NEWZULU

# ANNUAL REPORT

NEWZULU 2017

# CONTENTS

Dear Shareholders,

During the past year Newzulu Limited ("Newzulu" or "Company"), a global crowd-sourced technology and media company, has undergone a tremendous amount of change and renewal. Towards the end of fiscal 2016, my colleagues and I felt we had the responsibility for the long-term success of Newzulu and we were unanimous in our belief that a transformational leader was needed to lead this new Company. Moreover, we firmly believed Marc Milgrom (our new CEO) would guide the Company into an era of growth and prosperity.

The decision marked the beginning of an exciting new journey towards our goal of creating a Company that is a marketplace leader in the user-generated content space.

In fiscal 2017, we focused on areas that will create a foundation for long-term success. During the course of the year the Company focused on building a sustainable cost structure, building on our leading-edge technology and building a first-class sales team. We have made good progress and are generating tremendous momentum towards our goal.

During the year our management team placed a high focus on building a cost structure that is sustainable and scalable. It is to this point that the Company closed a number of offices, consolidated operations and software development to North America, reduced head count from a high of 84 employees to 29 employees and significantly reduced administrative spend. This operational right sizing of our Company has reduced operating costs by over $5.5 million moving forward. The Company is now operating with an efficient and effective cost structure.

During the year, the Company was also proud to announce a number of strategic updates to its leading-edge software-as-a-service (SaaS) user-generated content (UGC) platform. Each of these updates added key features and tools for clients to be UGC leaders in their respective field. Using the Newzulu Platform, clients can now fully ingest, moderate and sort content from the four major social network tools (Instagram, YouTube, Twitter and Facebook). The Company also launched an iOS and Android mobile software development kit (SDK) that allows clients to connect to the Newzulu Platform and manage UGC through their own mobile application.

The Company continues to invest in its UGC platform for clients to increase engagement, community and revenue by "connecting through content" with their target audience.

Toward the end of the year, the Company made additional investment in its sales team. This investment included additional resources but also technology to enable our sales team to succeed. During the past year the Company entered into a number of major Platform client agreements including leading edge companies such as: West Australian Newspapers Limited (a major Australian newspaper), Archant Regional Limited (a major UK based magazine and newspaper publishing company) and RTL (a major European TV, Radio and Newspaper publishing company). The Company also had large Creative client wins including: Roche Diabetes (a major international healthcare company), Societe General (a major international banking group), and MACSF (a major insurance professional insurance company). The Content business also experienced some major milestones with revenue growth from video content surpassing picture content for the first time. The investment in sales has also allowed the Company to build a pipeline that is greater in depth and breadth. The Company is focused on building out its sales pipeline at all stages, and moving to a more mature sales situation of regularly closing sales opportunities.

On June 2, 2017 the Company announced it completed a capital raise of $5.84 million before costs to fund its business operations. The raise was fully underwritten by way of a renounceable entitlement issue to shareholders backed by our major shareholders and a private placement.

In FY 2017 Newzulu's revenues were approximately $2.5 million, compared to $2.8 million in FY2016. The Company recorded a loss of $10.2 million after tax in the financial year compared to a loss of $16.3 in FY 2016.

The past year was laying the foundation for Newzulu to have sustainable future success. I am optimistic about the future of the Company. The changes that the Company has made in FY 2017 with a strong product offering, an improved sales team/structure, all underpinned by a streamlined cost structure, have set us up for the next stage of our success. All of us at Newzulu believe our finest days lie ahead.

On behalf of the Company, I would like to show appreciation and say thanks for the ongoing support of you, our shareholders. This support is greatly appreciated as we move into the next phase of the Company's growth and prosperity.

I also want to thank our talented staff, Board members and advisers for their passion, innovation, and tireless work and dedication to our clients and our Company.

On behalf of the Board,

Charles Koones
Non-Executive Chairman

The directors present their report together with the consolidated financial statements of the Group, comprising the Company, Newzulu Limited and its subsidiaries, for the financial year ended 30 June 2017 and the auditor's report thereon.

Contents of directors' report — Page

## 1. DIRECTORS AND COMPANY SECRETARY

The directors of the Company at any time during or since the end of the financial year are:

| *Name, qualifications and independence status* | *Experience, special responsibilities and other directorships* |
|---|---|
| **Charles Koones**<br>Non-Executive Director<br>Independent Chairman | Highly experienced executive who has been involved in the US and international media industry for several decades. Mr Koones is the Managing Partner of Moon Tide Media, LLC a Los Angeles based media company and advertising agency. He previously served as a director of several media companies including American Media Inc., a major US publisher of magazines and digital titles, The Wrap In. and PaidContent.org. He was the president and the publisher of Variety magazine and President of Reed Elsevier's RBI Entertainment Group. He is currently vice chairman of the L.A. based non-profit Coalition for Engaged Education. Mr Koones holds a Bachelor of Arts from the University of Richmond. Mr Koones is not a director of any other ASX listed company.<br>Appointed Non Executive Director 12 February 2016.<br>Appointed Independent Chairman 12 February 2016. |
| **Clive Dickens**<br>Non-Executive Director | Chief Digital Officer for Seven West Media and a non-executive director of Yahoo 7. Mr Dickens has over 30 years of experience in digital media content and broadcast media spanning the US, South Africa, Europe, the UK and Australia. He has advised organisations such as Shazam and co-founded Absolute Radio for the Times of India and UK Radio Player Limited, a joint venture between UK broadcasters and the BBC. Mr Dickens is not a director of any other ASX listed company.<br>Appointed 29 June 2016.<br>Appointed 30 August 2016 as the Chairman of the Nomination and Remuneration Committee. |
| **Ed Wilson**<br>Independent Non-Executive Director | Mr Wilson has served as CEO of Tribune Broadcasting and at various points of his career, President of FOX Television Network, NBC Enterprises and CBS Enterprises. Most recently, as executive chairman and CEO of Dreamcatcher Media. He is an innovative business builder with a proven track record in both traditional and emerging media. Mr Wilson brings his distinctive know how and strategic perspective to emerging organisations ranging from global digital content platforms to big data social intelligence. Mr Wilson is not a director of any other ASX listed company. He is currently a director for SeaChange International, Inc, which is listed on the NASDAQ, and has held this position since February 2015.<br>Appointed 31 August 2016. |
| **James Bodel**<br>B.Comm, LLB, MBBS, MBA, MAICD<br>Non-Independent Non-Executive Director | Director of Goodtime Hospitality Group. Past Managing Director of Assess Medical Group for over eight years and is Investment Manager for Blueroom Capital Pty Ltd. Mr Bodel holds an MBA (Executive) with the Australian Graduate School of Management (UNSW) and holds degrees in Commerce, Law and Medicine. Mr Bodel is not a director of any other ASX listed company.<br>Appointed 18 March 2015.<br>Re-appointed 30 August 2016 as the Chairman of the Audit and Compliance Committee. |

| *Name, qualifications and independence status* | *Experience, special responsibilities and other directorships* |
|---|---|
| **Alexander J. Hartman**<br>Managing Director<br>Executive Chairman | Co-founder of Newzulu, Matilda Media Group and Rightstrade. He received the Young Australian of the Year Award for Career Achievement in 2001 and the Percey Medal from the Australian Computer Society. Alex was a pioneer of broadband internet services in Australia with Telstra and has advised Commonwealth Bank of Australia, Filmon.TV and Gershom Advisory Partners. The Australian Government appointed Alex as a Director of the Industry Research & Development Board, Chairman of the Youth IT Skills Hub and as founding Director of Headspace, the National Youth Mental Health Foundation. In 2015, Mr Hartman was appointed to the Council of the National Museum by the Governor General of the Commonwealth of Australia.<br>Appointed Managing Director 14 August 2014.<br>Appointed Executive Chairman 26 August 2014 until 12 February 2016.<br>On 2 August 2016 the Company announced that it had completed termination arrangements with Mr Hartman in relation to his consultancy deed with the Company. Mr Hartman subsequently resigned as a director of the Company effective 3 August 2016. |
| **Karen Logan**<br>BCom, Grad Dip AppCorpGov, ACIS, AGIA, F Fin, GAICD<br>Company Secretary | Over 12 years' experience in corporate governance and compliance. She has extensive capital raising, merger and acquisition, IPO and backdoor listing experience in a diverse range of industries including technology, media, resources, health care and life science. She is presently the principal of a consulting firm and secretary to a number of ASX-listed companies, providing corporate and accounting services to those clients.<br>Appointed 2 February 2015. |

## 2. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company is as follows:

| Director | Board Meetings | | Audit and Compliance Committee Meetings | | Nomination & Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** |
| Charles Koones | 13 | 13 | 3 | 3 | 4 | 4 |
| Clive Dickens | 12 | 13 | 2 | 3 | 4 | 4 |
| Ed Wilson[1] | 4 | 10 | 3 | 3 | 2 | 4 |
| James Bodel | 13 | 13 | 3 | 3 | 4 | 4 |
| Alex J Hartman[2] | 2 | 2 | 0 | 0 | 0 | 0 |

**A** – Number of meetings attended

**B** – Number of meetings held during the time the director held office during the year

1. Mr Wilson was appointed as a director of the Company on 31 August 2016
2. Mr Hartman resigned as a director of the Company effective 3 August 2016.

## 3. CORPORATE GOVERNANCE

Newzulu is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Group has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). The corporate governance statement outlines the key principles and practices of the Company which in the terms of the Group's Corporate Governance Charter, define the Group's system of governance. A copy of the Group's Corporate Governance Statement has been placed on the Group's website at http://newzululimited.com/investors/corporate-governance/.

## 4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year primarily involved the provision of crowd-sourced news material and licencing of media related software.

## 5. OPERATING AND FINANCIAL REVIEW

Revenue for the year ended June 30, 2017 was $2,491,706 (2016: $2,779,242) reflecting a decrease of $287,536 or a decrease of 10%. A large portion of the decrease in revenue relates to the closing of the Kiosk business.

The operating loss after income tax for the year ended 30 June 2017 was $10,208,576 (2016: loss of $16,378,901) a decrease in the loss of $6,170,325 or a decrease of 38%.

During the year, the Company continued to significantly restructure its business, with a greater emphasis on the technology platform (Newzulu Platform) part of the business and a North American focus. As part of this restructuring, the Company hired a new CFO in June 2016 and a new Director of Sales in April 2017. During the year ended 30 June 2017, the Company closed a number of offices, consolidated operations and software development to North America, reduced head count from a high of 84 employees to 29 employees and significantly reduced administrative spend. This operational right sizing of the company has reduced operating cost by over $5.5million moving forward. New management continues to focus on cost management and fiscal responsibility.

Toward the end of the year, the Company made additional investment in its sales team. This investment included additional resources but also technology to enable our sales team to succeed. During the past year the Company entered into a number of major Platform client agreements including leading edge companies such as: West Australian Newspapers Limited (a major Australian newspaper), Archant Regional Limited (a major UK based magazine and newspaper publishing company) and RTL (a major European TV, Radio and Newspaper publishing company).

## 5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

The Company also had large Creative client wins including: Roche Diabetes (a major international healthcare company), Societe General (a major international banking group), and MACSF (a major insurance professional insurance company). The Content business also experienced some major milestones with revenue growth from video content surpassing picture content for the first time. The investment in sales has also allowed the Company to build a pipeline that is greater in depth and breadth. The Company is focused on building out its sales pipeline at all stages, and moving to a more mature sales situation of regularly closing sales opportunities.

During the year, the Company was also proud to announce a number of strategic updates to its leading-edge software-as-a-service (SaaS) user-generated content (UGC) platform. Each of these updates added key features and tools for clients to be UGC leaders in their respective field. Using the Newzulu Platform, clients can now fully ingest, moderate and sort content from the four major social network tools (Instagram, YouTube, Twitter and Facebook). The Company also launched an iOS and Android mobile software development kit (SDK) that allows clients to connect to the Newzulu Platform and manage UGC through their own mobile application.

