

ASX Company Announcement | Issue Date: 2 January 2015

## **GENERAL MEETING OF SHAREHOLDERS**

Attached for immediate release is a Notice for a General Meeting of Shareholders to be held on Friday January 30<sup>th</sup>, at 10:30am (WST) at the Park Business Centre, 45 Ventnor Avenue, West Perth.

The Notice was despatched to shareholders at close of business on Wednesday 31 December 2014.

- ENDS -

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



**NEWZULU LIMITED  
ACN 078 661 444**

**NOTICE OF GENERAL MEETING**

**For the General Meeting of the Company to be held at The  
Park Business Centre, 45 Ventnor Avenue, West Perth,  
Western Australia on Friday, 30 January 2015 at 10.30 (WST)**

*This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9316 9100.*



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# NEWZULU LIMITED

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## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Newzulu Limited will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Friday, 30 January 2015 at 10.30 am (WST).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form forms part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Wednesday, 28 January 2015 at 5.00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## AGENDA

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### 1. Resolution 1 – Change to Scale of Activities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to Resolutions 2 and 3 being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the Filemobile Acquisition and the Capital Raising and authorise the Company to make a significant change to the scale of its activities on the terms and conditions in the Explanatory Memorandum."*

#### Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person (or any associate of such a person) who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 2. Resolution 2 – Approval of Issue of Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to Resolutions 1 and 3 being passed and ASX granting a waiver from Listing Rule 2.1 Condition 2, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 170,000,000 Shares each at an issue price of \$0.10 to raise up to \$17,000,000 (before costs) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue or any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if this Resolution is passed or an associate of any such persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **3. Resolution 3 – Approval of Issue of Executive Options and Executive Performance Rights to Filemobile Executives**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to Resolutions 1 and 2 being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of an aggregate of:*

- (a) 5,000,000 Executive Options; and
- (b) 550,000 Executive Performance Rights,

*to the Filemobile Executives on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Filemobile Executives or any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### **4. Resolution 4 – Approval of Director's Participation in Capital Raising**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to Resolutions 1 to 3 (inclusive) being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of up to 2,000,000 Shares each at an issue price of \$0.10 to Mr Theo Hnarakis (or his nominee) as part of the Capital Raising on the terms and conditions in the Explanatory Memorandum.*

##### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Hnarakis (or his nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### **5. Resolution 5 – Approval of Director's Participation in Capital Raising**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to Resolutions 1 to 3 (inclusive) being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of up to 1,000,000 Shares each at an issue price of \$0.10 to Mr Phil Kiely (or his nominee) as part of the Capital Raising on the terms and conditions in the Explanatory Memorandum.*

##### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Kiely (or his nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 6. Resolution 6 – Approval of Issue of Shares to Blueroom Capital

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 15,000,000 Shares to Blueroom Capital Pty Ltd on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Blueroom Capital Pty Ltd or any of its associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**



Mark Pitts  
Non-Executive Director and Company Secretary

Dated: 31 December 2014

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# NEWZULU LIMITED

ACN 078 661 444

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Friday, 30 January 2015 at 10.30 am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	December 2014 Meeting and Previous Shareholder Approvals
Section 4:	Acquisition of Filemobile
Section 5:	Resolution 1 - Change to Scale of Activities
Section 6:	Resolution 2 – Approval of Issue of Shares
Section 7:	Resolution 3 – Approval of Issue of Executive Options and Executive Performance Rights to Filemobile Executives
Section 8:	Resolution 4 – Approval of Director's Participation in Capital Raising
Section 9:	Resolution 5 – Approval of Director's Participation in Capital Raising
Section 10:	Resolution 6 – Approval of Issue of Shares to Blueroom Capital
Schedule 1:	Definitions and Interpretation
Schedule 2:	Information on Filemobile Inc.
Schedule 3:	Proposed Expenditure Program and Budget of the Company
Schedule 4:	Filemobile Executives
Schedule 1:	Pro Forma Statement of Financial Position



0:	Newzulu Group of Companies
Schedule 7:	Risk Factors
Schedule 8:	Terms and Conditions of Executive Options
Schedule 9:	Terms and Conditions of Executive Performance Rights

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum.

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## **2. Action to be taken by Shareholders**

The business of the Meeting affects your shareholding and your vote is important.

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### **2.1 Proxies**

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by:

- (a) post to Suite 8, 7 The Esplanade, Mount Pleasant, Western Australia 6153; or
- (b) facsimile to the Company on + 61 8 9315 5475,

so that it is received not later than 10.30 am (WST) on Wednesday, 28 January 2015. Proxy Forms received later than this time will be invalid.

Please note that:

- (a) a proxy need not be a Shareholder;
- (b) a Shareholder may appoint a body corporate or an individual as its proxy;
- (c) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- (d) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the

Company or its share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

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### **3. December 2014 Meeting and Previous Shareholder Approvals**

At the general meeting of Shareholders held on 17 December 2014 (**December 2014 Meeting**), Shareholders approved resolutions in respect to:

- (a) the change of scale of the Company's activities;
- (b) the issue of up to 113,333,333 Shares at an issue price of \$0.15 per Share to raise up to \$17,000,000; and
- (c) the issue of 5,000,000 Executive Options and 550,000 Executive Performance Rights,

(together the **Previous Shareholder Approvals**).

Subsequent to the Company obtaining the Previous Shareholder Approvals, the Company announced on 19 December 2014 that the Board resolved to change the issue price of the capital raising offer detailed above. The Company is therefore required to re-obtain Shareholder approval of the matters dealt with at the December 2014 Meeting.

