

ASX Company Announcement | Issue Date: 31 October 2014

**APPENDIX 4C COMMENTARY
QUARTER ENDED 30 SEPTEMBER 2014**

HIGHLIGHTS

Corporate

- ❖ ACQUISITION OF NEWZULU COMPLETED FOLLOWING APPROVAL BY SHAREHOLDERS
- ❖ ALEX HARTMAN JOINS THE BOARD TAKES ON EXECUTIVE CHAIRMAN ROLE
- ❖ PLACEMENT RAISING \$3 MILLION COMPLETED
- ❖ NAME CHANGED TO NEWZULU LIMITED

Operational

- ❖ PARTNERSHIP AGREEMENT SIGNED WITH BULLS PRESS A LEADING INDEPENDENT MULTI MEDIA AGENCY IN GERMANY
- ❖ PARTNERSHIP AGREEMENT SIGNED WITH CANADIAN PRESS BRINGING USER GENERATED CONTENT TO CANADIAN PUBLISHERS AND BROADCASTERS
- ❖ EXECUTIVE APPOINTMENTS EXPAND NEWZULU TEAM
- ❖ STRATEGIC PARTNERSHIP AGREEMENT SIGNED WITH THE PRESS ASSOCIATION, THE UK'S LEADING MULTI MEDIA NEWS AGENCY
- ❖ CHAIRMAN SPEAKS ON TRANSFORMING TRADITIONAL MEDIA AT EUROPEAN COMMISSION'S DIGITAL ACTION DAY
- ❖ BUREAU'S AND OFFICES OPENED AROUND THE WORLD
- ❖ CHAIRMAN LAUNCHES NEW FUNCTIONALITY AVAILABLE ON NEWZULU PLATFORM AT INTERNATIONAL NEW AGENCY CONFERENCE "MINDS MEETING" IN STOCKHOLM
- ❖ WORKING CAPITAL LOAN FACILITY ESTABLISHED
- ❖ AGREEMENT FINALISED FOR ACQUISITION OF FILEMOBILE INC

September 2014 Quarter Report

Crowd sourced global media company Newzulu Limited (**"Newzulu" ASX: "NWZ"**) is pleased to report to Shareholders on a busy and productive quarter ended 30 September 2014. The Company is moving rapidly to establish itself as the preeminent supplier of crowd sourced user generated content through a range of innovative technologies.

Corporate

Newzulu acquisition

The Company announced on 14 August 2014 that following the receipt of shareholder approval at a General Meeting held on Monday, 11 August 2014 it had completed the acquisition of Newzulu Holdings Limited. Pursuant to the approvals obtained at the General Meeting the Company allotted and issued 178,230,977 ordinary shares, to acquire 100% of the issued capital of Newzulu Holdings Limited.

In addition the Company issued 20,000,000 options to acquire ordinary shares in the Company to Mr Alex Hartman (or his nominee); and 4,000,000 options to acquire ordinary shares in the Company to current and former directors.

Appointment of Alex Hartman as a director and Executive Chairman

Following completion of the Newzulu acquisition, Mr Alexander Hartman was invited to join the Board and was appointed as Group Managing Director, and subsequently as Executive Chairman. Alex has corporate development experience across a wide range of traditional and digital media companies in sectors including digital and social media; theatrical distribution; television production and broadcasting; magazine publishing; and music production. He is a co-founder of Newzulu, Matilda Books and online film and television distribution platform Rightstrade.

Alex received the Young Australian of the Year Award for Career Achievement in 2001 and was awarded the Pearcey Medal by the Australian Computer Society for outstanding services to computing. The Australian Government has appointed Alex as a director of the Industry Research & Development Board, as chairman of the Youth IT Skills Hub, and as a founding director of Headspace, the National Youth Mental Health Foundation.

Placement to sophisticated investors raises \$3 million

The Company completed a placement to sophisticated investors issuing 75 million shares at 4 cents to raise \$3 million dollars. The placement was approved by shareholders at the General Meeting held on 11 August 2014 and was a condition precedent to the completion of the Newzulu acquisition.