On 1 July 2016, the Company completed a fully underwritten non-renounceable entitlement issue to shareholders. A total of 208,816,689 fully paid ordinary shares were issued to raise $1,984,891, before costs.

On 2 August 2016, the Company announced that it had completed termination arrangements with Mr. Alex Hartman in relation to his consultancy deed with the Company. Mr. Hartman subsequently resigned as a director of the Company effective 3 August 2016.

On 31 August 2016, the Company announced that it had appointed Mr Ed Wilson as an independent non-executive director of the Company. Mr Wilson is an innovative business leader with a proven track record in both traditional and emerging media. As a multi-faceted business leader, his expertise spans across content creation, sales and talent development to the corporate boardroom.

On 9 May 2017, the Company completed T1 Private Placement. A total of 210,000,000 share were issued to raise $210,000.

On 9 May 2017 a further 14,119,971 shares were issued pursuant to the Employee share trust plan.

On 9 May 2017 Ed Wilson was issued 7,859,033 shares in lieu of directors fees from the date of his appointment 31 August 2016 through to 31 March 2017. The share were valued at $31,061.

On 9 May 2017 800,000 Executive shares were issued upon vesting of performance rights to Marc Milgrom (500,000) and David Minogue (300,000). Another 300,000 rights held by Stephen Hulford lapsed after he left the Company on 2 September 2016 rights. The rights belonging to Mr. Milgrom and Mr Minogue are valued at $43,269.

On 2 June 2017, the Company completed T2 Private Placement. A total of 690,000,000 shares were issued raising $690,000 before costs.

On 2 June 2017, the Company completed an entitlement issue raising $4,936,323 with 4,936,323,502 shares issued. $143,311 of the funds were received on 1 August 2017.

During the course of the year the Company issued the following Executive Options and Executive Performance Rights to directors and executives:

- 2,000,000 Director Options to Mr Ed Wilson.

## 6. DIVIDENDS

No dividends were paid or declared since the end of the previous financial year. The directors do not recommend a payment of a dividend in respect of the current financial year.

## 7. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters discussed above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 8. LIKELY DEVELOPMENTS

The Group will continue to develop its technologies and expand its customer base around the world, with emphasis in North America. Refer to the Chairman's Review for further discussion.

# 9. REMUNERATION REPORT - AUDITED

## 9.1 Compensation policies

Remuneration is referred to as compensation throughout this report.

### Overview of compensation policies

Compensation levels for directors of the Company are competitively set to attract and retain appropriately qualified and experienced directors.

Key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Company. Other than the directors and executives identified in 9.2, no other person is concerned in, or takes part in, the management of the Company ("senior manager") or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any other persons that would meet the definition of "key management personnel" for the purposes of AASB 124 Related Parties or "company executive", or "relevant company executive" for the purposes of section 300A of the Corporations Act 2001 ("Act").

Compensation packages may include a mix of fixed and variable compensation and short and long-term performance-based incentives.

### Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the entity. The Remuneration and Nomination Committee has regard to compensation levels external to the Company to ensure the directors' and KMP's compensation is competitive in the market place.

### Performance linked compensation

Performance linked compensation may include both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI), when in place, is intended to be an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares in the Company.

### Short-term incentive bonus

The Company operates a short term incentive bonus plan. The annual and/or cash bonus is a short-term incentive that is intended to reward each executive officer for their individual contribution and performance of personal objectives in the context of the overall corporate performance in the short and medium term. The annual and/or cash bonus is designed to motivate executives to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives.

### Long-term incentive

The grant of options and performance rights to directors and employees is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to directors and employees by participating in the future growth and prosperity of the Company through share ownership. The ability to compensate directors and employees by way of a grant of options (and in some cases vesting immediately) enables the Company to provide a means of non-cash compensation and thereby reduce the amount that would otherwise have to be paid in cash.

The Company has a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would arise from share price decreases.

As per the Securities Trading Policy Directors and Executives are not allowed to enter into transactions in associated products which operate to limit the economic risk of security holdings in the Company over unvested entitlements.

### Consequences of performance on shareholders wealth

In considering the Company's performance and benefits for shareholder wealth, regard is had to the following indices in respect of the current and previous financial year.

## 9. REMUNERATION REPORT – AUDITED (CONTINUED)

| | 2017 | 2016 |
|---|---|---|
| Net (loss) | ($10,208,576) | ($16,738,901) |
| Loss per share (cents per share) | (0.005) | (2.3) |
| Dividends paid | - | - |
| Change in share price – decrease | ($0.05) | ($0.06) |
| Return on capital | N/A | N/A |

Further historical information has not been presented due to the acquisition of Newzulu Holdings in August 2014.

In establishing performance measures and benchmarks to ensure incentive plans are appropriately structured to align corporate behaviour with the long term creation of shareholder wealth, the Board has had regard to the stage of development of the Company's business and given consideration to each of the indices outlined above.

**Use of Remuneration Adviser**

The Nomination and Remuneration Committee approved the engagement of Godfrey Remuneration Group Pty Limited (GRG) to provide remuneration recommendations regarding the proposed grant of equity to the CEO as part of his remuneration package.

Both GRG and the Nomination and Remuneration Committee are satisfied the advice received from GRG is free from undue influence from the KMP to whom the remuneration recommendations apply.

The remuneration recommendations were provided to the Committee as an input into decision making only. The Remuneration Committee considered the recommendations, along with other factors, in making its remuneration decisions. The fee paid to GRG for the remuneration recommendations was $8,000.

**Service agreements**

In May 2014, the Company entered into a contract for services with Gandalf Ventures Limited, a Company of which Mr Alex Hartman is a director, for the provision of Consultancy Services by Mr Hartman to the Company. The contract commenced on 13 August 2014. The contract was for no fixed term and the fees payable were based on market rates for these types of services and were payable on a monthly basis for the duration of the contract. The contract can be terminated by either party on six months' written notice. Payments made pursuant to this contract also remunerate Mr Hartman for his services as a director. As first announced on 1 July, 2016 the Company had received a notice of termination from Mr. Hartman which provided six months' notice of termination to his Consultancy Deed with Newzulu.
On 2 August 2016 the Company announced that it had completed termination arrangements with Mr Hartman in relation to his consultancy deed.

**Non-executive directors**

Shareholders at the 2016 annual general meeting have approved a directors' fee pool limit of $400,000 from which non-executive directors' fees may be paid.

**9.2 Directors and key management personnel remuneration**

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

1. M Milgrom was paid a bonus of $39,997 (CAD$40,000) in June 2017. This bonus was recommended by the Nomination and Remuneration Committee and approved by the Board.

9. REMUNERATION REPORT – AUDITED (CONTINUED)

| | Year | Short-term Salary & fees $ | Short-term STI cash bonus $ | Short-term Non-monetary benefits $ | Short-term Total $ | Post-employment Super-annuation benefits $ | Share-based payments Options and rights $ | Total $ | Proportion of remuneration performance related % | Value of options as proportion of remuneration % |
|---|---|---|---|---|---|---|---|---|---|---|
| DIRECTORS | | | | | | | | | | |
| (i) Executive Directors | | | | | | | | | | |
| Mr A J Hartman | 2016 | 653,158 | 263,333 | 81,862 | **998,353** | - | - | **998,353** | 26% | 0% |
| (ii) Non-executive Directors | | | | | | | | | | |
| Mr C Koones (Chairman–appointed 10 Feb 16) | 2017 | 132,600 | - | - | **132,600** | - | - | **132,600** | 0% | 0% |
| | 2016 | 52,643 | - | - | **52,643** | - | 31,913 | **84,556** | 0% | 38% |
| Mr C Dickens (appointed 29 Jun 16) | 2017 | 40,000 | - | - | **40,000** | - | - | **40,000** | 0% | 0% |
| | 2016 | - | - | - | **-** | - | - | **-** | 0% | 0% |
| Mr Ed Wilson (appointed 31 Aug 16) | 2017 | 9,034 | - | - | **9,034** | - | 37,483 | **46,517** | 0% | 81% |
| Mr P Kiely (resigned 29 Jun 16) | 2016 | 40,000 | - | - | **40,000** | 3,800 | - | **43,800** | 0% | 0% |
| Mr P Gunzburg (resigned 31 Dec 15) | 2016 | 20,000 | - | - | **20,000** | 1,900 | - | **21,900** | 0% | 0% |
| Mr T Hnarakis (resigned 12 Feb 16) | 2016 | 24,713 | - | - | **24,713** | 2,348 | - | **27,061** | 0% | 0% |
| Mr J Bodel (appointed 18 Mar 15) | 2017 | 40,000 | - | - | **40,000** | 3,800 | - | **43,800** | 0% | 0% |
| | 2016 | 40,000 | - | - | **40,000** | 3,800 | - | **43,800** | 0% | 0% |
| (iii) Executives | | | | | | | | | | |
| Mr M Milgrom 1. | 2017 | 249,904 | 39,977 | - | **289,881** | 3,733 | 53,870 | **347,484** | 27% | 16% |
| | 2016 | 211,577 | 42,095 | - | **253,672** | 3,891 | 46,456 | **304,019** | 29% | 15% |
| Mr C Sowden, CFO (resigned 27 Jun 16) | 2017 | 14,614 | - | - | **14,614** | - | - | **14,614** | 0% | 0% |
| | 2016 | 214,583 | - | - | **214,583** | - | - | **214,583** | 0% | 0% |
| Mr T Lieu, CFO (appointed 20 Jun 16) | 2017 | 164,937 | - | - | **164,937** | 3,733 | - | **168,670** | 0% | 0% |
| | 2016 | 7,203 | - | - | **7,203** | 484 | - | **7,687** | 0% | 0% |
| | | | | | | | | | | |
| **Total compensation: key management personnel** | **2017** | **651,089** | **39,977** | **-** | **691,066** | **11,266** | **91,353** | **793,685** | **17%** | **11%** |
| | 2016 | 1,263,877 | 305,428 | 81,862 | 1,651,167 | 16,223 | 78,369 | 1,745,759 | **22%** | **4%** |

## 9. REMUNERATION REPORT – AUDITED (CONTINUED)

### 9.3 Analysis of bonuses included in remuneration

Short term incentive cash bonus amounts are those earned during the current financial year and provided for in the current year's financial statements. 100% of Mr Marc Milgrom's bonus was paid in June 2017 in the amount of $39,997 (CAD $40,000).

### 9.4 Equity instruments

All options refer to options over ordinary shares of Newzulu Limited, which are exercisable on a one-for-one basis under the Director Option plan, under the Newzulu Option Incentive Plan and under the Performance Rights Plan.

#### 9.4.1 Rights and options over equity instruments granted as compensation

Details on rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and to the date of this report; details on options that vested during the reporting period are as follows:

| Options | Options granted during 2017 | | Fair value per option at grant date | Exercise price per option | Expiry date | Number of options vested during 2017 |
|---|---|---|---|---|---|---|
| | Number | Grant date | | | | |
| Ed Wilson | 2,000,000 | 8 Nov 16 | $0.023 | $0.02 | 8 Nov 2019 | - |

Mr Ed Wilson was issued 2,000,000 options vesting on issue and expire on 8 November 2019.

No rights were granted in 2017. 500,000 rights held by Marc Milgrom vested and were converted to shares on 9 May 2017. All rights expire on the earlier of their expiry date or termination of the individual's employment.

#### 9.4.2 Exercise of options and rights granted as compensation

500,000 rights for Marc Milgrom were converted to shares on 9 May 2017. Vesting conditions of these rights were continuing employment.