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## **4. Acquisition of Filemobile**

### **4.1 Background**

The Company is an Australian public company which has been listed on the Official List (current ASX code: NWZ) since 7 April 2000. In August 2014, the Company (previously named "PieNetworks Limited") obtained Shareholder approval at a general meeting to, amongst other things:

- (a) approve the acquisition of "Newzulu Limited" (now named "Newzulu Holdings Limited") and the change the nature and scale of the Company's activities;
- (b) issue various securities in connection with the acquisition of Newzulu Holdings Limited; and
- (c) change the Company's name from "PieNetworks Limited" to "Newzulu Limited".

Since the acquisition of Newzulu Holdings Limited, the Company has:

- (a) progressed the growth of its expanded business by:
  - (i) entering into a long-term strategic partnership with The Press Association (the national multimedia news agency of the United Kingdom and Ireland) in respect of video content;
  - (ii) launching local editions of the Newzulu website and App in Switzerland, Belgium and Spain;

- (iii) establishing local bureaus (i.e. local representative offices) in New York, Los Angeles, Toronto and Montreal consisting of local editorial staff to support and collaborate with local contributors and press agency partners;
- (iv) establishing its mobile media services division, "Newzulu Mobile", which will extend the current white-label product offering to include the licensing of the Newzulu App and mobile services to its clients; and
- (v) advancing preparations to launch the Company's live validated streaming video news capability, "Newzulu Live";

(refer to the Company's ASX announcements of 22 September 2014 and 8 October 2014 for further details); and

- (b) actively sought to progress its growth strategies, and further enhance its operational capabilities and jurisdictional presence, by investigating complementary business acquisition opportunities.

## 4.2 Acquisition of Filemobile Inc

Consistent with the aforementioned growth strategies, on 22 October 2014, Newzulu Canada (the Company's wholly owned subsidiary) and the Company entered into a share purchase agreement (**Filemobile Agreement**) with the existing shareholders of Filemobile Inc, a company incorporated in Ontario, Canada (**Filemobile**) pursuant to which the Company (via Newzulu Canada) agreed to acquire the entire issued share capital of Filemobile (**Filemobile Acquisition**).

## 4.3 Overview of Filemobile Inc

Filemobile was founded in 2006 and is headquartered in Toronto, Canada. Filemobile is a software company that provides solutions to media outlets and brands for the effective gathering, curation and publishing of user-generated content.

The cornerstone of Filemobile's business is the "Media Factory" range of products that provide a highly configurable platform that supports the delivery of rich media. Media Factory enables its users to:

- (a) gather content (videos, photos, audio and text) via websites, mobile, email, and Instagram;
- (b) curate social content at scale;
- (c) publish content with broad integrations into third-party content management systems, content delivery networks and video platforms via FTP, API or RSS; and
- (d) engage with audiences by amplifying broadcasting reach through extending interactions to multiple channels, including Facebook and Twitter.

Media outlets and brand clients rely on Filemobile's tools and technologies to gather content and deliver it across diverse media and devices. Filemobile's Media Factory platform provides solutions for a range of industries including media companies, brands, agencies, enterprises and content producers.

The Company regards Filemobile as a leader in "User Generated Content" solutions for uploading, moderating, and publishing rich media. Its intellectual property has been developed by a leading research and development team specialising in cloud services.

Key executives of Filemobile will be engaged by Newzulu Canada and will continue as key senior management personnel in respect to the Filemobile business. Refer to Section 4.6 for further details.

Filemobile's focus on customer service, product quality and reliability has attracted recognition from the likes of PROFIT Magazine, BackBone Magazine, and renowned research firm IDC, all of whom have acknowledged Filemobile's commitment to product innovation and quality.

Refer to Schedule 2 and [www.filemobile.com](http://www.filemobile.com) for further details of the business of Filemobile.

#### **4.4 Filemobile Acquisition Terms**

The material terms and conditions of the Filemobile Agreement are as follows:

(a) **Consideration**

The consideration payable by Newzulu Canada is approximately CAD\$5,000,000, payable in two instalments as follows:

- (i) CAD\$4,000,000, upon closing of the transaction; and
- (ii) CAD\$1,000,000 payable as follows:
  - (A) CAD\$750,000 shall be deposited with a third party escrow agent at closing for a period of 18 months after closing to secure the indemnification obligations of the parties under the Filemobile Agreement; and
  - (B) the remainder payable to the shareholders of Filemobile within five business days of the earlier of:
    - (1) 10 business days after receipt by the Newzulu Canada of an unaudited working capital statement for Filemobile which Newzulu Canada does not dispute; or
    - (2) the resolution of any objections made by Newzulu Canada regarding the unaudited working capital statement for Filemobile (in accordance with the relevant provisions of the Filemobile Agreement),

which may be adjusted for uncollected accounts receivable and debts which are not related to the on-going operations of Filemobile.

