & investment, as announced to the ASX 27th January 2021.

- Crowd **signed a Binding Heads of Agreement with Aflorithmic Labs Ltd.** (AFLR), engaging them to build the voice-cloning engine and integrated core Artificial Intelligence (AI) engine that will together drive the Talking Head platform.
- Aflorithmic Labs Ltd. will assemble a dedicated 4-member engineering team that will be working **exclusively on the Crowd Talking Head project**, and Crowd will reimburse for those employment costs, fully absorbed and without margin, ie fixed payments, on a cost-recovery basis. Included in this engagement, AFLR will assist Crowd to manage the existing technical partnerships it has secured and integrate the IP from each partner into the central platform. It is expected that this arrangement will **deliver a working product materially ahead of schedule**, at lower cost, and with lower technical risk
- As part of this engagement, Crowd has committed to invest £1.0m (AUD\$1.773m) into Aflorithmic, in a combination of cash and shares, for a 10% stake.

This AFLR strategic investment follows on from that announced to the ASX 11th November 2020, where Crowd entered into a 50-50 Joint Venture with Israeli-based VFR Assets and Holdings Ltd. (VFR) to co-develop a technical platform which will enable the scalable creation of "Talking Head" digital assets for **use in conversational commerce**.

VFR, already highly respected for the creation of one of the world's first virtual digital influencers Zoe Dvir (www.Zoe01.com) will integrate their IP with Crowd's Q&A IP with the aim of creating a virtual "doppelganger" of a celebrity influencer capable of a "FaceTime" type conversation with a follower.

This "Talking-Head" JV leverages the technical and commercial expertise of both parties to create a platform that will enable Crowd to roll out many "Talking Heads", in days rather than weeks, and at a fraction of the cost of current alternatives. This is particularly attractive in markets where a first mover advantage is prevalent, and/or where there are distinct consumer preferences. Crowd will also have a compelling cost advantage.

In less than 2 months, the JV has already progressed the following development work in order to drive the opportunity:

- Create a scalable infrastructure for scanning and processing in order to create photo-realistic high-quality 3D "digital humans"
- Setup of platform to allow for real-time HQ video rendering
- Finalised the architecture for cross-platform video stream
- Setup of platform for integration with advanced text-to-audio-to-video real time processors
- Creation of a base system for real-time conversations with a 3D "digital human" at scale

Crowd has now made four strategic investments into specialised companies, each of whom have strength in building a particular component of Crowd's "Talking Head". These strategic alliances, cemented with equity participation, ensure Crowd has a seat at the table as the shift to conversational commerce accelerates. The investments are:

- Forever Holdings Ltd
- Uneeq Ltd
- VFR 50:50 Joint Venture
- Aflorithmic Labs Ltd

A new subsidiary, *Crowd Moon Shots BV*, will be formed to hold all the Talking Heads technology investments.

Related Party Payments:

Section 6 of the Appendix 4C released today discloses payments to related parties of \$165k. An amount of \$118k was paid to executive and non-executive directors in salaries and fees, and a further \$47k was paid to non-executive directors for consulting services provided.

Investor Briefing

On Wednesday, 10 February 2020, Crowd Media will be hosting an Investor Briefing at 6.00pm (AEDT). The online webcast will include a brief presentation from Chairman Steven Schapera and CEO Domenic Carosa about Crowd's strategic vision and ongoing plans. There will also be an opportunity for investors to ask questions directly.

To attend, investors are invited to attend by registering at: <https://crowdmedia.com/investor-briefing>



This announcement has been authorised for release to the ASX by the Board of Directors of CM8.
(ends)

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ABOUT CROWD MEDIA

Crowd Media Holdings Limited (ASX:CM8 & FWB:CM3) Crowd is a tech-based, vertically integrated social commerce business selling exemplary products and services that are integral to the lives of its customers.