#### 9.4.3 Vesting profile of rights and options granted as compensation

Details of the vesting profiles of the rights and options held by each key management personnel of the Group are detailed below.

| | Instrument | Amount | Grant date | % vested by 30 June 2017 | % forfeited in year | Financial years in which grant vests |
|---|---|---|---|---|---|---|
| Charles Koones | Options | 5,000,000 | 15 Jun 2016 | 100% | - | 2016 |
| Alex Hartman* | Options | 20,000,000 | 13 Aug 2014 | 100% | 100% | 2015 |
| Marc Milgrom | Options | 12,000,000 | 15 Jun 2016 | 100% | - | 2016 and 2017 |
| | Rights | 250,000 | 9 May 2016 | 100% | - | 2017 |
| | Options | 5,000,000 | 10 Feb 2015 | 100% | - | 2015 |
| | Rights | 250,000 | 10 Feb 2015 | 100% | - | 2017 |
| Ed Wilson | Options | 2,000,000 | 8 Nov 2016 | - | - | 2020 |

*On 2 August 2016 the Company announced that it had completed termination arrangements with Mr Hartman in relation to his consultancy deed with the Company. Mr Hartman subsequently resigned as a director of the Company effective 3 August 2016. These options expired on 30 June 2017.

## 9. REMUNERATION REPORT – AUDITED (CONTINUED)

### 9.4.4 Analysis of movements in rights and options

2,000,000 options with a fair value of $6,422 were granted as compensation to a director during the year, Mr Ed Wilson. No options were exercised during the year. 500,000 Executive Rights held by Mr Marc Milgrom vested during the year.

The movement during the reporting period in the number of rights and options over ordinary shares in Newzulu Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Held at 1 July 2016 | Granted as compensation | Expired/ Exercised | Held at date of resignation | Held at 30 June 2017 | Vested during the year | Vested and exercisable at 30 June 2017 |
|---|---|---|---|---|---|---|---|
| **Options** | | | | | | | |
| Charles Koones | 5,000,000 | - | - | N/A | 5,000,000 | - | 5,000,000 |
| Alex Hartman | 20,000,000 | - | 20,000,000 | 20,000,000 | - | - | - |
| Marc Milgrom | 17,000,000 | - | - | N/A | 17,000,000 | 8,000,000 | 17,000,000 |
| Ed Wilson | - | 2,000,000 | - | N/A | 2,000,000 | - | - |
| **Rights** | | | | | | | |
| Marc Milgrom | 500,000 | - | 500,000 | N/A | - | 250,000 | - |

### 9.4.5 Loans and other transactions with key management personnel and their related parties

Details regarding the aggregate of all loans made or received by any entity in the Group to / from KMP and their related parties, and the number of individuals in each group as at 30 June 2017, are as follows:

| | Opening balance | Closing balance | Number at 30 June |
|---|---|---|---|
| Total loans granted to KMP and their related parties | $332 | $0 | 0 |
| Total loans received from Peter Scarf and his related parties (all loans are interest free, Peter Scarf loan is repayable on 1 July 2017, all other loans are payable on demand) | $559,182 | $683,903 | 1 |

Loan of $332 to Matilda Media (a company associated with former director A Hartman) was written off in 2017. Subsequent to year end, the loan from Mr. Scarf (a former director of Newzulu Holdings Ltd) was repaid in full.

### 9.4.6 Analysis of movements in shares

The movement during the reporting period in the number of ordinary shares in Newzulu Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Held at 1 July 2016 | Held at date of appointment | Purchases | Sales | Other Changes | Held at date of resignation | Held at 30 June 2017 |
|---|---|---|---|---|---|---|---|
| Charles Koones | 1,000,000 | - | 3,400,000 | - | - | N/A | 4,400,000 |
| Clive Dickens | N/A | - | - | - | - | N/A | N/A |
| James Bodel | 1,250,000 | - | 4,250,000 | - | - | N/A | 5,500,000 |
| R Ed Wilson | N/A | - | - | - | 7,859,033** | N/A | 7,859,033 |
| Marc Milgrom | 4,125,000 | - | 15,725,000 | - | 500,000* | N/A | 20,350,000 |
| Alex Hartman | 100,776,032 | - | - | - | - | 100,776,032 | N/A- |
| | **107,151,032** | **-** | **23,375,000** | **-** | **8,359,033** | **100,776,032** | **38,109,033** |

* Conversion of Performance rights
** Ed Wilson was paid shares in lieu of director's fees pursuant to shareholder approval obtained at the AGM held on 4 November 2016.

This concludes the audited remuneration report.

## 10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such instruments issued by the Company and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Ordinary shares | Options over ordinary shares |
|---|---|---|
| Charles Koones | 4,400,000 | 5,000,000 |
| James Bodel | 5,500,000 | - |
| Clive Dickens | - | - |
| Ed Wilson | 7,859,033 | 2,000,000 |

## 11. SHARE OPTIONS

### Options granted to directors and officers of the Company

Other than the options granted to Directors and Executives detailed in section 9.4.1 of this Directors' report, there were no options over ordinary shares in the Company granted to directors and officers of the Company during the reporting period or options granted since the end of the financial year.

### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

| Options | Expiry date | Exercise price | Number of options |
|---|---|---|---|
| Options unlisted | 31 August 2017 | $0.075 | 43,859,665 |
| Options to former directors | 31 October 2017 | $0.20 | 2,000,000 |
| Options to lenders | 9 February 2018 | $0.20 | 5,500,000 |
| Options to executives | 9 February 2018 | $0.20 | 5,000,000 |
| Options to directors | 15 June 2019 | $0.02 | 5,000,000 |
| Options to executives | 15 June 2019 | $0.02 | 12,000,000 |
| Lead Manager options | 14 June 2019 | $0.02 | 12,000,000 |
| Cornerstone investor options (Type A) | 14 June 2019 | $0.02 | 72,000,000 |
| Cornerstone investor options (Type B) | 14 June 2019 | $0.03 | 18,000,000 |
| Options to directors | 8 November 2019 | $0.02 | 2,000,000 |
| Total | | | 177,359,665 |

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### Shares issued on exercise of options

During and since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

## 12. ENVIRONMENTAL REGULATION

It is the Group's policy to comply with all environmental regulations applicable to it. The Company confirms, for the purposes of section 299(1)(f) of the Corporations Act 2001 that it is not aware of any breaches by the Group of any environmental regulations under the laws of the Commonwealth of Australia, or of a State of Territory of Australia.

## 13. PROCEEDINGS ON BEHALF OF THE GROUP

There are no proceedings on behalf of the Group under Section 237 of the Corporations Act 2001 in the financial year or at the date of the report.

## 14. INDEMNIFICATION AND INSURANCE OF OFFICERS

**Indemnification**

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

**Insurance premiums**

Since the end of the previous financial year the Company has paid or agreed to pay insurance premiums in respect of directors' and officers' liability, legal expenses and insurance contracts, for current and former directors and officers, including executive officers of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

## 15. NON-AUDIT SERVICES

During the year Nexia Perth Audit Services Pty Limited and Zeifmans LLP (for certain subsidiaries), the Company's auditors, have not performed any other services in addition to their statutory duties. During the prior year, KPMG and BDO Canada LLP (for certain subsidiaries) were the company's statutory auditors and performed other non-audit related services.

The board has considered the non-audit services provided during the prior year by the auditors and is satisfied that the provision of those non-audit services during the past year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Nexia Perth and previous auditors KPMG and BDO, and its related practices for audit and non-audit services provided during the year are set out below.

## 15. NON-AUDIT SERVICES (Continued)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Audit services:**<br>**Auditors for the Company – Nexia Perth Audit Services P/L** | | |
| **Auditors for the Company – Nexia Perth Audit Services P/L** | | |
| Audit and review of financial reports | **121,500** | **-** |
| Auditors for the Company - KPMG | | |
| Audit and review of financial reports | 55,754 | 157,419 |
| Other auditors - BDO Canada LLP | | |
| Audit and review of financial reports of subsidiaries | 44,388 | 103,091 |
| **Total** | **221,642** | **260,510** |
| **Other services:** | | |
| Other auditors – KPMG Canada | | |
| Taxation and advisory services | 5,248 | 97,121 |
| Other auditors – BDO Australia | | |
| Taxation and advisory services | 10,147 | - |
| Other auditors - BDO Canada LLP | | |
| Due diligence services | - | 14,520 |
| **Total:** | **15,395** | **111,641** |
| | **237,037** | **372,151** |

## 16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 52 and forms part of the directors' report for the financial year ended 30 June 2017.

This report is made in accordance with a resolution of the directors:

Charles Koones
Non-Executive Chairman

Dated at Sydney this 31st day of August 2017.

NEWZULU LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

| In AUD | Note | **2017** | 2016 |
|---|---|---|---|
| Revenue | 6 | 2,491,706 | 2,779,242 |
| Other income | 7 | - | 82,060 |
| | | | |
| Impairment of intangibles | 14 | (3,697,774) | (3,781,902) |
| Employee benefit expenses | 9 | (3,669,263) | (7,724,440) |
| Consultants | | (207,525) | (501,780) |
| Rent | | (496,254) | (921,714) |
| Depreciation and amortisation | 13 | (1,868,380) | (1,869,308) |
| Impairment of related party loans | 8 | - | (6,681) |
| Other expenses | 11 | (2,696,014) | (4,667,701) |
| Results from operating activities | | (10,143,504) | (16,612,224) |
| | | | |
| Financial income | | 313,285 | 207,985 |
| Financial expenses | | (481,798) | (741,292) |
| **Net financing income/(costs)** | 10 | **(168,513)** | **(533,307)** |
| Loss before income tax | | (10,312,017) | (17,145,531) |
| | | | |
| Income tax benefit | 12 | 103,441 | 766,630 |
| **Loss after income tax attributable to Owners of the Company** | | **(10,208,576)** | **(16,378,901)** |
| Other comprehensive income that can be subsequently reclassified to profit and loss | | | |
| (a) Other comprehensive income that can be subsequently reclassified to profit and loss | | | |
| Foreign currency translation differences for foreign operations | | (283,424) | (280,937) |
| (b) Other comprehensive income that cannot be subsequently reclassified to profit and loss | | - | - |
| | | | |
| **Total comprehensive loss attributable to Owners of the Company** | | **(10,492,000)** | **(16,659,838)** |
| Earnings per share for loss attributable to the ordinary equity holders of the Company: | | | |
| Basic and diluted loss per share (cents) | 20 | (0.5) | (2.3) |

The accompanying notes are an integral part of these financial statements

For the year ended 30 June 2017

| *In AUD* | *Note* | **2017** | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *17a* | 5,001,740 | 5,510,535 |
| Restricted cash | *18* | 20,042 | - |
| Trade and other receivables | *16* | 500,604 | 607,017 |
| Other current assets | | 222,782 | 319,599 |
| **Total current assets** | | **5,745,168** | **6,437,151** |
| Intangible assets | *14* | - | 4,912,144 |
| Property, plant and equipment | *13* | 97,004 | 588,088 |
| Other non-current assets | | - | 131,622 |
| **Total non-current assets** | | 97,004 | 5,631,854 |
| **Total assets** | | **5,842,172** | **12,069,005** |
| **Liabilities** | | | |
| Trade and other payables | *24* | 914,595 | 1,167,150 |
| Loans and borrowings from related parties | *21* | 683,903 | 559,963 |
| Employee benefits | *22* | 169,260 | 842,723 |
| Other current liabilities | | 318,890 | 440,940 |
| **Total current liabilities** | | **2,086,648** | **3,010,776** |
| Deferred tax liabilities | *15* | 198,308 | 311,207 |
| Employee benefits | *22* | 692 | 290 |
| Other non-current liabilities | | - | - |
| **Total non-current liabilities** | | 199,000 | 311,497 |
| **Total liabilities** | | 2,285,648 | 3,322,273 |
| **Net assets** | | **3,556,524** | **8,746,732** |
| **Equity** | | | |
| Share capital | *19* | 56,994,964 | 49,730,545 |
| Reserves | | 2,630,859 | 4,876,910 |
| Accumulated losses | | (56,069,299) | (45,860,723) |
| **Total equity** | | **3,556,524** | **8,746,732** |

The accompanying notes are an integral part of these financial statements.