(b) **Conditions Precedent**

Completion of the Filemobile Acquisition is subject to and conditional upon (amongst other things):

- (i) no governmental entity issuing any order which has the effect of making the Filemobile Agreement, any related agreement or any of the transactions contemplated by such agreements illegal or otherwise prohibiting or preventing consummation of any such transactions;
- (ii) no order or injunction issued by any court preventing the consummation of any of the transactions contemplated by the Filemobile Agreement or any related agreement being in force and there being no threatened or pending proceeding by a governmental entity seeking any such order or injunction;
- (iii) the Company obtaining all necessary regulatory and Shareholder approvals required pursuant to the Corporations Act and the Listing Rules and any other requirements, approvals, consents or authorisations from ASIC or ASX (as required) to legally and validly effect the Filemobile Acquisition and otherwise give effect to the transactions contemplated by the Filemobile Agreement, including (without limitation) Shareholder approval in accordance with Listing Rule 11.1.2; and
- (iv) the Company receiving written confirmation from ASX that ASX will grant conditional re-quotations of the Shares on the Official List.

## 4.5 Capital Raising

As detailed in Section 3, the Board has resolved to change the issue price of the offer under the prospectus lodged with ASIC on 3 December 2014 and issued pursuant to section 710 of the Corporations Act (**Original Prospectus**).

The Company is now proposing to raise up to \$17,000,000 (before costs) through the offer of up to 170,000,000 Shares at an issue price of \$0.10 per Share (**Capital Raising**) for the purposes of:

- (a) satisfying the requirements of Chapters 1 and 2 of the Listing Rules (refer to Section 5);
- (b) funding the Filemobile Acquisition (refer to Section 4.4);
- (c) repaying loan funds provided pursuant to the Scarf Loan Agreement (refer to Section 4.16); and
- (d) providing the Company with additional working capital for its current and future expanded business.

The Capital Raising will be undertaken pursuant to a replacement prospectus to be issued by the Company in accordance with section 719 of the Corporations Act (**Replacement Prospectus**) and will have a minimum subscription amount of \$10,000,000. The Replacement Prospectus will replace the Original Prospectus.

Refer to Section 6 for details of the Capital Raising and Schedule 3 for details of the proposed use of funds raised pursuant to the Capital Raising.

## 4.6 Key Management Appointments

As part of the Filemobile Acquisition, it is proposed that Messrs Marc Milgrom, Stephen Hulford and David Minogue, each of whom are existing executives of Filemobile (together

the **Filemobile Executives**) will be engaged by Newzulu Canada as key senior management personnel.

Refer to Schedule 4 for details of the qualifications and experience of each of Messrs Milgrom, Hulford and Minogue.

Subject to all of the Resolutions being passed and completion of the Filemobile Acquisition occurring, the Company intends to issue Executive Options and Executive Performance Rights to each of Messrs Milgrom, Hulford and Minogue as part of their respective remuneration packages. Refer to Section 7 for details.

## 4.7 Pro-forma Capital Structure

If all of the Resolutions are passed, upon the completion of the Filemobile Acquisition and the Capital Raising, the proposed capital structure of the Company is as follows:

	Number of Shares	Number of Options	Number of Performance Rights
Balance as at the date of the Meeting	337,396,467 <sup>1</sup>	27,753,326 <sup>2</sup>	-
To be issued to Filemobile Executives <sup>3</sup>	-	5,000,000	550,000
To be issued pursuant to the First Blueroom Loan Agreement <sup>4</sup>	37,500,000	3,500,000	-
To be issued pursuant to the Second Blueroom Loan Agreement <sup>5</sup>	16,071,429	2,000,000	-
To be issued under the Capital Raising <sup>6</sup>	170,000,000 <sup>7</sup>	-	-
<b>Total</b>	<b>560,967,896<sup>8</sup></b>	<b>38,253,326<sup>9</sup></b>	<b>550,000</b>

### Notes:

- 178,230,977 Shares issued to shareholders of Newzulu Holdings Limited in consideration for the acquisition of Newzulu Holdings Limited are subject to escrow for 12 months from the date of issue, being 13 August 2014.
- The existing Options comprise the following:
  - 24,000,000 Options with an exercise price of \$0.10 each and expiring on 30 June 2017;
  - 666,666 Options with an exercise price of \$0.90 each and expiring on 30 November 2015;
  - 586,660 Options with an exercise price of \$0.30 each and expiring on 30 June 2015;
  - 500,000 Options with an exercise price of \$0.30 each and expiring on 30 June 2017; and
  - 2,000,000 Options with an exercise price of \$0.20 each and expiring on 31 October 2017.
- Refer to Section 7.
- Refer to Section 4.16(a) for details on the First Blueroom Loan Agreement. The Shares and Options to be issued pursuant to the First Blueroom Loan Agreement will be issued under the Company's placement capacity under Chapter 7 of the Listing Rules.
- Refer to Section 4.16(b) for details on the Second Blueroom Loan Agreement. 1,071,429 Shares and 2,000,000 Options will be issued under the Company's placement capacity under Chapter 7 of the Listing Rules. The issue of 15,000,000 Shares (upon the exercise of the Company's option to convert the Second Blueroom Loan into Shares) is subject to Shareholder approval (Resolution 6). Refer to Section 10 for further information.
- Refer to Section 4.5.
- Assuming that no existing Options are exercised between the date of the Notice and the closing date of the Capital Raising and that 170,000,000 Shares are issued under the Replacement Prospectus (i.e. full subscription).
- Assuming that no existing Options are exercised between the date of the Notice and the closing date of the Capital Raising.
- Assuming that no existing Options are exercised between the date of the Notice and the closing date of the Capital Raising.

## 4.8 Proposed Expenditure Program and Budget

Refer to Schedule 3 for details of the Company's proposed expenditure program and budget following completion of the Filemobile Acquisition and the Capital Raising.

