

ASX Company Announcement | Issue Date: 28 April 2017

BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 31 MARCH 2017

HIGHLIGHTS

- + Capital raising - Newzulu announces fully underwritten rights issue to raise \$4.93 million and placement to sophisticated investors to raise an additional \$0.90 million
- + Sales and customer traction - agreements with several major clients
- + Q3 FY 2017 - cash burn significantly reduced

Newzulu Limited (ASX: NWZ, Newzulu, Company), a global crowd-sourced technology and media company, is pleased to present an update on the quarter ended 31 March 2017 and an update on its operations.

CAPITAL RAISING

On 19 April 2017 the Company announced its proposal to undertake a fully underwritten non - renounceable pro rata entitlement offer of approximately 4,111,335,644 new Newzulu shares (**Shares**) to raise approximately \$4.93 million on the basis of 17 new Newzulu shares for every 6 existing Newzulu shares held at an issue price of \$0.0012 per new Share (**Entitlement Offer**). The Company notes that, in accordance with the terms of the performance rights currently on issue, the Entitlement Offer will also be extended to the holders of these performance rights. The Entitlement Offer is conditionally underwritten by Gleneagle Securities (Aust) Pty Limited. It is intended that the Entitlement Offer will be made to all eligible shareholders who are registered as a holder of Shares as at 7pm (AEST) on 4 May 2017 (**Record Date**).

In addition to the Entitlement Offer, Newzulu has received binding commitments for 750,000,000 Shares at \$0.0012 per share to raise \$900,000 from sophisticated investors (**Placement Shares**). The Placement Shares will be issued in two tranches, as follows:

1. Tranche 1: to issue approximately 208,333,333 Placement Shares to raise \$0.25 million to be completed on or around 4 May 2017 under Newzulu's available placement capacity under ASX Listing Rule 7.1; and
2. Tranche 2: to issue approximately 541,666,667 Placement Shares to raise \$0.65 million, to be issued following completion of the Entitlement Offer under Newzulu's available placement capacity at that time under ASX Listing Rule 7.1.

Net proceeds of the Entitlement Offer will be used towards sale and marketing activities, product development costs and customer maintenance, to repay Newzulu's loan of approximately \$670,000 (once the proceeds of the Entitlement Offer and placement have been received) and for working capital and general corporate purposes.

SALES AND CUSTOMERS

Newzulu is pleased to report that new sales contracts have been recently entered into for use of the Newzulu UGC Platform, including:

City of Toronto

Newzulu signed a 10-month agreement with the City of Toronto (Canada) for the City's 2017 Photo Contest. The City of Toronto is licensing Newzulu's UGC contest microsite application to engage with its citizens, moderate content and manage its photo campaign. The application enables the City of Toronto to customize its campaign, run different phases and have multiple rounds of voting.

National Park Foundation

National Park Foundation entered an annual contract for the Newzulu Platform to power its "Share the Experience" contest. National Park Foundation is the official charitable partner of the USA National Park Service. The Share the Experience contest is a special opportunity for outdoor enthusiasts to share their love of parks, beautiful views, unique finds, and hidden treasures of America's national parks. This project has two separate components, a public facing contest for all Americans, and an internal contest for employees of the National Park Service and related organizations.

KBS Agency

Newzulu has signed an agreement with KBS Agency in respect of a campaign for one of its clients, a major consumer packaged goods company. KBS Agency's client accepted its recommendation to use the UGC contest microsite application within Newzulu Platform to meet the client's creative and UGC needs. This project is the first for Newzulu with KBS Agency, and the company is already in discussions to expand the use of the Newzulu Platform for other clients of KBS Agency.

Newzulu Creative (formerly known as Newzulu Prime), offering crowd-sourced professional creative production services for commercial clients, advertising agencies and brands, has also recently signed several new clients, including:

Roche Diabetes

Newzulu won a competitive tender for the creation and production of a worldwide TV campaign for Roche Diabetes, a major international healthcare company. The campaign will be broadcast worldwide through digital and TV channels in 2017.