For the year ended 30 June 2017

| *In AUD* | | Share capital | Share option reserve | Translation reserve | Other equity contributions | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2015 | | 37,403,629 | 2,284,734 | (205,071) | 914,041 | (29,481,822) | 10,915,511 |
| Total comprehensive income for the period | | | | | | | |
| Loss for the period | | - | - | - | - | (16,378,901) | (16,378,901) |
| *Other comprehensive income* | | | | | | | |
| Foreign currency translation differences | | - | - | (280,937) | - | - | (280,937) |
| Total comprehensive income for the period | | - | - | (280,937) | - | (16,378,901) | (16,659,838) |
| Transactions with Owners, recorded directly in equity | | | | | | | |
| Consideration for business acquisition | 19 | 577,781 | - | - | - | - | 577,781 |
| Issue of options to lead manager | | - | 52,425 | - | - | - | 52,425 |
| Issue of options to director | 23 | - | 31,913 | - | - | - | 31,913 |
| Issue of options and performance rights to executives | 23 | - | 63,908 | - | - | - | 63,908 |
| Shares issued | 19 | 13,000,000 | - | - | - | - | 13,000,000 |
| Share issuance costs | 19 | (1,250,865) | - | - | - | - | (1,250,865) |
| Employee share scheme shares issued | | 260,000 | - | - | - | - | 260,000 |
| Own shares held | | (260,000) | - | - | - | - | (260,000) |
| Fair value gains recognised directly in equity | | - | - | - | 177,075 | - | 177,075 |
| Share issue reserve | 19 | - | - | - | 1,838,822 | - | 1,838,822 |
| Total transactions with Owners | | 12,326,916 | 148,246 | - | 2,015,897 | - | 14,491,059 |
| **Balance at 30 June 2016** | | **49,730,545** | **2,432,980** | **(486,008)** | **2,929,938** | **(45,860,723)** | **8,746,732** |

| *In AUD* | | Share capital | Share option reserve | Translation reserve | Other equity contributions | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | | 49,730,545 | 2,432,980 | (486,008) | 2,929,938 | (45,860,723) | 8,746,732 |
| Total comprehensive income for the period | | | | | | | |
| Loss for the period | | - | - | - | - | (10,208,576) | (10,208,576) |
| *Other comprehensive income* | | | | | | | |
| Foreign currency translation differences | | - | - | (283,424) | - | - | (283,424) |
| Total comprehensive income for the period | | - | - | (283,424) | - | (10,208,576) | (10,492,000) |
| Transactions with Owners, recorded directly in equity | | | | | | | - |
| Issue of options to director | 23 | - | 52,209 | - | - | - | 52,209 |
| Issue of options and performance rights to executives | 23 | - | (42,529) | - | - | - | (42,529) |
| Shares issued to director & executives | 19 | 74,330 | - | - | - | - | 74,330 |
| Shares issued | 19 | 7,821,215 | - | - | - | - | 7,821,215 |
| Share issuance costs | 19 | (631,126) | - | - | - | - | (631,126) |
| Employee share scheme shares issued | | 26,828 | - | - | - | - | 26,828 |
| Own shares held | | (26,828) | - | - | - | - | (26,828) |
| Share issue reserve | 19 | - | - | - | (1,972,307) | - | (1,972,307) |
| Total transactions with Owners | | 7,264,419 | 9,680 | - | (1,972,307) | - | 5,301,792 |
| **Balance at 30 June 2017** | | **56,994,964** | **2,442,660** | **(769,432)** | **957,631** | **(56,069,299)** | **3,556,524** |

The accompanying notes are an integral part of these financial statements.

For the year ended 30 June 2017

| In AUD | Note | **2017** | 2016 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 2,445,913 | 3,328,972 |
| Cash paid to suppliers and employees | | (7,648,610) | (13,808,499) |
| Interest received | | 1,572 | 8,118 |
| Interest paid | | - | (5,149) |
| Government grants and tax incentives | | 141,000 | - |
| **Net cash used in operating activities** | 17b | **(5,060,125)** | (10,476,558) |
| | | | |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | | - | (577,781) |
| Payments for property, plant and equipment | | (1,976) | (72,640) |
| Payments for intangible assets | | (644,439) | (1,015,794) |
| Cash acquired on disposal property, plant and equipment | | 11,505 | 31,533 |
| Cash acquired on acquisition of subsidiary | | - | 208,983 |
| Loans advanced | | - | (3,578) |
| **Net cash used in investing activities** | | **(634,910)** | (1,429,277) |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from share issues | 19 | 5,841,660 | 13,000,000 |
| Share issuance costs | | (632,905) | (1,250,865) |
| Share subscription funds received in advance | | - | 1,838,822 |
| Repayments of borrowings | | (1,779) | (22,088) |
| **Net cash provided by financing activities** | | **5,206,976** | 13,565,869 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | (488,059) | 1,660,034 |
| Cash and cash equivalents at 1 July | | 5,510,535 | 3,715,805 |
| Effect of exchange rate fluctuations and cash held | | (694) | 15,164 |
| Release of previously restricted funds | | - | 119,532 |
| **Cash and cash equivalents at 30 June** | **17a** | **5,021,782** | 5,510,535 |

The accompanying notes are an integral part of these financial statements.

## 1. ENTITY

Newzulu Limited (the "Company") is a for-profit entity domiciled in Australia. The Company's registered office is at Level 1, Office F, 1139 Hay Street, West Perth, WA, 6005. These consolidated financial statements comprise the Company and its subsidiaries (collectively 'the Group' and individually 'Group companies'). Newzulu is a crowd-sourced technology and media company that links broadcasters, publishers and brands with the public to Connect Through Content.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The financial report complies with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors for release on 31 August 2017.

### (b) Basis of measurement

The financial report is prepared on the historical cost basis except where revalued as stated.

### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise stated. The functional currencies of the Group's major subsidiaries are Euro, British pound, Canadian dollar and United States dollar.

### (d) Financial Position

For the year ended 30 June 2017, the Company incurred a loss after tax of $10,208,576 (2016: $16,378,901), this included impairment of intangibles $3,697,774 (2016: Impairment of Goodwill $3,781,901). During the year ended 30 June 2017, the Company used net cash in operating activities of $5,060,125 (2016: $10,476,558) and the Group has previously been reliant on funding from shareholders and external sources to support its operations. Based on a working capital surplus of $3,658,520 at 30 June 2017 and a cash flow forecast prepared by management, the directors have prepared the financial report for the year ended 30 June 2017 as a going concern which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

### (e) Use of estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are disclosed in the following notes:

- Note 14 – Impairment of intangible assets

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Basis of consolidation

**(i) Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment or half-yearly if there are indicators of possible impairment since the last test date. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Where a business combination relates to commonly controlled entities, the Group accounts for such combinations using book value accounting.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**(iii) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**(v) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

**(vi) Foreign operations**

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

**(vi) Foreign operations (continued)**

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

## (b) Financial instruments

### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Loans and receivables are initially recognised on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)).
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### (ii) Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

## (c) Property, plant and equipment

### (i) Recognition and measurement

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, when the Company has an obligation to remove the assets or restore the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

**(ii) Subsequent costs**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment and repairs are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Items of property, plant and equipment are depreciated from the date they are ready to use.

The estimated useful lives in the current and comparative periods are as follows:

- Computer hardware 3 years
- Equipment and fittings 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted if appropriate.

**(d) Intangible assets**

**(i) Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

**(iv) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

**(v) Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Trademarks 20 years
- Domain names 5 years
- External software 2.5 years
- Internally developed software 4 years
- Client relationships 4 years

**(e) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

**Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**(f) Impairment**

**(i) Financial assets**

A financial asset not classified as at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

**(ii) Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together in the smallest group of assets that generates cash inflows from continuing that are largely independent of the cash inflows of other assets of Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (g) Employee benefits

### (i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

### (ii) Long-term service benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used was based on high quality corporate bond rates. Any gains or losses are recognised in profit or loss in the period in which they arise.

### (iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that are expected to vest, except for those that fail to vest due to market conditions not being met.

### (v) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

## (h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## (i) Revenue

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Group under contract, net of discounts or sales taxes. The Group receives revenue from the sale of photos and videos, the licencing of software applications and the sale of crowd sourced creative film and video production.

Revenues from the sale of photos and videos are recognised when the customers inform the Group that they have used the content and state the price of the content. Revenues from licence fees and fees for services provided at the start of the contract are recognised on a straight-line basis over the life of the initial contract period. The timing of revenue recognition may differ from the contractual invoicing arrangements in place with the customer. Amounts invoiced but not yet earned are reported within deferred income.

Revenues from the sales of creative film and video production services are recognised in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to the extent of work performed.

**(j) Expenses**

**(i) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(ii) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Financial costs comprise interest expense on borrowings and unwinding of the discount on provisions.

**(k) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

In determining the amount of current tax the Company takes into account the impact of uncertain group tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(l) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated based on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(m) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(n) Goods and services tax (and Value added tax)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(o) Government grants**

Government grants that compensate the Company for expenses incurred are recognised in the profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**(p) New standards and interpretations not yet adopted**

The following new standards are not yet effective for the year ended 30 June 2017, may impact the Group, and have not been applied in preparing these financial statements:

**AASB 9 *Financial Instruments***

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2019 financial statements. Retrospective application is generally required, although there are exceptions. The Group has financial instruments disclosed in Note 25 to the financial report. The financial instruments are expected to have a material impact and the Group is currently assessing the impact of this standard.

**AASB 15 *Revenue from Contracts with Customers***

AASB 15 Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. AASB 15 will become mandatory for the Group's 30 June 2019 financial statements. Choice of retrospective application, or as of the application date using the "cumulative effect approach" is required. The Group receives revenue from the sale of photos and videos, the licencing of software applications and the sale of crowd sourced creative film and video production. *AASB 15 Revenue from Contracts with Customers* is expected to have a material impact on the Group's financial statements. The Group is currently making detailed assessments on the impact of this standard.

**AASB 16 *Leases***

AASB 16 Leases removes the lease classification test for lessees and requires most leases (including operating leases) to be brought onto the balance sheet. AASB 16 will become mandatory for the Group's 30 June 2020 financial statements, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. As per note 26 the Group does have operating leases as at 2017. AABS 16 *Leases* is expected to have a material impact, The Group is currently making detailed assessments on the impact of this standard.

## 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(a) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

**(b) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

**(c) Share-based payment transactions**

The fair values of employee share options are measured using a Binomial or Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The fair value of share based transactions with suppliers is measured by reference to the fair value of goods or services received. Where this cannot be measured directly, it is measured by reference to the fair value of share options granted. The measurement model and inputs are the same as those used for employee share options.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board and the Audit & Compliance Committee is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Various financial and operational reporting procedures and other internal control and compliance systems are implemented to identify and monitor risks associated with the Group's business activities.

The Audit & Compliance Committee oversees how management monitors compliance with the Group's risk management procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and cash holdings with financial institutions.

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group is not materially exposed to credit risk as the majority of their services are prepaid. Approximately 10% (2016: 11%) of the Group's revenue is attributable to sales transactions with its largest customer. The Audit & Compliance Committee assists the Board in monitoring material business risks of the Group. Procedures are in place to monitor customer payments which include follow up of debtors aging reports on a regular basis. The Group has established a provision for doubtful debts that represents their estimate of incurred losses in respect of trade and other receivables.

