

ASX Announcement
31 January 2024

UNITH Accelerates Forward with Digital Human Platform Milestone Achieved; Revenue Growth Continues

December 2023 Quarter Activities Report

Unith Ltd (ASX: UNT | UNTO | FWB: CM3) (“UNITH” or the “Company”) is pleased to provide its quarterly activities report and Appendix 4C for the quarter ended 31 December 2023 (Q2 FY24).

Q2 FY24 Highlights:

- Initiated a controlled soft launch of our self-service Digital Human platform for a select group of users and clients.
 - Upcoming development: A comprehensive customer panel that will empower users with enhanced toolkits for creating and managing digital humans, tailored for open conversational applications. Targeted release in Q3 of FY24.
 - Advanced feature update: Digital humans can now possess customisable personalities and characteristics in open conversation mode, utilising data and insights from OpenAI to enhance interaction quality.
- Delivery and launch of three digital humans on the AZBillions website in English, Spanish and Portuguese for their LATAM audiences.
- Delivery of eSocial Worker to the Alliance for Public Health with functionality in English and Ukrainian, incorporating recent advancements to HIV prevention in the knowledge base.
- Licence expansion by Ensuring following development of a digital human insurance broker.
- Successfully established a strategic partnership with Union Avatars (unionavatars.com), integrating our Digital Human platform's conversational capabilities with their advanced 3D avatar technology. This collaboration opens new markets by offering conversational functionalities to avatars previously lacking this feature.
- 800K total customer sign-ups on B2C AI-subscription products.
- Realised revenue of \$1.4 million for the quarter, an increase of 12% on the prior quarter.
- Operating cash outflow of (\$0.8 million) improved by 30% from the prior quarter.
- Fair value gain of \$2.0 million recorded on the investment in AudioStack (formerly Aflorithmic).
- \$1.4 million cash on hand at 31 December 2023.

Commenting on the quarterly performance, UNITH’s CEO Idan Schmorak said:

UNITH CEO Idan Schmorak said: *“Building out the Digital Human platform with core underlying technology has been a major development milestone, delivering on all that was set out in our 2023 Roadmap. These development milestones facilitate self-service functionality for the platform and we are*



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delighted to now offer it to clients that have expressed interest in utilising our digital humans as an AI solution that can solve many common business needs.

Enabling users to generate their own digital humans without direct involvement from UNITH developers is a core function of the Digital Human platform which will enable UNITH to scale our technology and customer acquisition in 2024. The first few weeks of 2024 have been an excellent opportunity to assess the analytics generated by the platform and evaluate server performance in preparation for a wider general public launch of the self-service platform in Q3 FY24.”

Operational Update

Digital Human Technology Division

UNITH has successfully implemented new technology enhancements which have enabled the soft launch of its self-service Digital Human platform where users will be able to generate a digital human without any direct involvement from UNITH developers. Existing and prospective clients have commenced using the platform where they can choose visual appearances and voices from the UNITH library. These users are then invited to upload documents to the platform which forms the information source that a digital human will utilise to respond to customer inquiries, powered by UNITH’s AI and GPT technology.

Four different conversational AI modes are now available to users:

1. Open Conversations: The Digital Human responds leveraging the vast knowledge base and toolkit provided by openAI;
2. Restricted Conversations: The Digital Human responds only based on the information sources uploaded by the user;
3. Guided Conversations: The Digital Human guides the conversation in a manner that reaches a desired outcome and is best applied when there is a specific user journey;
4. Video Delivery: The Digital Human delivers a scripted message with synchronised video and audio, optimising visual quality, but with no interactivity.

The self-service platform includes a best-in-class, commercially available library of realistic digital humans for customers and partners to choose from. Documents such as product catalogues, employee handbooks, FAQ sheets, call scripts, instruction manuals, reports, and transcripts can now be uploaded as information sources. The Company also implemented a new conversational engine to enhance the accuracy and response time of digital humans, utilising optimised foundational architectural components.