## 4.9 Pro-forma Financial Position of the Company

Refer to Schedule 1 for a pro-forma statement of financial position for the Company following completion of the Filemobile Acquisition and the Capital Raising.

## 4.10 Newzulu Group of Companies

Refer to 0 for brief details on the Newzulu group of companies following completion of the Filemobile Acquisition.

## 4.11 Advantages of the Filemobile Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's determination on how to vote on the Resolutions:

- (a) **Exposure to an established and growing business operating in an emerging industry sector:** The Filemobile Acquisition provides Shareholders with exposure to an existing well-managed and expanding business operating in a growing sector of the online social marketing industry, serving media outlets, brands and companies. Filemobile's Media Factory platform (refer to Section 4.3) and the key executives that will be engaged by Newzulu Canada (refer to Schedule 4) will place the Company in a strong competitive position and offer the Company an opportunity to:
  - (i) expand its existing operations into a business with significant potential for growth;
  - (ii) enter the United States market with access to Filemobile's extensive network and major media client roster including USA Today, Fox News, Wall Street Journal and Hearst TV; and
  - (iii) increase the Company's contributor base and volume of content forwarded to the Company's newswire partners for sales;
  
- (b) **Complementary to the existing business of the Company:** The business of Filemobile has the potential to complement the Company's growth strategies and business as a global news wire and digital media agency and as a provider of crowd sourced editorial, brand publishing and broadcasting software platforms. The Directors have identified a number of synergies between the existing businesses of the Company and Filemobile and initiatives to capitalise on these synergies may include:
  - (i) merging Filemobile's and the Company's development expertise in platform development, cloud computing and client deployment speed;
  - (ii) upgrading the Company's existing core platform, App and backend with well-documented technology (developer tools, APIs and software development kits);
  - (iii) selling the Company's SaaS and white-label offerings at scale and beyond news to brands with major client rosters including Cisco, Farmers Insurance, Lincoln Financial and JC Penney;

- (iv) harnessing Filemobile's specialised technology resources and talent to launch the Company's live validated streaming video news capability, "Livezulu";
  - (v) utilising Filemobile's technologies to strengthen the Company's publishing and broadcasting software platforms; and
  - (vi) utilising Filemobile's website to increase the level of web traffic to the Company's website and increase the number of contributors to the Company's platforms;
- (c) **Potential to enhance Shareholder value:** The Directors consider that there is a greater likelihood of increasing Shareholder value by proceeding with the Filemobile Acquisition and expanding its business and presence as a global news wire and digital media agency than by the Company solely remaining focused on its existing operations (refer to Section 4.1);
- (d) **Increased investor interest and Share trading volume:** The potential increase in market capitalisation of the Company following completion of the Filemobile Acquisition and Capital Raising may lead to increased access to equity capital market opportunities and increased liquidity; and
- (e) **Senior Management:** The addition of the Filemobile Executives as members of the senior management of the combined operations of the Company and Filemobile will provide further experience and skills to provide growth to the Newzulu group of companies.

#### 4.12 Disadvantages of the Filemobile Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's determination on how to vote on the Resolutions:

- (a) **Change in scale of activities:** Following completion of the Filemobile Acquisition, whilst continuing to operate its existing business, the Company will devote funding and management attention to the business of Filemobile. This change to the scale of the Company's activities may not be consistent with the objectives of some Shareholders;
- (b) **Issue of Shares pursuant to the Capital Raising and the issue of the Executive Options and the Executive Performance Rights will dilute existing Shareholders' voting rights:** The issue of Shares pursuant to the Capital Raising and the issue of the Executive Options and Executive Performance Rights will have a dilutionary effect on the current voting rights of Shareholders. Consequently, existing Shareholders' voting power and influence over the affairs of the Company will be reduced; and
- (c) **Additional risk factors:** There are many risk factors associated with the change to the scale of the Company's activities attributable to business and operations of Filemobile being acquired (refer to Schedule 7).

#### 4.13 Risk Factors

Shareholders should be aware that if Resolutions 1 to 3 (inclusive) are approved and the Filemobile Acquisition is completed, the Company will be changing the scale of its activities which will result in it being subject to various risk factors (in addition to those that are



presently applicable). These risks are both specific to the industry in which the Company operates and also relate to the general business and economic environment in which the Company will operate. Based on the information available, a non-exclusive list of these risk factors is detailed in Schedule 7.

#### 4.14 Plans for the Company if the Filemobile Acquisition is not completed

If the Company does not complete the Filemobile Acquisition, it will continue with its current business activities and will investigate, and as required, undertake due diligence on, new opportunities to complement its existing business. Whilst the Company also will not proceed with the Capital Raising in its current proposed form, it does anticipate that it will undertake an alternative capital raising in the first quarter of the 2015 calendar year.

#### 4.15 Indicative Timetable

The following is an indicative timetable for, amongst other things, completion of the Filemobile Acquisition and the Capital Raising.

Event	Indicative Date
Despatch of Notice	31 December 2015
Lodgement of Replacement Prospectus with ASIC and ASX	9 January 2015
Lodgement of listing application with ASX	9 January 2015
Last day for lodgement of Proxy Form	28 January 2015 at 10.30 am (WST)
Snapshot date for eligibility to vote at Meeting	28 January 2015 at 5.00 pm (WST)
Suspension of Shares from trading on the ASX	30 January 2015
Meeting	30 January 2015
Capital Raising offer closes	30 January 2015
Despatch of holding statements	2 February 2015
Completion of the Filemobile Acquisition	3 February 2015
Satisfaction of Chapters 1 and 2 of the Listing Rules	13 February 2015
Expected date for reinstatement of the Company's securities to trading on the ASX	13 February 2015

\*The above timetable is indicative only and subject to change. The Directors reserve the right to amend the timetable without notice and will keep Shareholders updated (via ASX announcements) on the timing of the completion of the Filemobile Acquisition as it progresses.