Change of name and ASX code

The Company announced on 19 August 2014 that following approval received by Shareholders it had changed its name to **Newzulu Limited** from Pienetworks Limited. In addition it was issued with a new ASX ticker code of **NWZ**.

Operational

Expanding Global Partnerships with leading news wires and agencies

Newzulu has signed a number of strategic partnership agreements during the quarter which together with existing arrangements with Agence France-Presse (AFP) and Australian Associated Press (AAP) have strengthened the Company's position in the market.

- Partnership signed with **Bulls Press** Germany's leading independent multimedia agency, to deliver validated crowd-sourced content direct to publishers, broadcasters and creative agencies in Germany. The partnership will focus on syndication of crowd-sourced photography, news footage, packaged news video and live streaming video. Bulls Press is a leading provider of news to traditional and online publishers, broadcasters, advertising agencies and commercial clients in Germany and Scandinavia.
- Partnership formed with **The Canadian Press**, Canada's multimedia news agency, to deliver validated crowd-sourced content direct to Canadian publishers, broadcasters and creative agencies. Canadian Press journalists capture hundreds of photographs and videos from its bureaus across Canada, comprising the leading package of Canadian news imagery in the marketplace. Crowd-sourced and freelance content from Newzulu complements CP's award-winning service by providing images from an alternative, and broader range of news coverage sources. To properly enable the partnership Newzulu launched a Canadian edition of its platform in English and French.
- Partnership agreement signed with **The Press Association (PA)**, the UK's leading multimedia news agency and digital content supplier, to deliver validated crowd-sourced video content to publishers, broadcasters and creative agencies in the UK and Ireland. Newzulu has launched a local UK version of its platform to support a range of crowd-sourced video distribution opportunities.

Executive Appointments

Newzulu was pleased to advise the addition of Mr Ludo Vossovic to the executive team during the quarter.

Mr Vossovic joined as Managing Director – Newzulu Europe. Ludovic (Ludo) received his International Business and Marketing/Communication Masters from I.P.A.G business school in 1998. He is based in Newzulu's Paris Bureau and assumes overall operational responsibility for the Business Plan of Newzulu in Europe. Ludo began his career in advertising sales for radio channels and A/V Press. He then progressed through a number of roles in marketing and communications taking up a European Sales Managers position in leading video crowdsourcing company Userfarm.

European Commission Speech

During the quarter the Company's Executive Chairman Alexander Hartmans addressed the European Commission Digital Action Day.

The address, "Transforming the Traditional Media", was delivered to the European Commission Digital Action Day at the invitation of Neelie Kroes, Vice-President of the European Commission, as part of the EC's Digital Agenda For Europe initiative, a Europe 2020 initiative.

Newzulu was characterised as a global business commercializing European digital media innovation. The address related to Newzulu's impact on traditional and digital media, including its positioning in partnership with global and European news agencies, its technology platform and corporate development plans in Europe.

Hartman highlighted that Newzulu's partners and white-label clients, including major European publishers and broadcasters such as BFMTV, France Radio, Archant and Le Parisien, have pioneered participative journalism through harnessing Newzulu's technology platform to engage collective audiences of many millions of Europeans,

Bureau's and Offices opened around the world

Newzulu has established operating bureaus including in Paris, London, New York, Los Angeles, Toronto, Montreal and Sydney to ensure it is able to deliver on its promise to validate and support the crowd sourced content it is delivering to its many Partners around the globe.

Subsequent to the end of the quarter

Presentation to MINDS International conference in Stockholm

The Executive Chairman provided a presentation to the world's leading news wires and agencies of the Company's capabilities and in addition launched new functionality now available on the Newzulu crowd sourced news platform.

Technology development - mobile services & live validated video news

Mobile media services division, Mobizulu, was launched in early October building on a long term service partnership with French mobile app developer Octiplex. Mobile media is expected to continue increasing the company's audience share. In addition, global news agencies and media outlets will be able to expand their partnerships with Newzulu by engaging Mobizulu for the innovative development of their mobile apps and mobile services.