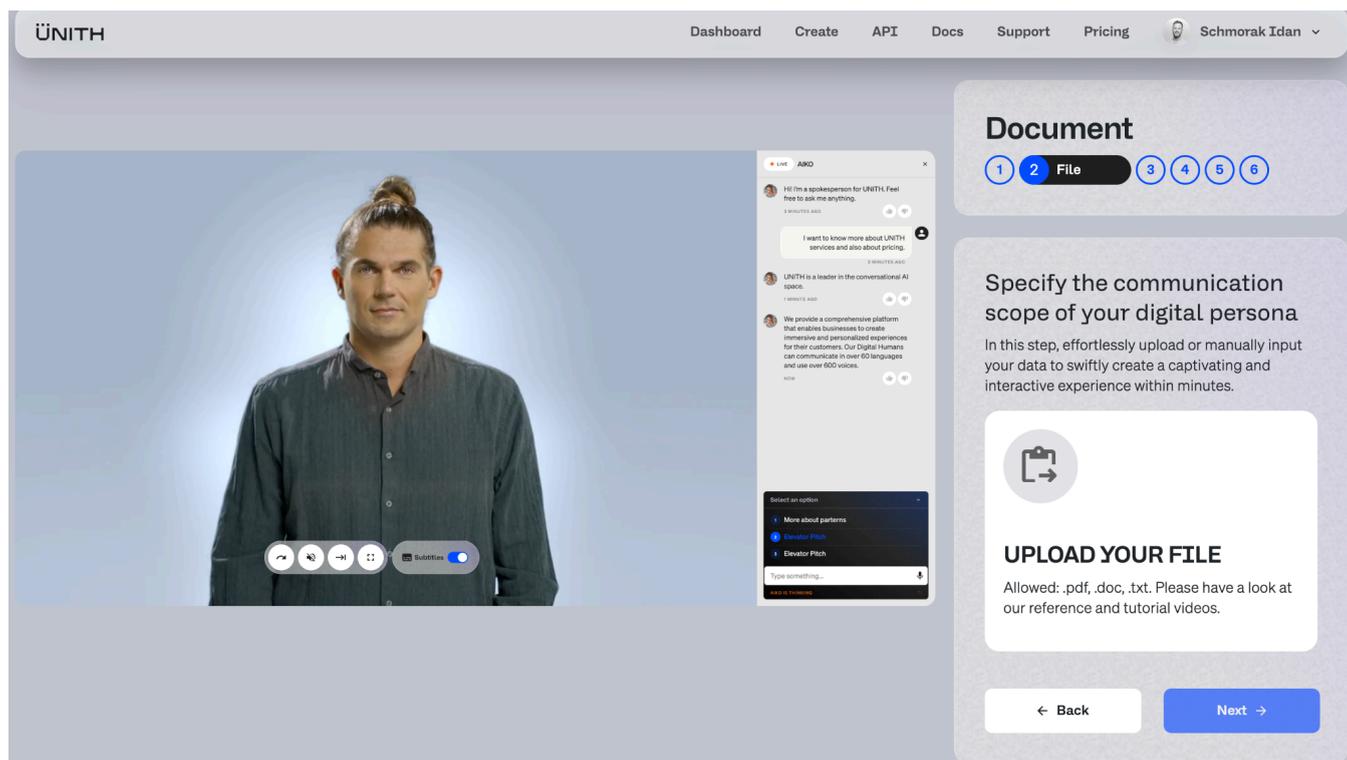


Image 1: Screenshot of the Customer Panel for document uploads

Digital humans generated in the self-service platform can then be embedded into an existing website or mobile application with the platform generating a customisable code-snippet. Once embedded, the digital human can interact with customers 24/7 with UNITH servers now globally distributed to improve speed, reduce latency and service global clients. A new API for the platform allows partners and developers to integrate directly with the platform and create their digital human through the API. The API includes role-based access controls required to support business’s specific use cases while offering an enterprise solution for larger clients.

During the soft launch, UNITH is controlling accessibility to the platform with selective user access so that UNITH can account for user feedback, identify potential issues, and make necessary adjustments before a broader release. This measured approach allows UNITH to gather valuable insights from a limited user base, ensuring a smoother and more refined experience for a broader audience in the official launch phase.

A backend component is also in development that will enable the future support of direct integration with external sources such as databases, Google search, etc. This will enable a vision where multi-faceted digital humans can perform a range of different tasks that require current, business-sensitive data; or teams of digital humans working together to complete higher order tasks.

UNITH has successfully integrated 3D digital avatars with the Digital Human platform where the avatars can be imported and enhanced with conversational AI capabilities. This development creates



opportunities for UNITH to partner with a variety of avatar generation companies which are prominent in the Metaverse and augmented reality sectors.

The first of these is a collaboration partnership with Union Avatars, an online platform where users can generate 3D digital avatars from a photo upload for use in video games, virtual reality, augmented reality apps or in the Web3.

Commercialisation opportunities emerging via soft launch of self-service offering

The soft launch of the self-service offering has seen several clients utilise a Digital Human from a range of industries and use cases. One recurring application of Digital Humans has been within human resources where UNITH digital humans can perform various onboarding functions, which has now been expanded into recruitment. In these cases, a Digital Human will perform screening interviews with applicants by undertaking conversations to ask interview questions that a recruiter would, and then analysing the responses to determine suitability for the role. Deployed in this setting, a Digital Human has the capability to screen hundreds of candidates in the same time a recruiter would screen a single candidate. A demonstration of this ability could be viewed on [Meet Zoe, the AI Recruiter | UNITH](#).

The Alliance for Public Health’s eSocial Worker, has been delivered and undergoing testing with plans to launch in February 2024, online and in a dedicated app. Work with social service providers has already captured interest from health organisations in Europe and Central Asia. UNITH is now in talks with leaders in these regions to sign two new national contracts.