*Cash and cash equivalents, restricted term deposits*
The Group maintains its bank accounts with major Australian, French, US and Canadian banks.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Group's current and future operations, and consideration is given to the liquid assets available to the Group before commitment is made to future expenditure or investment. Further information is set out in note 25.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

*Currency risk*

The Group is exposed to currency risk on transactions with its foreign subsidiaries and with foreign suppliers that are denominated in a currency other than the respective functional currency of the Companies in the Group. Such transactions are predominantly denominated in AUD (Australian Dollar), EUR (Euro), CAD (Canadian Dollar), USD (United States Dollar) and GBP (Great Britain Pound). The sensitivities to currency movements risk are not material.

*Interest rate risk*
As the Company has interest bearing assets, its income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits, and no financial instruments are employed to mitigate risk. (Note 25 – Financial Instruments).

**Capital management**

The Board's policy is to seek to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors closely monitors capital expenditure and cash.

The Board's approach to capital management has been to regularly monitor the Group's capital and to seek additional funding from investors on an as needs basis so as to facilitate the Group's product development strategy.

Details of the fundraising activities by the Group during the year are set out in note 19.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 6. REVENUE

| In AUD | 2017 | 2016 |
|---|---|---|
| Revenue including software as a service and content | 2,491,706 | 2,779,242 |
| Total revenue | 2,491,706 | 2,779,242 |

## 7. OTHER INCOME

| In AUD | 2017 | 2016 |
|---|---|---|
| Government research grant | - | 82,060 |
| Total | - | 82,060 |

## 8. IMPAIRMENT OF RELATED PARTY LOANS

| In AUD | 2017 | 2016 |
|---|---|---|
| Loans to related parties forgiven (see note 21) | - | 6,681 |
| Total | - | 6,681 |

## 9. EMPLOYEE BENEFIT EXPENSES

| In AUD | *Note* | 2017 | 2016 |
|---|---|---|---|
| Wages and salaries | | 3,031,130 | 4,937,359 |
| Salaries paid through service agreements | | 14,613 | 1,217,936 |
| Other personnel expenses | | 662,385 | 764,346 |
| Social security contributions | | | 617,337 |
| Contributions to superannuation funds | | 21,298 | 115,068 |
| (Decrease)/Increase in liability for annual leave | | (144,576) | 14,402 |
| Increase/(Decrease) in liability for long service leave | | 403 | (37,829) |
| Equity-settled share based payment transactions | 23 | 84,010 | 95,821 |
| Total | | 3,669,263 | 7,724,440 |

## 10. FINANCE INCOME AND EXPENSE

| In AUD | 2017 | 2016 |
|---|---|---|
| Interest income | 1,508 | 8,118 |
| Net foreign exchange gain | 311,777 | 199,867 |
| Financial income | 313,285 | 207,985 |
| | | |
| Interest on related party loan | (123,940) | (118,708) |
| Interest expense | - | (5,149) |
| Net foreign exchange loss | (357,858) | (617,435) |
| Financial expenses | (481,798) | (741,292) |
| Net finance expense | (168,513) | (533,307) |

## 11. TOTAL OTHER EXPENSES

| In AUD | 2017 | 2016 |
|---|---|---|
| Cost of sales | 727,171 | 327,801 |
| Accounting fees | 492,709 | 639,015 |
| Computer, internet and IT expenses | 745,915 | 1,354,168 |
| Legal fees | 27,775 | 311,798 |
| Travel and accommodation | 191,409 | 716,304 |
| Advertising, promotion and development | 99,953 | 299,644 |
| Other administrative costs | 411,082 | 1,018,971 |
| Total other expenses | 2,696,014 | 4,667,701 |

## 12. INCOME TAX BENEFIT

| *In AUD* | **2017** | **2016** |
|---|---|---|
| Current tax | - | - |
| Deferred tax | 103,441 | 766,630 |
| Total | 103,441 | 766,630 |

| In AUD | **2017** | **2016** |
|---|---|---|
| Loss for the period | (10,312,017) | (17,145,531) |
| Income tax using the domestic corporation tax rate of 30% (2016: 30%) | (3,093,605) | (5,143,659) |
| Effect of tax rates in foreign jurisdictions | (45,878) | 316,306 |
| Increase in income tax expense due to: | | |
| Non-deductible expenses | 430,582 | 804,431 |
| Tax losses and movements in deferred taxes not recognised | 2,605,460 | 3,256,292 |
| Income tax benefit | (103,441) | (766,630) |

## 13. PROPERTY, PLANT AND EQUIPMENT

| In AUD | **Computer Hardware and Equipment and Fittings** |
|---|---|
| **Cost** | |
| Balance at 1 July 2015 | 985,195 |
| Acquisitions through business combinations | 267,077 |
| Additions | 72,640 |
| Disposals | (172,212) |
| Effect of movements in exchange rates | (45,784) |
| Balance at 30 June 2016 | 1,106,916 |
| | |
| Balance at 1 July 2016 | 1,106,916 |
| Acquisitions through business combinations | - |
| Additions | 1,921 |
| Disposals | (271,502) |
| Effect of movements in exchange rates | (23,097) |
| Balance at 30 June 2017 | 814,238 |
| | |
| **Accumulated depreciation** | |
| Balance at 1 July 2015 | 165,304 |
| Opening balance through business combinations | 50,111 |
| Depreciation charge for the year | 391,330 |
| Disposals | (95,052) |
| Effect of movements in exchange rates | 7,135 |
| Balance at 30 June 2016 | 518,828 |
| | |
| Balance at 1 July 2016 | 518,828 |
| Depreciation charge for the year | 299,780 |
| Disposals | (88,247) |
| Effect of movements in exchange rates | (13,127) |
| Balance at 30 June 2017 | 717,234 |
| | |
| **Carrying amounts** | |
| At 30 June 2016 | 588,088 |
| At 30 June 2017 | 97,004 |

| **Depreciation & Amortisation expense** | |
|---|---|
| Depreciation expensed in the year ended 30 June 2017 | 299,780 |
| Amortisation expensed in the year ended 30 June 2017 | 1,568,600 |
| | **1,868,380** |

## 14. INTANGIBLE ASSETS

| **Cost** | **Trade marks, domain names, software, customer relationships** |
|---|---|
| Balance as at 1 July 2015 | 5,375,691 |
| Acquisitions through business combinations | 878,228 |
| Additions | 136,685 |
| Additions - internally developed | 879,109 |
| Effect of exchange rates | (556,777) |
| Balance at 30 June 2016 | 6,712,936 |
| | |
| Balance as at 1 July 2016 | 6,712,936 |
| Acquisitions through business combinations | - |
| Additions | - |
| Additions - internally developed | 644,439 |
| Effect of exchange rates | (355,873) |
| Balance at 30 June 2017 | 7,001,502 |
| | |
| **Accumulated amortisation & impairment losses** | |
| Balance as at 1 July 2015 | 432,826 |
| Amortisation | 1,477,978 |
| Impairment loss | - |
| Effect of exchange rates | (110,012) |
| Balance at 30 June 2016 | 1,800,792 |
| | |
| Balance as at 1 July 2016 | 1,800,792 |
| Amortisation | 1,568,600 |
| Impairment loss | 3,697,774 |
| Effect of exchange rates | (65,664) |
| Balance at 30 June 2017 | 7,001,502 |
| | |
| **Carrying amounts** | |
| At 30 June 2016 | 4,912,144 |
| At 30 June 2017 | - |

At the end of each reporting period the group reviews the carrying amounts of its intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. Management undertakes a value-in-use assessment of the carrying value of its intangible assets to test for impairment.

The value-in-use calculation is based on cashflow projections from financial forecasts prepared by management and extrapolated to cover a period of 5 years.

The key assumptions include:

- Management expects considerable revenue growth over the medium and longer term. For accounting purposes noting new management and the short history of the current plan, historical actualized growth and revenue volatility in the industry from company to company, a conservative model and assumptions of nil growth has been made.
- Constant margins have been assumed. There are limited efficiency or productivity improvements that have been built into the projections.
- Pre-discount rate of 17% was applied to determine the present value of the cashflow projections.

Based on the impairment analysis performed, the intangible asset was written down to nil for FY 2017.

## 15. TAX ASSETS AND LIABILITIES

### (a) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| In AUD | 2017 | 2016 |
|---|---|---|
| Deductible temporary differences | 67,531 | 484,568 |
| Tax losses | 3,010,593 | 6,689,434 |
| | 3,078,124 | 7,174,002 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the entity can utilise the benefits therefrom.

### (b) Movement in deferred tax balances

Deferred tax liabilities relating to intangible assets and other items.

| In AUD | 2017 | 2016 |
|---|---|---|
| Balance at start of year | 311,207 | 829,612 |
| Acquired through business combinations | - | 292,449 |
| Recognition of previously unrecognised tax losses | - | (666,476) |
| Amortisation of intangibles | (103,441) | (100,154) |
| Effect of foreign exchange | (9,458) | (44,224) |
| Balance at end of year | 198,308 | 311,207 |

## 16. TRADE AND OTHER RECEIVABLES

| In AUD | 2017 | 2016 |
|---|---|---|
| **Current** | | |
| Trade receivables | 406,886 | 446,620 |
| GST and other tax receivables | 93,718 | 160,397 |
| | 500,604 | 607,017 |

Trade and other receivables are recorded net of an impairment provision of $12,580 (2016: $222,262).

## 17A. CASH AND CASH EQUIVALENTS

| In AUD | 2017 | 2016 |
|---|---|---|
| Bank balances | 5,001,740 | 4,058,935 |
| Call deposits | 20,042 | 1,451,600 |
| Total Cash and cash equivalents in the statement of cash flows | 5,021,782 | 5,510,535 |

The effective interest rate on call deposits was 0% (2016: 0%)

## 17B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| In AUD | Note | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the period | | (10,208,576) | (16,378,901) |
| Adjustments for: | | | |
| Income tax benefit | 12 | (103,441) | (766,630) |
| Depreciation | 13 | 299,780 | 391,330 |
| Amortisation | 14 | 1,568,600 | 1,477,978 |
| Unwind of discount on loan | 10 | 123,940 | 118,708 |
| Impairment of plant and equipment | | 154,752 | 45,623 |
| Impairment of intangibles | 14 | 3,697,774 | 3,781,902 |
| Bad debt expense | | 121,729 | 269,874 |
| Unrealised foreign exchange losses | | 46,145 | 287,980 |
| Equity granted to directors and management | 23 | 84,010 | 95,821 |
| Equity-settled share-based payment expense | 23 | - | 52,425 |
| **Operating loss before changes in Working capital and provisions** | | (4,215,287) | (10,623,890) |
| Change in trade and other receivables | | 106,413 | 466 ,658 |
| Change in other assets | | 96,817 | (18,626) |
| Change in trade and other payables | | (252,555) | (22,618) |
| Change in other liabilities | | (122,050) | (1,007) |
| Change in other provisions | | (673,463) | (277,075) |
| **Net cash (used in) operating activities** | | (5,060,125) | (10,476,558) |

## 18. RESTRICTED CASH

| In AUD | 2017 | 2016 |
|---|---|---|
| **Current assets** | | |
| Restricted cash deposits | 20,042 | - |
| Total current restricted cash | 20,042 | - |

During the year ended 30 June 2017 there was a $20,042 ($20,000 CAD) Term deposit. In the prior year there were no restricted deposits.