## 4.16 Loan Agreements

The Company (both directly and via a subsidiary) has been provided with loan funding as follows:

### (a) **First Blueroom Loan Agreement**

As announced on 8 October 2014, the Company has entered into a loan agreement with Blueroom Capital Pty Ltd ACN 162 559 882 (**Blueroom Capital**) dated 8 October 2014 (**First Blueroom Loan Agreement**). Pursuant to the First Blueroom Loan Agreement, Blueroom Capital advanced \$3,500,000 (**First Blueroom Loan**) to the Company.

The material terms and conditions of the First Blueroom Loan Agreement are as follows:

(i) **Use of Funds:** the First Blueroom Loan is to be utilised for the Company's existing working capital requirements;

(ii) **Repayment Date and Conversion:** the First Blueroom Loan is repayable on or before 31 March 2015. The First Blueroom Loan is otherwise convertible into Shares at the Company's option at the greater of:

(A) \$0.10 per Share; or

(B) if the Company completes a capital raising of \$8,500,000 (before costs) before 31 March 2015, 80% of the lowest price per Share at which Shares were issued:

(1) pursuant to such capital raising; or

(2) for cash before the completion of such capital raising,

or if any Shares were issued pursuant to the capital raising referred to above for less than \$0.10 per Share, that price;

(iii) **Interest:** no interest is payable in respect of the First Blueroom Loan unless the Company fails to repay the First Blueroom Loan in accordance with the First Blueroom Loan Agreement;

(iv) **Facility Fee:** the Company must pay to Blueroom Capital, a facility fee which comprises:

(A) 2,500,000 Shares; and

(B) 3,500,000 Options each with an exercise price of \$0.20 and an expiry date that is 3 years from the date of grant;

The facility fee is payable on the earlier to occur of:

(C) the date of early repayment of the First Blueroom Loan;

(D) 31 March 2015;

(E) the date the First Blueroom Loan is converted into Shares at the Company's option; or

- (F) in the event the Company defaults on the First Blueroom Loan Agreement, the date Blueroom Capital issues the Company with a notice declaring the First Blueroom Loan to be immediately due and payable; and
- (v) **Security:** the Company grants Blueroom Capital a first ranking security interest on all present and after acquired personal property of the Company in respect of all amounts payable to Blueroom Capital pursuant to the First Blueroom Loan Agreement and the Second Blueroom Loan Agreement (refer to Section 4.16(b)).

As at the date of the Notice, it is the Company's intention to convert the First Blueroom Loan into Shares as soon as reasonably practicable following the completion of the Capital Raising (assuming that all of the Resolutions are passed). On this basis, Blueroom Capital will be issued 35,000,000 Shares (each having a deemed issued price of \$0.10).

(b) **Second Blueroom Loan Agreement**

As announced on 29 December 2014, the Company has entered into an additional loan agreement with Blueroom Capital dated 24 December 2014 (**Second Blueroom Loan Agreement**). Pursuant to the Second Blueroom Loan Agreement, Blueroom Capital advanced \$1,500,000 (**Second Blueroom Loan**) to the Company.

The material terms and conditions of the Second Blueroom Loan Agreement are as follows:

- (i) **Use of Funds:** the Second Blueroom Loan is to be utilised for the Company's existing working capital requirements;
- (ii) **Repayment Date and Conversion:** the Second Blueroom Loan is repayable on or before 31 March 2015. Subject to the Company having the necessary placement capacity under Chapter 7 of the Listing Rules, the Second Blueroom Loan is otherwise convertible into Shares at the Company's option at the greater of:
  - (A) \$0.10 per Share; or
  - (B) if the Company completes a capital raising of \$8,500,000 (before costs) before 31 March 2015, 80% of the lowest price per Share at which Shares were issued:
    - (1) pursuant to such capital raising; or
    - (2) for cash before the completion of such capital raising,or if any Shares were issued pursuant to the capital raising referred to above for less than \$0.10 per Share, that price;
- (iii) **Interest:** no interest is payable in respect of the Second Blueroom Loan unless the Company fails to repay the Second Blueroom Loan in accordance with the Second Blueroom Loan Agreement;
- (iv) **Facility Fee:** the Company must pay to Blueroom Capital, a facility fee which comprises:

- (A) 1,071,429 Shares; and
- (B) 2,000,000 Options each with an exercise price of \$0.20 and an expiry date that is 3 years from the date of grant;

The facility fee is payable on the earlier to occur of:

- (C) the date of early repayment of the Second Blueroom Loan;
  - (D) 31 March 2015;
  - (E) the date the Second Blueroom Loan is converted into Shares at the Company's option; or
  - (F) in the event the Company defaults on the Second Blueroom Loan Agreement, the date Blueroom Capital issues the Company with a notice declaring the Second Blueroom Loan to be immediately due and payable; and
- (v) **Security:** the Company grants Blueroom Capital a first ranking security interest on all present and after acquired personal property of the Company in respect of all amounts payable to Blueroom Capital pursuant to the First Blueroom Loan Agreement and the Second Blueroom Loan Agreement.