Société Général

Newzulu Creative recently won a major tender for the creation and production of the French digital TV campaign for a subsidiary of Société Générale, a major international banking group.

Q3 CASHFLOWS

During the quarter ended March 2017 (Q3 FY17) the Company's quarterly cash burn was \$0.62m compared to the quarter ended December 2017 (Q2 FY17) of \$1.50m.

As at March 31, 2017 (Q3 FY17) the Company had \$1.05m in cash.

Cash receipts from customers increased by 54% to \$868,000 during Q3 FY17 compared to Q2 FY17. A portion of this increase is the result of collection on sales receivables that were billed during the end of Q2 FY17 and subsequently collected in Q3 FY17.

During Q3 FY17 there was a net cash outflow relating to investing activities of \$124,000, a decrease of \$49,000 compared to Q2 FY17's outflow of \$173,000. The decrease is the result of less intellectual property being capitalized compared to the same period in the prior quarter.

"I am pleased to see the positive effects of our sales activity and restructuring on our reduced quarterly cash burn" said Marc Milgrom CEO of Newzulu, "As we close the capital raising in the fourth quarter, I am looking forward to building on the positive momentum into fiscal 2018"

For further information please contact:

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Company Secretary
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About Newzulu

Newzulu is a crowd-sourced technology and media company which facilitates the use of professional and user-generated content to allow broadcasters, publishers and brands to create a deeper engagement with their audiences. Newzulu's Platform is a web-based and mobile software that enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Creative division provides crowd-sourced, creative film and video production for the digital age. Newzulu's Content division allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in New York, Newzulu also operates in Toronto, London, Paris and Sydney. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency and Alamy in the United States, Agence France-Presse (AFP) in France, Press Association (PA) and Videoplugger in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia and other news agencies around the world.

Further information can be found on www.newzulu.com.

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

Newzulu Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

March 31, 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Nine months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	868	2,221
1.2 Payments for		
(a) (i) administrative staff costs	(234)	(1,039)
(ii) technology staff costs (see Note 1)	(491)	(2,028)
(iii) sales and marketing staff cost	(153)	(357)
(b) advertising and marketing	(28)	(87)
(c) research and development (see Note 1)	(230)	(1,504)
(e) other working capital	(357)	(1,349)
1.3 Dividends received	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	141	141
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(484)	(4,001)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Nine months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(124)	(465)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	23
(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	(124)	(445)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Nine months) \$A'000
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	1,671	5,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(484)	(4,001)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(124)	(445)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(16)	(18)
4.6	Cash and cash equivalents at end of quarter	1,047	1,047

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,047	1,671
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)	1,047	1,671

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	44
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	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	684	684
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.		
No additional facility has been entered into or are proposed to be entered into after the quarter end.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Payments for	
(a) (i) administrative staff costs	(260)
(ii) technology staff costs (see Note 1)	(510)
(iii) sales and marketing staff cost	(170)
(b) advertising and marketing	(35)
(c) research and development (see Note 1)	(250)
(e) other working capital	(400)
9.7 Estimated cost of capital raise	(410)
9.8 Total estimated cash outflows	(2,035)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Not applicable	Not applicable
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: Date: 28 April 2017
(Chief Financial Officer)

Print name: Tom Lieu

Notes

1. Research & Development (item 1.2 (c) represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C, expensed personnel components of R&D expenditure have been disclosed at item 1.2 (a)(ii) – Technology Staff Costs as operating cash flows, and capitalized personnel components of development expenditure (that met the recognition criteria and definition of an Intangible Asset, as per AASB 138: Intangible Assets) have been disclosed as investing cash flows.
2. Commentary on the cash flow 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 of its cash position.
The quarterly report is unaudited.
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 itemized disclosure relating to maintaining operating capacity
 - 52 itemized disclosure relating to segment reporting