## 19. CAPITAL AND RESERVES

**(a) Share capital**

| | 2017 No. | 2017 $ | 2016 No. | 2016 $ |
|---|---|---|---|---|
| On issue at 1 July | 1,242,242,950 | 49,730,545 | 532,005,936 | 37,403,629 |
| Shares issued for cash (pre-reverse acquisition) | - | - | - | - |
| On issue at 14 August 2014 (date of reverse acquisition) | - | - | - | - |
| Shares issued to acquire Newzulu Holdings Limited | - | - | - | - |
| Shares issued to acquire Octiplex SAS | - | - | 19,920,327 | 577,781 |
| Share based payments | 7,859,033 | 31,061 | - | - |
| Rights converted to shares | 800,000 | 43,269 | - | - |
| Issued for cash (net of costs)* | 6,045,140,191 | 7,190,089 | 673,433,591 | 11,749,135 |
| Employee Share Scheme | 14,119,971 | - | 16,883,096 | - |
| On issue at 30 June – fully paid | 7,310,162,145 | 56,994,964 | 1,242,242,950 | 49,730,545 |

*Shares raised for cash net of costs:

- On 1 July 2016, the Company completed a fully underwritten non-renounceable entitlement issue to shareholders. A total of 208,816,689 fully paid ordinary shares were issued to raise $1,984,891, before costs. Of this $1,838,822 had been received in advance at 30 June 2016. The amount of $1,838,822 was transferred to share capital on 1 July 2016. The balance of $146,069 was received in FY 2017.

- On 9 May 2017, the Company completed T1 Private Placement. A total of 210,000,000 share were issued to raise cash of $210,000 before costs.

- On 2 June 2017 the company completed T2 Private Placement. A total of 690,000,000 shares were issued raising $690,000 before costs.

- On 2 June 2017 the company completed an entitlement issue raising $4,936,324 before costs with 4,936,323,502 shares issued. The remaining funds were received on 1 August 2017 in amount of $143,311.

- Total capital raising costs of $631,126 were incurred in FY 2017.

- Hence the net cash raised from the issue of shares in FY 2017 is $5,208,755

On 9 May 2017, a further 14,119,971 shares were issued pursuant to the Employee share trust plan for a value of $26,828. Vesting conditions are as follows:

(i) 50% will vest 12 months from the date of issue; and
(ii) 50% will vest 24 months from the date of issue.

The Company does not have authorised capital or par value in respect of its issued shares. Holders of these shares are entitled to dividends as declared from time to time. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

On 9 May 2017 800,000 shares were issued on the conversion of vested rights to Marc Milgrom (500,000) and David Minogue (300,000) respectively. A further 300,000 rights held by Stephen Hulford were cancelled after he left the Company on 2 September 2016.

On 9 May 2017 Ed Wilson was issued 7,859,033 shares in lieu of director's fees owed from the date of his appointment on 31 August 2016 through to 31 March 2017. This was based on a director's fee of US$40,000 per annum - the value of the shares issued was A$31,061.

**(b) Share options reserve**

The share option reserve comprises the cumulative fair value of vested and vesting options provided as compensation by the Company. Refer to note 23.

(i) $6,422 options issued to directors (2016: $31,913)
(ii) $58,126 options and rights issued to executives (2016: $63,908)
(iii) $(43,269) rights from prior period vested and converted to shares (2016: $0)
(iv) $(11,599) executive rights cancelled – S Hulford finished up in September 2016
(v) Total movement in the reserve is $9,680.

**(c) Other Equity Contributions**

Other equity contributions include:

- Cash received in June 2016 for shares issued in July 2016 moved to Share capital, recorded as share issues reserve in the amount of ($1,838,822) (2016: $1,838,822).
- Cash not yet received net of fees $9,826 at 30 June 2017, ($143,311) recorded in Share issues reserves. Cash was received on 1 August 2017.
- Total movement in Other equity contributions is ($1,972,307).

**(d) Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 20. LOSS PER SHARE

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $10,208,576 (2016: $16,378,901) and a weighted average number of ordinary shares outstanding of 1,936,985,395 (2016: 703,116,877). For the year ended 30 June 2017 the Company had a basic and diluted loss per share of $0.005 (2016: loss of $0.023), calculated as follows:

| | 2017 | 2016 |
|---|---|---|
| Basic and diluted loss per share (cents) | (0.5) | (2.3) |

**Weighted average number of ordinary shares**

| | *Note* | 2017 | 2016 |
|---|---|---|---|
| Issued ordinary shares at 1 July | 19 | 1,242,242,950 | 532,005,936 |
| Effect of shares issued | | 694,742,445 | 171,110,941 |
| Weighted average number of ordinary shares at 30 June | | 1,936,985,395 | 703,116,877 |

Options to acquire ordinary shares granted by the Company and not exercised at the reporting date which are considered to be potential ordinary shares are included in the determination of diluted earnings per share to the extent to which they are dilutive. At 30 June 2017, none of the options on issue were considered to be dilutive and accordingly the options have not been included in the determination of diluted loss per share. Refer to note 23 for details of the options granted.

## 21. RELATED PARTY LOANS AND BORROWINGS

### (a) Loans to related parties

| In AUD | 30 Jun 2017 | 30 Jun 2016 |
|---|---|---|
| Loan to director | - | - |
| Loan to Matilda Media and subsidiaries | - | 331 |
| **Balance at end of period** | **-** | 331 |

During the period from 1 July 2016 to 30 June 2017, the Company wrote off loans of $331 to Matilda Media, a company owned by former director Mr Alex Hartman, (2016: $6,681). The loans are for no fixed term and are interest free.

### (b) Loans from related parties

| In AUD | 30 Jun 2017 | 30 Jun 2016 |
|---|---|---|
| Current | | |
| Loan from Mr Peter Scarf | 683,903 | 559,963 |
| **Total current loans at end of period** | **683,903** | 559,963 |

The loan is interest free and payable no later than 1 July 2017 and is secured by current and future assets of the Group. The loan was recorded at amortised cost, using a 20% discount rate. The movement in the balance represents the imputed interest charge for an amortised cost under AASB 139 *Financial Instruments*. The loan was repaid in full on 4 July 2017.

### (c) Terms and debt repayment schedule for loans from related parties

Terms and conditions of outstanding loans are as follows:

| | | | | | **30 June 2017** |
|---|---|---|---|---|---|
| In AUD | Currency | Interest rate | Year of maturity | Face value | Carrying amount |
| Peter Scarf Loan | AUD | 0% | 2017 | 683,903 | 683,903 |
| **Total loans and borrowings from related parties** | | | | 683,903 | 683,903 |

### (c) Transactions with related parties

The related party transactions with Seven West Media (Mr Clive Dickens) are with a company called West Australian Newspapers. Sales for FY 2017 started in November 2016 and generated $90,458 (CAD $90,125) in sales revenue for the period and were recorded in Newzulu Canada Ltd.

## 22. EMPLOYEE BENEFITS

| In AUD | 2017 | 2016 |
|---|---|---|
| **Current** | | |
| Liability for annual leave | 77,416 | 221,992 |
| Social security charges accrued | 48,147 | 192,164 |
| Bonus provision | - | 304,980 |
| Employee superannuation | - | 9,444 |
| Other liabilities | 43,697 | 114,143 |
| Total Current | 169,260 | 842,723 |
| **Non-Current** | | |
| Liability for long-service leave | 692 | 290 |
| | 692 | 290 |

**(a) Defined contribution superannuation funds**

The Company makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $21,298 for the financial year ended 30 June 2017 (2016: $115,068).

## 23. SHARE BASED PAYMENTS

The number and weighted average exercise prices of share based payment options is as follows:

| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
|---|---|---|---|---|
| | **2017** | **2017** | **2016** | **2016** |
| Outstanding at the beginning of the period | 0.11 | 54,000,000 | 0.15 | 37,668,891 |
| Expired during the period | 0.10 | (24,500,000) | 0.9 | (668,891) |
| Granted during the period | 0.02 | 2,000,000 | 0.02 | 17,000,000 |
| Outstanding at the end of the period | 0.09 | 31,500,000 | 0.11 | 54,000,000 |
| Exercisable at the end of the period | 0.11 | 25,500,000 | 0.12 | 46,668,891 |

The options outstanding at 30 June 2017 have a weighted average price of 0.09 and a weighted average contractual life of 1.32 years. There were no options exercised during the financial year (2016: Nil).

**1)** On 9 November 2016 the Group granted 2,000,000 director options to Mr Ed Wilson pursuant to shareholder approval obtained at the AGM held on 4 November 2016. The fair value of the options granted has been determined using the Black Scholes model, utilising the following assumptions:

| Item | |
|---|---|
| Underlying spot share price | $0.05 |
| Grant date | 8 Nov 2016 |
| Conversion date | 8 Nov 2019 |
| Life of options | 3 years |
| Volatility | 119% |
| Risk free rate | 1.50% |
| Fair value | $0.0023 |

The full fair value of these rights of $6,422 (USD $4,625) has been recognised as share based payment expense in the statement of profit or loss and other comprehensive income.

.

**2)** On 15 June 2016 the Group granted 12,000,000 incentive options to Mr. Marc Milgrom. The fair value of the options granted has been determined using the Black Scholes model, utilising the following assumptions:

| Item | |
|---|---|
| Underlying spot share price | $0.011 |
| Exercise price | $0.02 |
| Grant date | 15 June 2016 |
| Conversion date | 15 June 2019 |
| Life of rights | 3 years |
| Volatility | 115% |
| Risk free rate | 1.75% |
| Fair value | $0.0064 |

The full fair values of these options are $77,700 of which $31,913 has been recognised as share based payment expense in the statement of profit or loss and other comprehensive income in FY 2016. A further $45,787 has been recognised as a share based expense in the statement of profit or loss in 2017.

3) On 10 February 2015 the Group granted 550,000 executive performance rights to Messrs Marc Milgrom, Steve Hulford and David Minogue. The rights will automatically convert to shares after two years provided the executives remain employed by the Newzulu Group. The fair value of the rights granted has been based on the spot rate of $0.10 on grant date.

   The full fair value of these rights has been determined at $55,000. The value is recognised proportionately over the two year period: $10,534 has been recognised in the financial year 2015 as share based payment expense in the statement of profit or loss and other comprehensive Income; $27,500 has been recognised as share based expense in the 2016 statement of profit or loss; the remaining $16,966 was recognised in the 2017 statement of profit or less net of the portion allocated to Mr. Hulford of $(4,627) who resigned in September 2016. Accordingly the expense recognised in the 2017 statement of profit of loss and other comprehensive income is $12,339.

4) 300,000 Performance rights were issued to Mr Hulford, comprising 150,000 issued in June 2015 and a further 150,000 issued in June 2016 lapsed upon Mr Hulford's resignation. The cancellation of the performance rights resulted in a reversal of the prior expense in the 2017 statement of profit and loss in amount of ($11,599).

**Share Based Payments Reserve Movements**

| In AUD | Notes | 2017 | 2016 |
|---|---|---|---|
| **Recognised in profit and loss** | | | |
| Share options granted to directors | | 6,422 | 31,913 |
| Share options granted to employees | | 45,787 | 31,913 |
| Performance rights granted to employees* | | 12,339 | 31,995 |
| Performance rights converted to shares | | (43,269) | - |
| Performance rights cancelled to employees | | (11,599) | - |
| Options & rights granted to directors, management and employees | 9 | 9,680 | 95,821 |
| Shares converted from rights | | 43,269 | - |
| Shares issued to consultants | | - | 52,425 |
| Shares issued to directors | | 31,061 | - |
| Total share based payments | | 84,010 | 146,246 |

*Including expenses for performance rights granted in the prior year in the amount of $84,010 (2016: $27,500).