The company is preparing to launch its live validated streaming video news capability, Livezulu, which will offer traditional and digital publishers and broadcasters the capability to access and distribute to audiences moderated live video streams direct from any mobile device or personal computer. Newzulu has advanced the Livezulu platform to a stage of beta testing releases in the Newzulu New York Bureau.

Working capital loan agreement

Newzulu established a working capital loan to provide A\$3,500,000 (**Loan**) to advance the execution of the company's business plan and the significant corporate developments outlined it is progressing.

The Loan is repayable by 31 March 2015, for full details refer to the ASX announcement made on 8 October 2014.

Further expansion of the Board

Subsequent to the end of the quarter the Company advised that Mr Theo Hnarakis had accepted an invitation to join the Board as an Independent Director.

Mr Hnarakis is an experienced ASX-listed Company Director with particular experience in the media, IT and internet industries. Mr. Hnarakis was most recently the Chief Executive of the global internet registrar Melbourne IT (ASX:MLB), leading that organisation through significant international growth to reach a market capitalisation of \$180 million.

Acquisition of Filemobile Inc

Newzulu recently announced that it had entered into a binding agreement to acquire leading media and brand software platform company Filemobile, Inc. (www.filemobile.com) for up to C\$5,000,000 in cash, (approx. A\$5,060,000), depending on various conditions. The acquisition of Filemobile brings with it a roster of major white-label media clients including USA Today, Fox News, Wall Street Journal, and Hearst TV, iTV, CTV, CBC, The Weather Network and Scientific American as well as global brands such as Underarmour, Cisco, Allrecipes.com and JC Penney.

The acquisition of Filemobile is consistent with Newzulu's growth strategy and further strengthens the company's product solutions and global delivery platform. Together, the companies' online platforms achieve over 50 million unique visitors per month, 200,000 video and photo uploads per month, and will have over 8 million registered users. Following this acquisition, many of the world's leading media companies and brands including AFP, Canadian Press, The Press Association and AAP, Fox News, The Wall Street Journal, USA Today / Gannett, and Hearst TV in the USA, The Weather Network, CTV, CBC, Canadian Geographic in Canada, iTV, London Live Scottish TV, and Swiss TV (RTS) in Europe, Under Armour, Tim Hortons, Cisco, JC Penney, Honda, Farmers Insurance, Lincoln Financial, World Bank, Allrecipes.com, GAdventures and more, will utilise Newzulu's global content delivery platforms to drive engagement with their respective audiences.

Filemobile was founded in 2006 and is headquartered in Toronto, Canada. Filemobile is a software company that provides solutions to media outlets and brands for the effective gathering, curation and publishing of user-generated content (see www.filemobile.com). Filemobile is a leader in User Generated Content (UGC) solutions for uploading, moderating, and publishing rich media. The company has a world leading research and development team specialised in cloud services that has developed Filemobile's intellectual property.

The ongoing convergence of social computing and mobility is driving profound changes in consumer behaviour and expectations. Sustained success requires a constant supply of unique and engaging content. For Filemobile customers, media outlets and brands, these challenges create a great deal of complexity in their workflows and cost structures – Filemobile provides the solutions that effectively and efficiently manage these workflows to support highly engaged audiences.

The senior management of Filemobile will join Newzulu's global executive team.

Completion of the Filemobile Acquisition is subject to and conditional upon the satisfaction (or waiver) of a number of conditions by 31 January 2015, including but not limited to:

- no governmental entity issuing any order which prohibits the Filemobile Acquisition; and
- Newzulu obtaining all necessary regulatory and shareholder approvals, including shareholder approval pursuant to ASX listing Rule 11.1.2.

Newzulu will re-comply with Chapters 1 and 2 of the ASX Listing Rules in respect to the Filemobile Acquisition.

The Company has advised that a capital raising will be launched to fund the acquisition of Filemobile and to allow the company to facilitate the ongoing expansion of its unique global content platforms. Further details will be released to the market in due course.

