

ASX Announcement

31 January 2023

ÜNITH Name Change and Rebranding Complete; Continued Investment In Commercialisation Activities That Will Drive Long Term Value

December 2022 Quarter (Q2 FY23) Activities Report

Unith Limited (ASX: UNT) (“Unith” or the “Company”) is pleased to provide this quarterly activities report alongside its Appendix 4C for the quarter ended 31 December 2022.

Q2 FY23 Highlights:

- Company name change and rebranded to Unith, reflecting new vision and purpose into a clean, technological and sharp branding.
- Talking Head development and commercialisation continues according to plan;
 - Barcelona development team now complete with all hiring milestones achieved.
 - R&D teams delivering results with improved processing capabilities, faster response times and visual improvements.
 - Clear development roadmap for the next software versions that will include empathy and emotion generation, increasing the human-likeness of the product, as well as other key features and improvements.
- Mobile Subscription division shows ongoing profitability alongside implementing growth measures, penetrating new markets and expanding user acquisition capabilities.
- Agreement signed with NVISO Japan KK (“NVSIO”) in January 2023 to integrate behavioural analytics into digital humans in conversational settings for deployment into digital kiosks in Japan;
 - The collaboration will be supported by an EU innovation program which will accelerate development work by providing a €74K (approx. AUD\$117K) grant to the project.
- Cash at Bank of \$1.91 million at 31 December 2022.



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Commenting on the quarter performance, Unith's CEO Idan Schmorak said: *"Unith's restructuring process is well underway with continued refinement in our business operations and financial performance. The rebrand to 'Unith Ltd' now truly reflects Unith as the technology frontier of conversational AI solutions with a focus on commercialising scalable digital AI solutions into the market at large.*

We are delighted to keep delivering technology achievements towards a scaled release of the Talking Head platform, while onboarding significant clients and partners."

Talking Head Technology Division Update:

- Initiated onboarding the Big-5-Tech client (announced in October 2022); delivery and deployment roadmap is set and teams on both sides are working closely;
 - The digital avatars will be designed in collaboration with the client and be programmed with conversational AI functionalities to support daily operations. This initial 2-year license is a cornerstone in Unith's relationship with the company and opens further commercial opportunities. The subscription is **expandable to significantly material figures** over time with the licensing of more digital avatars and deep-tech applications.
- Development team hiring milestones are achieved and the team is now positioned to deliver on the 2023 roadmap.
- Technological achievements delivered according to plan, including an increased efficiency of real-time video processing in **53%** and improving the talking head creation capacity in 50% (with 200+ talking heads in the internal library).

Mobile Subscription Division Update:

- The subscription retention rate one month after activation rose by 49% due to the implementation of more captivating AI-generated content and the utilisation of new, high-quality marketing channels.
- Launched the new [AI HISTORY](#) edutainment product based on the company's AI-powered Talking Head technology. The product enables users to learn about history through interactive conversations with famous historical figures from actors, scientists, politicians and sportsmen.
- Secured further mobile network approvals to mass distribute AI-powered Talking Head technology for entertainment applications in Poland, Iraq and Palestine; increasing the total number of markets available for distribution of the new AI products to 9.
- Activated two new marketing channels: Taboola and TikTok, for the distribution of new AI products.



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Commenting on the outlook, Mr Schmorak said, *“Looking forward, we continue to be very excited about scaling our cutting-edge technology. Our team is completely focused on key commercialisation activities that will enable Unith to grow in a meaningful way, which includes introducing improved conversational abilities based on Autonomus AI conversation, improved scalability and self-user onboarding and developing analytics to be able to provide clients with valuable insights.*

We will also start working with NVISO on deploying a use case in Japan, combining the behavioural recognition technology.

And finally, we expect further onboarding activities with the Big 5 Tech client, which will see them start using our tech at scale.”

Q2 FY23 Financial Update:

- Cash at 31 December 2022 was \$1.91 million.
- Net cash used in operating activities was (\$344K).
- Net cash flow used in investing activities for the period was (\$289K), which was used for further investment in intellectual property.
- Net cash flow used in financing activities was (\$52K), mainly reflecting the lease liability repayment for the quarter.
- Unith terminated the revolving credit facility with Vane Finance Technology Limited (formerly BillFront) saving the Company approximately \$20K in interest costs per annum.

Related Party Payments

Section 6 of the Appendix 4C released today discloses payments to related parties of \$94K, reflecting fees paid to non-executive directors and their associates during the quarter.

This announcement has been authorised for release by the Board of Directors of Unith Ltd.

(ENDS)

For further Information:

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ABOUT UNITH

Unith is a leading digital human brand. It unifies the research and development of facial movement deep learning, audio machine learning and conversational design (NLP) to generate the first customizable, interactive avatar of its kind.

Businesses can create their own digital humans to immerse, assist and educate customers in real time and in multiple languages, all through one full stack platform.

For further information, please visit: unith.ai



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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Unith Limited

ABN

13 083 160 909

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,160	2,586
1.2 Payments for		
(a) research and development	(287)	(519)
(b) product manufacturing and operating costs	(380)	(778)
(c) advertising and marketing	(202)	(362)
(d) leased assets		
(e) staff costs	(467)	(862)
(f) administration and corporate costs	(193)	(389)
1.3 Dividends received (see note 3)		
1.4 Interest received	47	60
1.5 Interest and other costs of finance paid	(22)	(44)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(344)	(308)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property	(289)	(503)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	(289)	(503)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		600
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	27	27
3.4	Transaction costs related to issues of equity securities or convertible debt securities	3	(1)
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)	(82)	(105)
3.10	Net cash from / (used in) financing activities	(52)	521

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,573	2,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(344)	(308)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(289)	(503)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(52)	521
4.5	Effect of movement in exchange rates on cash held	22	(28)
4.6	Cash and cash equivalents at end of period	1,910	1,910

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	1,910	2,573
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,910	2,573

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(344)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,910
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,910
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	5.6
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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.

Date: 31 January 2023

Authorised by the Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.