AZBillions has deployed three digital humans to its website (azbillions.com), proficient in English, Spanish and Portuguese as part of its growth strategy in the LATAM region. These digital humans primarily interact with online users to provide information on how to access new products and games.

The initial contract with Ensuring has been extended and expanded with Ensuring continuing to grow and generate commercial and investment interest in its platform which can provide insurance services to digital humans.

The insurance industry continues to be a sector of interest with further commercial opportunities emerging via a tech insurance platform, which has purchased a commercial licence to the Digital Human platform, and in talks to launch a pilot in collaboration with one of the largest life insurance providers in the United States.

B2C Subscription Division

The B2C Subscription Division has continued the growth momentum following the transition of user acquisition in-house. The division recorded 453K new customer sign-ups across all products during the quarter, achieving a milestone of 800K total customer sign-ups on AI-subscription products in the third



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week of December 2023. The division's quarterly revenue increased by 8%, while marketing costs decreased by 30% (quarter-on-quarter).

Building on the success of the AI children's application 'Bedtime Stories' in collaboration with Bangladesh's leading telecom, Grameenphone, UNITH has expanded its reach by securing agreements with telecoms Banglalink and Robi. This strategic move is expected to reach an additional 100 million users in Bangladesh, with the rollout scheduled to commence early in CY 2024.

Looking ahead, the B2C Subscription division has confirmed its participation in the World Telemedia Conference, a leading event in the mobile payment and value-added services (VAS) industry scheduled for the end of February 2024. During the conference, the division plans to showcase its latest subscription product, the AI Travel Guide, tailored to target customers in the rapidly growing travel vertical globally. Based on UNITH's Digital Human technology, the AI Travel Guide app covers over 50 top travel destinations offering users travel advice, recommendations and personalised experiences. UNITH anticipates to rollout this new product with its first telco partners by the end of Q3 FY24.

Q1 FY24 Financial Update*

- Cash on hand as at 31 December 2023 of \$1.4 million.
- Revenue of \$1.4 million for the current quarter, an increase of 12% on the prior quarter.
- Net cash used in operating activities of (\$0.8 million) improved by 30% from the prior quarter. The Company is actively refining operational processes and resource allocations to ensure an efficient cost structure, while fostering the continued investment in R&D of the Digital Humans technology and further advancing on the ongoing commercialisation progress.
- Net cash used in investing activities was (\$0.3 million) for further investment in intellectual property. UNITH recognized a non-cash fair value gain of \$2.0 million on the investment in AudioStack (formerly known as Aflorithmic) during the quarter, emphasising the intrinsic value of this strategic investment.
- Net cash used in financing activities was (\$68K) for repayments of lease liabilities.

Related Party Payments

Section 6 of the Appendix 4C released today discloses payments to related parties of \$82K, reflecting fees paid to non-executive directors and for provisions for Company Secretary services during the quarter.

Investor Briefing

UNITH will be hosting a special online investor briefing on 5 February 2024 with CEO Idan Schmorak and members of the Product team to demonstrate updates to the Digital Human platform and run a Q&A session.



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Date: Monday, 5 February 2024

Time: 6.00pm (AEDT) / 3.00pm (AWT)

To attend, investors can register here to receive a joining link:

https://zoom.us/webinar/register/WN_tzPcOxQiS3S40rOtCb3oEg

** All FY24 financial data is unaudited unless stated otherwise.*

ÜNITH invites investors to join its mailing list for updates by subscribing at: www.unith.ai/subscribe

This announcement has been authorised for release by Director Scott Mison.

(ENDS)

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About ÜNITH

ÜNITH is a leading digital human software developer. It unifies the research and development of facial movement deep learning, audio, machine learning and conversational design to generate the first customisable, 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 Ltd

ABN

13 083 160 909

Quarter ended ("current quarter")

31 December 2023

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	1,272	2,297
1.2 Payments for		
(a) research and development	(281)	(628)
(b) product manufacturing and operating costs	(442)	(651)
(c) advertising and marketing *	(528)	(1,233)
(d) leased assets		
(e) staff costs	(594)	(1,214)
(f) administration and corporate costs	(242)	(579)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(25)	(40)
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	(840)	(2,048)

*includes in-house user acquisition costs tied to restructuring the B2C subscription division.

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	(305)	(620)
(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	(305)	(620)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
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)	(68)	(163)
3.10 Net cash from / (used in) financing activities	(68)	(163)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,675	4,260
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(840)	(2,048)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(305)	(620)

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)	(68)	(163)
4.5	Effect of movement in exchange rates on cash held	(67)	(34)
4.6	Cash and cash equivalents at end of period	1,395	1,395

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	1,395	1,395
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)	1,395	1,395

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	82
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
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)	(840)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,395
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	1,395
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.7
<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>	
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: Yes	
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: The Company is in discussions on various capital raising options, when necessary. The board is confident it will be able to raise funds, as it has in the past.	
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: Yes, as noted above it has been in discussion on various capital raising options.	
<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 2024

Authorised for release by Director Scott Mison

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.