Quarterly Financials

During the quarter there was a net cash outflow from operating activities of \$2,179k.

The Company had \$1,589k in cash at the end of the quarter, the working capital loan facility established by the Company subsequent to the end of the quarter provided a further \$3.5 million.

- ENDS -

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About Newzulu

Newzulu is a crowd-sourced media company that allows anybody, anywhere, with a smart phone and a story, to share news, get published and get paid.

Further information can be found on www.newzululimited.com

Appendix 4C

Quarterly report For entities admitted On the basis of commitments

Introduced 31/3/2000, Amended 30/09/2001, 24/10/2005, 17/12/2010

Name of entity

Newzulu Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from customers
- 1.2 Payments for
 - (a) (i) administrative staff costs
 - (a) (ii) technology staff costs (note 1)
 - (a) (iii) sales and marketing staff costs
 - (b) advertising and marketing
 - (c) research and development (note 1)
 - (d) other corporate costs
 - (e) other working capital
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other – Tax Rebate

Net operating cash flows

Current quarter \$A'000	Year to date (3 months) \$A'000
100	100
(397)	(397)
(153)	(153)
(131)	(131)
(98)	(98)
(360)	(360)
(496)	(496)
(652)	(652)
8	8
(2,179)	(2,179)

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,179)	(2,179)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d)(i) physical non-current assets	(105)	(105)
(e) other non-current assets	(8)	(8)
1.10 Proceeds from disposal of: (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other		
Net investing cash flows	(113)	(113)
1.14 Total operating and investing cash flows	(2,292)	(2,292)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	3,000	3,000
1.16 Proceeds from the sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings	(177)	(177)
1.19 Cash held in trust	(100)	(100)
1.20 Other - equity raising costs	(177)	(177)
Net financing cash flows	2,546	2,546
Net increase (decrease) in cash held	254	254
1.21 Cash at beginning of quarter/year to date	1,341	1,341
1.22 Exchange rate adjustments to item 1.20	(6)	(6)
1.23 Cash at end of quarter	1,589	1,589

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	222
1.25 Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 14 August 2014, the Company acquired 100% of the shares and voting interests in Newzulu Holdings Ltd (formerly Newzulu Ltd). The Company issued 178,230,977 ordinary shares to shareholders of Newzulu Holdings Limited and 20,000,000 share options to Mr Alex Hartman in consideration for the acquisition of 100% Newzulu holdings Limited and pursuant to the completion of the acquisition approved at a General meeting of shareholders held on 11 August 2014. The shares are subject to escrow for twelve months from the date of issue. The options granted are exercisable at \$0.10 on or before 30 June 2017. Management's initial view is that the business combination should be accounted for as a reverse acquisition and Newzulu Holdings Ltd would be deemed to be the acquirer for accounting purposes.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount used \$A'000
3.1 Loan facilities	684	684
3.2 Credit standby arrangements	120	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	468	147
4.2	Deposits at call	1,001	1,069
4.3	Bank overdraft		
4.4	Other -Term Deposits	120	125
Total: cash at end of quarter (item 1.23)		1,589	1,341

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Newzulu Holdings Ltd (formerly Newzulu Ltd)	
5.2 Place of incorporation or registration	Sydney, Australia	
5.3 Consideration for acquisition or disposal	Provisional consideration \$17,888,823	
5.4 Total net assets	Not finalized at date of this report	
5.5 Nature of business	Crowd sourced news services	

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 31 October 2014
Company Secretary

Print name: Mark Pitts

Notes

1. Research & Development represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C the personnel component of R&D expenditure has been disclosed at item 1.2 (a)(ii) – Technology Staff Costs. R&D expenditure (and Technology Staff costs) has been classified as a cash flow from an operating activity in the current period.
2. Commentary on the cashflow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
3. *Preparation:*
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.

The definitions in, and provisions of, *AASB 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.

- 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss.
- 51 itemised disclosure relating to maintaining operating capacity
- 52 itemised disclosure relating to segment reporting