As at the date of the Notice, it is the Company's intention to convert the Second Blueroom Loan into Shares as soon as reasonably practicable following the completion of the Capital Raising (assuming that Resolutions 1 to 3 (inclusive) and Resolution 6 are passed). On this basis, Blueroom Capital will, subject to Resolution 6 being passed, be issued 15,000,000 Shares (each having a deemed issued price of \$0.10).

(c) **Scarf Loan Agreement**

Newzulu Holdings Limited (formerly named "Newzulu Limited"), being the company acquired by the Company in August 2014 (refer to Section 4.1) is a party to a loan agreement with Mr Peter Scarf (a Shareholder) dated 11 June 2014 (**Scarf Loan Agreement**). Pursuant to the Scarf Loan Agreement, Mr Scarf has advanced to Newzulu Holdings Limited \$861,000 (**Scarf Loan**) of which \$177,097 has subsequently been repaid.

The Scarf Loan is interest free and no fee is payable in regard to it.

The Company is required to repay the outstanding balance of the Scarf Loan to Mr Scarf (being \$683,903) on the earlier of 31 December 2015 or the date that is five business days following the date upon which the Company completes an equity capital raising of at least \$3,500,000. Accordingly, the Company intends to utilise part of the funds raised from the Capital Raising to repay the entirety of the outstanding balance of the Scarf Loan.

#### 4.17 **Directors' Recommendation**

Mr Theo Hnarakis and Mr Phil Kiely, as Directors proposing to participate in the Capital Raising (completion of which is conditional on each of Resolutions 1 to 3 (inclusive) being

passed), do not believe that it is appropriate for either of them make a recommendation as to whether or not Shareholders should approve Resolutions 1 to 3 (inclusive).

The Directors (other than Mr Hnarakis and Mr Kiely) are of the view that the Filemobile Acquisition will complement the existing business of the Company and that the Capital Raising will assist the Company to achieve its growth objectives. Accordingly, each of the Directors (other than Mr Hnarakis and Mr Kiely) considers that the Filemobile Acquisition and the Capital Raising are in the best interests of the Company and recommend that Shareholders approve Resolutions 1 to 3 (inclusive).

#### **4.18 Interdependence of Resolutions**

Resolutions 1 to 3 (inclusive) are interdependent, meaning that Shareholders must pass all Resolutions 1 to 3 (inclusive) for the Filemobile Acquisition and the Capital Raising to proceed.

Resolution 4 is dependent on Resolutions 1 to 3 (inclusive) being passed, meaning that Shareholders must pass all Resolutions 1 to 3 (inclusive) and Resolution 4 for Mr Theo Hnarakis (or his nominee) to participate in the Capital Raising.

Resolution 5 is dependent on Resolutions 1 to 3 (inclusive) being passed, meaning that Shareholders must pass all Resolutions 1 to 3 (inclusive) and Resolution 5 for Mr Phil Kiely (or his nominee) to participate in the Capital Raising.

#### **4.19 Forward Looking Statements**

The forward looking statements in this Explanatory Memorandum are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Explanatory Memorandum. These risks include but are not limited to, the risks detailed in Schedule 7. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

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## **5. Resolution 1 – Change to Scale of Activities**

### **5.1 General**

Resolution 1 seeks approval from Shareholders for a change to the scale of the activities of the Company in respect to the Filemobile Acquisition and the Capital Raising.

Resolution 1 is an ordinary resolution. Resolution 1 is subject to the approval of Resolutions 2 and 3.

The Chairperson will cast all available proxies in favour of Resolution 1.

### **5.2 Listing Rule 11.1**

Chapter 11 of the Listing Rules requires Shareholders to approve any significant change in the nature or scale of an ASX listed company's activities. The completion of the Filemobile Acquisition will have the effect of changing the nature, and increasing the scale, of the Company's activities.

Where an ASX listed company seeks to change the nature or scale of its activities, it must:

- (a) under Listing Rule 11.1.1, notify ASX of the proposed change;
- (b) under Listing Rule 11.1.2, obtain shareholder approval to undertake the change, if required by ASX; and
- (c) under Listing Rule 11.1.3, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the official list of ASX, if required by ASX.

As detailed in Section 4 the Company:

- (a) has agreed to undertake the Filemobile Acquisition, subject to the satisfaction of certain conditions (refer to Section 4.4), including but not limited to, the obtaining of Shareholder approval; and
- (b) is proposing to undertake the Capital Raising.

Having regard to the recent acquisition of "Newzulu Limited" (refer to Section 4.1), which was subject to Shareholders approving a change to the nature and scale of the activities of the Company, ASX has advised that the Filemobile Acquisition and the Capital Raising (both separately and together) constitute transactions which require Shareholder approval (pursuant to Listing Rule 11.1.2) and necessitate the Company re-complying with Chapters 1 and 2 of the Listing Rules (pursuant to 11.1.3).

Resolution 2 seeks Shareholder approval to allow the Company to complete the Filemobile Acquisition and the Capital Raising thereby increasing the scale of its activities.

On the basis that Resolutions 1 to 3 (inclusive) are approved, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. In accordance with these requirements, the Company will issue the Replacement Prospectus, which will replace the Original Prospectus.

Trading of Shares will be suspended on the morning of the day of the Meeting. If Shareholders pass all of the Resolutions, trading of Shares on ASX will be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. It is anticipated that the re-quotations of the Company's securities will occur around 13 February 2015 (refer to Section 4.15). If Shareholders do not approve all of the Resolutions, trading of Shares on ASX will resume following the release of the results of the Meeting.