## 24. TRADE AND OTHER PAYABLES

| In AUD | 2017 | 2016 |
|---|---|---|
| Trade payables | 581,831 | 461,065 |
| Accrued expenses | 332,764 | 706,085 |
| Trade and other payables | 914,595 | 1,167,150 |

## 25. FINANCIAL INSTRUMENTS

### (a) Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | | Carrying amount | |
|---|---|---|---|
| In AUD | Note | **2017** | **2016** |
| Trade and other receivables | 16 | 500,604 | 466,620 |
| Cash and cash equivalents | 17(a) | 5,001,740 | 5,510,535 |
| Restricted cash | 18 | 20,042 | - |
| Related party loans | 21 | - | 331 |
| | | 5,522,386 | 5,977,486 |

The Group's maximum exposure to credit risk for trade and other receivables by geographic region was:

| | Carrying amount | |
|---|---|---|
| In AUD | **2017** | **2016** |
| Australia | 2,233 | 1,443 |
| New Zealand | - | - |
| France | 63,538 | 113,375 |
| United Kingdom | 112,261 | 56,774 |
| Canada | 301,592 | 258,075 |
| USA | 20,980 | 16,953 |
| | 500,604 | 446,620 |

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

| | Carrying amount | |
|---|---|---|
| In AUD | **2017** | **2016** |
| Wholesale customers | 347,042 | 466,620 |
| Other receivables | 153,562 | - |
| | 500,604 | 466,620 |

Other receivables are payments owing from various tax agencies.

### Impairment losses

$253,792 of the Group's trade receivables (gross) are past due (2016: $455,140). The aging of the Group's trade receivables at the reporting date was:

| In AUD | **Gross 2017** | **Impairment 2017** | **Gross 2016** | **Impairment 2016** |
|---|---|---|---|---|
| Not past due | 259,393 | - | 223,742 | - |
| Past due 0-30 days | 109,666 | - | 84,851 | - |
| Past due 31-90 days | 144,126 | 12,581 | 360,289 | 222,262 |
| | 513,185 | 12,581 | 668,882 | 222,262 |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| In AUD | 2017 | 2016 |
|---|---|---|
| Balance at start of period | 222,262 | 46,190 |
| Amounts written off | (209,681) | 176,072 |
| Balance at 30 June | 12,581 | 222,262 |

Management consider the provision for impairment at the year-end to be sufficient.

**Related party loans**

The Group's maximum exposure to credit risk for related party loans by geographic region were:

| In AUD | 2017 | 2016 |
|---|---|---|
| France | - | 331 |
| | - | 331 |

## (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

| 30 June 2017<br>In AUD | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years |
|---|---|---|---|---|---|
| Trade and other payables | 914,595 | (914,595) | (914,595) | - | - |
| Loans and borrowings from related parties | 683,903 | (683,903) | (683,903) | - | - |
| Credit card facility | 44,400 | (44,400) | (44,400) | - | - |
| Finance lease liabilities | - | - | - | - | - |
| | 1,642,898 | (1,642,898) | (1,642,898) | - | - |

| 30 June 2016<br>In AUD | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years |
|---|---|---|---|---|---|
| Trade and other payables | 1,167,150 | (1,167,150) | (1,167,150) | - | - |
| Loans and borrowings from related parties | 559,963 | (683,903) | - | (683,903) | - |
| Credit card facility | 44,769 | (44,769) | (44,769) | - | - |
| Finance lease liabilities | - | - | - | - | - |
| | 1,771,882 | (1,895,822) | (1,211,919) | (683,903) | - |

## c) Market risk

### i) Currency risk

| | Average rate 2017 | Reporting date spot rate 2017 | Average rate 2016 | Reporting date spot rate 2016 |
|---|---|---|---|---|
| AUD/EUR | 1.4451 | 1.4862 | 1.5234 | 1.4923 |
| AUD/GBP | 1.6811 | 1.6917 | 2.0330 | 1.7995 |
| AUD/CAD | 0.9997 | 1.0021 | 1.0355 | 1.0371 |
| AUD/USD | 1.3263 | 1.3010 | 1.3725 | 1.3437 |
| AUD/NZD | 0.9445 | 0.9524 | 0.9168 | 0.9534 |

The Group's foreign subsidiaries have significant intercompany loan balances owing to the Australian parent companies. As a result, the Group has a significant exposure to movements in foreign exchange rates.

### ii) Interest rate risk

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

| | | Carrying amount | |
|---|---|---|---|
| AUD | Note | **2017** | **2016** |
| **Fixed rate instruments** | | | |
| Financial liabilities – finance lease | | - | - |
| Financial assets – term deposits | 17a | 20,042 | 1,451,600 |
| | | | |
| **Variable rate instruments** | | | |
| Cash and cash equivalents | 17a | 5,001,740 | 4,058,935 |
| Credit card facility | | (44,400) | (44,769) |

<u>Fair value sensitivity analysis for fixed rate investments</u>
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

<u>Fair values</u>
*Fair values versus carrying amounts*
The fair values of financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature. The basis for determining fair values is disclosed in note 4.

## 26. OPERATING LEASES

**Leases as lessee**

The Company leases office space in New York and Toronto under operating leases of various durations. The New York lease expires at the end of December 2017. The Toronto lease is for a period of five years, as at 30 June 2017; the office leases in the other cities have durations of fewer than twelve months.

Future minimum lease payments:

| In AUD | **2017** | **2016** |
|---|---|---|
| Less than one year | 259,692 | 399,270 |
| Between one and five years | 417,618 | 583,294 |
| More than five years | - | - |
| | 677,310 | 982,564 |

During the financial year ended 30 June 2017, $452,886 of rent expense was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases and subleases (2016: $831,418). During the FY 2017 year there were closures of two French offices, a new NY lease signed and a reduction in desk rental in the UK and Australia.

| In AUD | **2017** | **2016** |
|---|---|---|
| Rent expense | 452,886 | 831,418 |
| Outgoings – Utilities | 43,368 | 90,296 |
| | 496,254 | 921,714 |

## 27. CAPITAL AND OTHER COMMITMENTS

**Capital commitments**

The Company did not have outstanding capital commitments at 30 June 2017 (2016: Nil).

## 28. RELATED PARTIES

The following were key management personnel of the Company at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period.

**Executive Director**
Alex Hartman (resigned 3 August 2016) and termination fees were paid out in August 2016.

**Non-executive directors**
James Bodel
Charles Koones
Clive Dickens
Ed Wilson

**Executives**
Marc Milgrom [Chief Executive Officer]
Craig Sowden [Chief Financial Officer] (resigned 27 June 2016)
Tom Lieu [Chief Financial Officer]

## 28. RELATED PARTIES (CONTINUED)

**Key management personnel compensation**

The key management personnel compensation included in 'personnel expenses' **(see note 9**) is as follows:

| In AUD | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits (i) | 691,066 | 1,651,167 |
| Share-based payments | 91,353 | 78,369 |
| Post-employment benefits | 11,266 | 16,223 |
| | 793,685 | 1,745,759 |

(i) Termination payments to Alex Hartman included in 30 June 2016 results.

**Individual directors and executive compensation disclosure**

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note and the Remuneration Report, no director has entered into a material contract with the Company since the end of the financial year and there were no material contracts involving directors' interests existing at year-end.

**Key management personnel and director transactions**

Mr Alex Hartman, a director of the Company during the financial year, holds a position in another entity Gandalf Ventures Limited that results in him having control or significant influence over the financial or operating policies of that entity. As at the date of this report, Mr Hartman is no longer a director of the Company.

The Company transacted with Gandalf Ventures Limited during the reporting period. The terms and conditions of transactions with Gandalf Ventures Limited were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-key management personnel related entities on an arm's length basis.
The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| In AUD | | Transaction value year ended 30 June | | Balance outstanding at 30 June | |
|---|---|---|---|---|---|
| | Note | 2017 | 2016 | 2017 | 2016 |
| **Key management person** | | | | | |
| Alex Hartman | (i) | - | 998,353 | - | 258,158 |

(i) The Company used the consultancy services of Gandalf Ventures Limited in relation to executive services and is included in the remuneration report. The total includes a termination pay-out totalling $258,158 paid in August 2016. Other amounts were invoiced based on normal market rates for such services and were due and payable under normal payment terms.

## 29. SEGMENT REPORTING

The chief operating decision makers and those charged with governance receive operating results for the Group as a whole, therefore the Group is deemed to be one operating segment.

## 30. SUBSEQUENT EVENTS

On 30 June 2017, Newzulu entered into an agreement with Moon Tide Media LLC, to assist the company with a marketing initiative. Charlie Koones, one of Newzulu's directors is a Managing Partner of Moon Tide Media LLC.

Other than the matters discussed above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 31. GROUP ENTITIES

| Companies in the Group | Location | % owned | % owned |
|---|---|---|---|
| **Parent entity** | | **2017** | **2016** |
| Newzulu Limited | Australia | | |
| **Subsidiaries** | | | |
| Newzulu Holdings Limited | Australia | 100% | 100% |
| Newzulu Pacific Pty Limited | Australia | 100% | 100% |
| Newzulu Australia Pty Limited | Australia | 100% | 100% |
| Citizenside SAS | France | 100% | 100% |
| Newzulu Mobile SAS (formerly Octiplex SAS) | France | 100% | 100% |
| Newzulu Canada Ltd | Canada | 100% | 100% |
| Newzulu USA Inc. | United States of America | 100% | 100% |
| Newzulu UK Limited | United Kingdom | 100% | 100% |
| Newzulu Limited | United Kingdom | 100% | 100% |
| Newzulu Europe Limited | United Kingdom | 100% | 100% |
| Newzulu Americas Limited | United Kingdom | 100% | 100% |
| Newzulu Middle East Limited | United Kingdom | 100% | 100% |
| Citizenside Limited | United Kingdom | 100% | 100% |
| Newzulu Live Limited | United Kingdom | 100% | 100% |
| Newzulu Sport Limited | United Kingdom | 100% | 100% |
| Newzulu Prime Limited | United Kingdom | 100% | 100% |
| Newzulu Pay Limited | United Kingdom | 100% | 100% |
| Newzulu Mobile Limited | United Kingdom | 100% | 100% |
| Newzulu Weather Limited | United Kingdom | 100% | 100% |
| Newzulu Ireland Limited | Ireland | - | 100% |

## 32. PARENT ENTITY DISCLOSURES

As at 30 June 2017, the parent entity of the Group was Newzulu Limited.

| In AUD | 2017 | 2016 |
|---|---|---|
| **Result of the parent entity** | | |
| Loss for the period to 30 June | (10,500,464) | (16,122,678) |
| Other comprehensive income | (76,133) | (128,223) |
| Total comprehensive loss for the period 30 June | (10,576,597) | (16,250,901) |
| | | |
| **Financial position of parent entity at period end** | | |
| Current assets | 3,814,070 | 9,277,841 |
| Total assets | 3,814,070 | 9,277,841 |
| | | |
| Current liabilities | 257,546 | 531,108 |
| Total liabilities | 257,546 | 531,108 |
| | | |
| **Total equity of parent entity at period end comprising of:** | | |
| Share capital | 93,560,656 | 86,296,238 |
| Accumulated losses | (93,710,738) | (83,262,367) |
| Reserves | 3,706,606 | 5,712,862 |
| **Total equity** | 3,556,524 | 8,746,733 |

The loss for the 2017 year includes an impairment of the investment in the Newzulu Holdings Limited subsidiary in order to limit the total equity of the Parent Entity to the equity of its group.
The Parent entity did not have any outstanding commitments at 30 June 2017, (30 June 2016: nil).

## 33. AUDITORS' REMUNERATION

| In AUD | 2017 | 2016 |
|---|---|---|
| **Audit services:** | | |
| Auditors of the Company – Nexia Perth Audit Services P/L | | |
| Audit and review of financial reports | 121,500 | - |
| Auditors of the Company – KPMG | | |
| Audit and review of financial reports | 55,754 | 157,419 |
| Other auditors - BDO Canada LLP | | |
| Audit and review of financial reports of subsidiaries | 44,388 | 103,091 |
| | 221,642 | 260,510 |
| | | |
| **Other services:** | | |
| Auditors of the Company - KPMG | | |
| Taxation and advisory services | 5,248 | 97,121 |
| Other auditors – BDO Australia | | |
| Taxation and advisory services | 10,147 | - |
| Other auditors - BDO Canada LLP | | |
| Due diligence services | - | 14,520 |
| | 15,395 | 111,641 |
| | 237,037 | 372,151 |

1 In the opinion of the directors of Newzulu Limited ('the Company'):

(a) the consolidated financial statements and notes that are set out on pages 18 to 50 and the remuneration report in paragraph 9 of the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

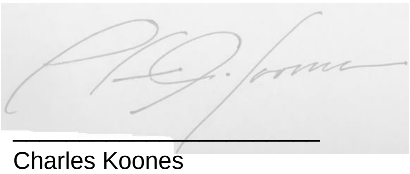
(b) for the reasons set out in Note 2(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and the Chief Financial Officer for the financial year ended 30 June 2017.

3 The directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney on 31st day of August 2017.

Signed in accordance with a resolution of the directors:



Charles Koones
Non-Executive Chairman

# Independent Audit Report to the Members of Newzulu Limited

## Report on the financial report

### Opinion

We have audited the accompanying financial report of Newzulu Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Nexia Perth Audit Services Pty Ltd**
ACN 145 447 105
Level 3, 88 William Street
Perth WA 6000
GPO Box 2570, Perth WA 6001
**p** +61 8 9463 2463
**f** +61 8 9463 2499
**e** audit@nexiaperth.com.au
**w** nexia.com.au

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Future Funding**<br><br>As disclosed in Note 2(d) of the financial report the Group's activities absorbed net cash outflows from operations of $5,060,125 and the Group has previously been reliant on funding from shareholders and external sources to support its operations.<br><br>The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the significance of management's judgments and estimates to this assessment. | Our audit procedures included, amongst others:<br><br>• Obtained the cash flow forecast prepared by management for 14 months from the commencement of the 2018 financial year and checked the mathematical accuracy of the forecast;<br><br>• Evaluated the reliability and completeness of management's assumptions by comparing them to our understanding of the Group's future plans and operating conditions;<br><br>• Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in prior year to the actual performance in the current year;<br><br>• Obtained board meeting minutes and ASX announcements subsequent to year end to ascertain whether any additional facts or information have become available since the date on which management made its assessment;<br><br>• We performed a sensitivity analysis on forecast revenue & estimated operating costs. |
| **Impairment of intangible assets**<br><br>As disclosed in Note 14 in the financial report at 30 June 2017, The Group recognised an impairment loss of $3,697,774 in relation to intangible assets comprising trademarks, domain names, software and customer relationships.<br><br>AASB 136 *Impairment of Assets* requires that the recoverable amount of an asset, or group of assets, be determined where an indicator of impairment exists. The Group has reported operating losses over the past two financial years.<br><br>Consequently, an indicator of impairment exists and the intangible assets were tested to determine whether their carrying value exceeded their recoverable amount. | Our audit procedures focussed on evaluating management's estimate of the recoverable amount through a value in use calculation, including:<br><br>• Comparing management's assumptions and estimates, including forecast revenue, costs and growth rates, to market information, comparable companies, historical results and the Group's business model.<br><br>• Assessing the allocation of corporate overheads to the cash flow forecast. |

| | |
|---|---|
| This is considered to be a key audit matter due to the significance of the impairment loss in relation to the operating results and the complexities, significant judgements and estimates involved in estimating the recoverable amount of those assets. | • Assessing the historical accuracy of management's forecasts by comparing the actual results for the year ended 30 June 2017 to the previous year's forecast.<br><br>• Comparing the discount rate used to our view of an acceptable range based on market data, comparable companies and industry research.<br><br>• Checking the mathematical accuracy of the cash flow model. |
| **Revenue Recognition**<br>As disclosed in Note 3 (i) , the Group receives revenue from the following sources:<br>(a) Sale of photos and videos,<br>(b) Licencing of software as a service<br>(c) Sale of crowd sourced creative film and video production.<br><br>The accounting policies for revenue recognition are set out in Note 3 (i) to the financial statements.<br><br>This is a key audit matter due to the significance of revenue in the statement of profit and loss and the complexity involved in determining:<br><br>• The existence and accuracy of revenue derived from the sale of photos, videos and content; and<br><br>• The timing of revenue recognition from the licencing of software applications and sale of crowd sourced creative film and video production. | Our audit procedures relating to the existence, accuracy and timing of revenue recognition included the following procedures:<br><br>• We read the terms and conditions of contracts relating to the different classes of contracts;<br><br>• We tested the revenue from the sale of content by selecting a sample of transactions from the sales reconciliation report and checking the revenue transactions to third party reports;<br><br>• We selected significant software licencing contracts and a sample of crowd sourced creative film and video production contracts and tested whether the recognition of revenue was in accordance with the Group's accounting policy and applicable accounting standards;<br><br>• We performed cut-off testing procedures to check that revenue was accounted for in the correct accounting period. |

## Other information

The directors are responsible for other information. Other Information comprises the information in Newzulu Limited's annual report for the year ended 30 June 2017, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated financial report does not cover Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial report, our responsibility is to read Other Information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

### Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 15 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Newzulu Limited for the year ended 30 June 2017, complies with Section 300A of the *Corporations Act 2001*.

***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani**
**Director**

**Perth**
**31 August 2017**

**Auditor's independence declaration under section 307C of the Corporations Act 2001**

To the directors of Newzulu Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani**
*Director*

Perth
31 August 2017

**Nexia Perth Audit Services Pty Ltd**
ACN 145 447 105
Level 3, 88 William Street
Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463
f +61 8 9463 2499
e audit@nexiaperth.com.au
w nexia.com.au

DETAILS OF SECURITIES AS AT 24 AUGUST 2017:

**Top holders**

The 20 largest registered holders of each class of quoted security as at 24 August 2017 were:

*Fully paid ordinary shares*

| Name | No. of Shares | % |
|---|---|---|
| SEVEN WEST MEDIA INVESTMENTS LIMITED | 1,602,466,223 | 21.92 |
| UBS NOMINEES PTY LTD | 1,076,611,615 | 14.73 |
| BLUEROOM CAPITAL PTY LTD | 672,309,162 | 9.20 |
| CS THIRD NOMINEES PTY LTD <HSBC CUST NOM AU LTD 12 A/C> | 573,000,000 | 7.84 |
| WYUNA GROUP PTY LTD <WYUNA GROUP A/C> | 250,466,816 | 3.43 |
| BICKHAM COURT SUPERANNUATION PTY LTD <BICKHAM COURT SUPER FUND A/C> | 210,288,414 | 2.88 |
| MATILDA MEDIA PTY LTD <MATILDA MEDIA A/C> | 166,701,722 | 2.28 |
| MR HUGH CLEAVE RICHARDS + MRS MELISSA RICHARDS <HUGH CLEAVE RICHARDS S/F A/C> | 163,003,996 | 2.23 |
| TIGA TRADING PTY LTD | 143,310,960 | 1.96 |
| PAPELLA PTY LTD | 132,952,988 | 1.82 |
| AB MD HOLDINGS PTY LTD | 121,572,219 | 1.66 |
| AUSTRALIAN EXECUTOR TRUSTEES LTD | 100,000,000 | 1.37 |
| GLENEAGLE SECURITIES (AUST) PTY LTD | 99,550,976 | 1.36 |
| MR MICHAEL SAFAR | 87,000,000 | 1.19 |
| BLUEROOM CAPITAL PTY LTD | 85,670,767 | 1.17 |
| PISTACHIO PTY LTD | 82,000,000 | 1.12 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 79,959,345 | 1.09 |
| MR DAVID ANTHONY ERNEST EAST + MRS WENDY EAST <DAVE EAST SUPER FUND A/C> | 60,000,000 | 0.82 |
| SMARTEQUITY EIS PTY LTD | 58,074,497 | 0.79 |
| SUPERGUN PTY LTD | 51,150,000 | 0.70 |
| | 5,816,089,700 | 79.56 |

**Substantial shareholders**

The names of substantial shareholders and the number of shares in which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

| Substantial shareholder | Number of Shares |
|---|---|
| TIGA TRADING PTY LTD AND ITS ASSOCIATES | 1,219,922,575 |
| SEVEN WEST MEDIA LIMITED, AUSTRALIAN CAPITAL EQUITY PTY LTD, SEVEN GROUP HOLDINGS LIMITED AND SUBSIDIARIES | 1,602,466,223 |
| BLUEROOM CAPITAL PTY LTD, MR JAMES GERARD BODEL AND MS PIA LISBETH RASMUSSEN | 757,979,929 |

**Distribution schedule**

A distribution schedule of each class of equity security as at 24 August 2017:
*Fully paid ordinary shares*

| Range | | | Holders | Units | % |
|---|---|---|---|---|---|
| 1 | - | 1,000 | 583 | 211,304 | 0.00 |
| 1,001 | - | 5,000 | 380 | 1,013,820 | 0.01 |
| 5,001 | - | 10,000 | 174 | 1,306,021 | 0.02 |
| 10,001 | - | 100,000 | 537 | 23,996,623 | 0.33 |
| 100,001 | - | Over | 777 | 7,283,634,377 | 99.64 |
| Total | | | 2,451 | 7,310,162,145 | 100.00 |

**Restricted securities**

*There are no restricted securities as at 24 A 2017.*

**Unlisted securities**

*Options over shares*

| Class | Expiry Date | Exercise Price | No. of Options | No. of Holders |
|---|---|---|---|---|
| Lender Options | 9-Feb-18 | $0.20 | 5,500,000 | 1 |
| Cornerstone Investor Options (Type A) and Lead Manager Options | 14-Jun-19 | $0.02 | 84,000,000 | 7 |
| Executive Options | 15-Jun-19 | $0.02 | 5,000,000 | 1 |
| Director Options | 15-Jun-19 | $0.02 | 12,000,000 | 1 |
| Cornerstone Investor Options (Type B) | 14-Jun-19 | $0.03 | 18,000,000 | 1 |
| Director Options | 31-Oct-17 | $0.20 | 2,000,000 | 1 |
| Executive Options | 9-Feb-18 | $0.20 | 5,000,000 | 1 |
| Unlisted Options | 31-Aug-17 | $0.075 | 43,859,665 | 63 |
| Director Options | 8-Nov-2019 | $0.02 | 2,000,000 | 1 |

**Performance rights**

| Class | No. of rights | No. of security holders |
|---|---|---|
| Rights | - | - |

**Approved issue of securities**

There are no securities approved for the purpose of item 7 of section 611 of the *Corporations Act 2001*.

**Unmarketable parcels**

Holdings less than a marketable parcel of ordinary shares (being 500,000 as at 24 August 2017:

| Holders | Units |
|---|---|
| 2,027 | 111,250,486 |

**Voting Rights**

The voting rights attaching to ordinary shares are:

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options do not carry any voting rights.

Performance rights do not carry any voting rights.

**On-Market Buy Back**

There is no current on-market buy-back.

**ASX Admission Statement**

During the year, the Company has used its cash and assets in a form readily convertible to cash in a way that is consistent with its objectives.

**Principal Registered Office**

Newzulu Limited
Level 1, Office F
1139 Hay Street
West Perth WA 6005
Telephone: +61 8 9321 0715
Facsimile: +61 9321 0721

www.newzulu.com

**Company Secretary**

Ms Karen Logan BCom, Grad Dip AppCorpGov, ACIS, AGIA, F Fin, GAICD

**Location of Share Registry**

Computershare Investor Services
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

www.computershare.com

NEWZULU LIMITED
newzululimited.com

ABN 27 078 661 444
ASX:NWZ