A voting exclusion statement in respect to Resolution 1 is included in the Notice.

### **5.3 Listing Rule Waiver**

Listing Rule 2.1 Condition 2 provides that the issue price or sale price of all securities for which an entity seeks quotation (except options) must be at least \$0.20. The Company has applied to ASX for a waiver from Listing Rule 2.1 Condition 2 to the extent necessary not to require the issue price of the Shares proposed to be issued pursuant to the Capital Raising to be at least \$0.20, on the condition that the issue price is not less than \$0.10 each and Shareholders approve the issue price (as contemplated by Resolution 2).

Listing Rule 1.1 Condition 11 provides that if an entity has options on issue, the exercise price for each underlying security must be at least \$0.20. ASX Guidance Note 12 provides

that if an entity is required to re-comply with Chapters 1 and 2 of the Listing Rules, ASX will not apply Listing Rule 1.1 Condition 11 in respect of the entity's existing options. The Company will not have to restructure its existing Options (refer to Section 4.7) to increase their exercise price to at least \$0.20.

Should ASX grant the Company a waiver from Listing Rule 2.1 Condition 2, the Company will be able to re-comply with Chapters 1 and 2 of the Listing Rules and complete the Filemobile Acquisition and Capital Raising without consolidating its capital.

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## **6. Resolution 2 – Approval of Issue of Shares**

### **6.1 General**

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 170,000,000 Shares at an issue price of \$0.10 per Share to raise up to \$17,000,000 (before costs). The Shares will be offered and issued under the Replacement Prospectus (refer to Section 4.5).

Resolution 2 is an ordinary resolution. Resolution 2 is subject to the approval of Resolutions 1 and 3.

The Chairperson will cast all available proxies in favour of Resolution 2.

### **6.2 Listing Rule 7.1**

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of equity securities by a listed company, where the equity securities proposed to be issued represent more than 15% of the Company's ordinary securities then on issue.

The effect of approving Resolution 2 will be to allow the Company to issue the Shares to be offered under the Replacement Prospectus during the three month period after the Meeting (or a longer period, if allowed by ASX), without utilising the Company's 15% placement capacity under Listing Rule 7.1.

### **6.3 Specific Information Required by Listing Rule 7.3**

For the purposes of Shareholder approval of the issue of the Shares and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) A maximum of 170,000,000 Shares will be issued.
- (b) The Shares will be issued no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares will each be issued at a price of \$0.10.
- (d) Subject to the Resolutions 4 and 5 being passed, the Shares will be issued to investors (retail, professional and sophisticated) who are not related parties or associates of related parties of the Company.
- (e) The Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The funds raised from the issue of the Shares will be utilised by the Company to:

- (i) fund the Filemobile Acquisition;
- (ii) pay the expenses associated with re-complying with Chapters 1 and 2 of the Listing Rules;
- (iii) repaying loan funds provided pursuant to the Scarf Loan Agreement; and
- (iv) provide additional general working capital.

Refer to Schedule 3 for further details.

- (g) The allotment of the Shares will occur progressively.
- (h) A voting exclusion statement is included in the Notice.

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## **7. Resolution 3 – Approval of Issue of Executive Options and Executive Performance Rights to Filemobile Executives**

### **7.1 General**

Resolution 3 seeks Shareholder approval for the issue of an aggregate of 5,000,000 Executive Options and 550,000 Executive Performance Rights to the Filemobile Executives as part of the Filemobile Acquisition. Refer to Section 7.3 for the allocation of the securities between the Filemobile Executives.

In the Company's present circumstances, the Directors consider that the grant of the Executive Options and Executive Performance Rights to the Filemobile Executives would be a cost effective and efficient reward for the Company to make to appropriately incentivise that performance, and is consistent with the Company's strategic goals and targets.

Refer to Schedule 8 for the terms and conditions of the Executive Options and to Schedule 9 for the terms and conditions of the Executive Performance Rights.

Resolution 3 is an ordinary resolution. Resolution 3 is subject to the approval of Resolutions 1 and 2.

The Chairperson will cast all available proxies in favour of Resolution 3.

### **7.2 Listing Rule 7.1**

As detailed in Section 6.1, Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of equity securities by a listed company, where the equity securities proposed to be issued represent more than 15% of the Company's ordinary securities then on issue.

The effect of approving Resolution 3 will be to allow the Company to grant the Executive Options and Executive Performance Rights to the Filemobile Executives during the three month period after the Meeting (or a longer period, if allowed by ASX), without utilising the Company's 15% placement capacity under Listing Rule 7.1.



### **7.3 Specific information required by Listing Rule 7.3**

For the purposes of Shareholder approval of the issue of the Executive Options and the Executive Performance Rights and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) A maximum of 5,000,000 Executive Options and 550,000 Executive Performance Rights will be issued.
- (b) The Executive Options and the Executive Performance Rights will be issued no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Executive Options and the Executive Performance Rights will each be issued with an issue price of nil.
- (d) The Executive Options and the Executive Performance Rights will be issued to the Filemobile Executives as follows:
  - (i) 5,000,000 Executive Options and 250,000 Executive Performance Rights to Mr Marc Milgrom;
  - (ii) 150,000 to Executive Performance Rights to Mr Stephen Hulford; and
  - (iii) 150,000 to Executive Performance Rights to Mr David Minogue,none of whom are related parties or associates of related parties of the Company.
- (e) The Executive Options will have an exercise price of \$0.20 each and expire three years after the issue date and otherwise will be granted on the terms and conditions detailed in Schedule 8.
- (f) Each Executive Performance Right entitles the holder to subscribe for one Share. The Executive Performance Rights will be granted on the terms and conditions detailed in Schedule 9.
- (g) No funds will be raised by the grant of the Executive Options or the Executive Performance Rights as the Company will grant them for nil cash consideration.
- (h) A voting exclusion statement is included in the Notice.

### **7.4 Listing Rule Waiver**

Listing Rule 1.1 Condition 11 provides that if an entity has options on issue, the exercise price for each underlying security must be at least \$0.20. ASX has granted the Company a waiver of Listing Rule 1.1 Condition 11 to the extent necessary to permit the exercise price of the Executive Performance Rights not to be at least \$0.20, on the condition that Shareholders approve the issue of the Executive Performance Rights (as contemplated by Resolution 3).

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## **8. Resolution 4 – Approval of Director's Participation in Capital Raising**

### **8.1 General**

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 10.11 to enable Mr Theo Hnarakis (or his nominee) to participate in the Capital Raising on the same terms and conditions as other investors pursuant to the Replacement Prospectus.

Subject to obtaining the approval of Shareholders, the Company will issue up to 2,000,000 Shares to Mr Hnarakis (or his nominee).

If Shareholders do not approve Resolution 4, the Company will not issue any Shares to Mr Hnarakis (or his nominee) pursuant to the Replacement Prospectus.

Resolution 4 is an ordinary resolution. Resolution 4 is subject to the approval of Resolutions 1 to 3 (inclusive).

The Chairperson will cast all available proxies in favour of Resolution 4.

### **8.2 Section 208 of Corporations Act**

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Mr Hnarakis is a related party of the Company by reason of his position as Director and the issue of Shares pursuant to the Replacement Prospectus to Mr Hnarakis constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act.

The Board considers that Shareholder approval under section 208 of the Corporations Act is not required as the exception in section 210 of the Corporations Act applies. The Shares will be issued to Mr Hnarakis on the same terms as non-related party participants in the Capital Raising and as such the giving of the financial benefit to the Mr Hnarakis will be on arm's length terms.

### **8.3 Listing Rule 10.11**

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Mr Hnarakis is a related party of the Company by reason of his position as Director.

The effect of passing Resolution 4 will be to allow the Company to issue up to 2,000,000 Shares to Mr Hnarakis (or his nominee) without using up the Company's 15% placement capacity under Listing Rule 7.1.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, Shareholder approval under Listing Rule 7.1 is not required, in accordance with Exception 14 of Listing Rule 7.2.

## 8.4 Specific information required by Listing Rule 10.13

For the purposes of Shareholder approval of the issue of the Shares to Mr Hnarakis (or his nominee) and the requirements of Listing Rule 10.13, information is provided as follows:

- (a) The Shares will be issued to Mr Hnarakis (or his nominee).
- (b) A maximum of 2,000,000 Shares will be issued to Mr Hnarakis (or his nominee).
- (c) The Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Shares will each be issued at a price of \$0.10.
- (e) The Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The funds raised from the issue of the Shares will be utilised by the Company to:
  - (i) fund the Filemobile Acquisition;
  - (ii) pay the expenses associated with re-complying with Chapters 1 and 2 of the Listing Rules;
  - (iii) repaying loan funds provided pursuant to the Scarf Loan Agreement; and
  - (iv) provide additional general working capital.Refer to Schedule 3 for further details.
- (g) A voting exclusion statement is included in the Notice.

## 8.5 Director Recommendation

The Directors independent of Mr Hnarakis recommend that Shareholders vote in favour of Resolution 4.

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# 9. Resolution 5 – Approval of Director's Participation in Capital Raising

## 9.1 General

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 10.11 to enable Mr Phil Kiely (or his nominee) to participate in the Capital Raising on the same terms and conditions as other investors pursuant to the Replacement Prospectus.

Subject to obtaining the approval of Shareholders, the Company will issue up to 1,000,000 Shares to Mr Kiely (or his nominee).

If Shareholders do not approve Resolution 5, the Company will not issue any Shares to Mr Kiely (or his nominee) pursuant to the Replacement Prospectus.

Resolution 5 is an ordinary resolution. Resolution 5 is subject to the approval of Resolutions 1 to 3 (inclusive).

The Chairperson will cast all available proxies in favour of Resolution 5.

## **9.2 Section 208 of Corporations Act**

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Mr Kiely is a related party of the Company by reason of his position as Director and the issue of Shares pursuant to the Replacement Prospectus to Mr Kiely constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act.

The Board considers that Shareholder approval under section 208 of the Corporations Act is not required as the exception in section 210 of the Corporations Act applies. The Shares will be issued to Mr Kiely on the same terms as non-related party participants in the Capital Raising and as such the giving of the financial benefit to the Mr Kiely will be on arm's length terms.

## **9.3 Listing Rule 10.11**

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Mr Kiely is a related party of the Company by reason of his position as Director.

The effect of passing Resolution 5 will be to allow the Company to issue up to 1,000,000 Shares to Mr Kiely (or his nominee) without using up the Company's 15% placement capacity under Listing Rule 7.1.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, Shareholder approval under Listing Rule 7.1 is not required, in accordance with Exception 14 of Listing Rule 7.2.

## **9.4 Specific information required by Listing Rule 10.13**

For the purposes of Shareholder approval of the issue of the Shares to Mr Kiely (or his nominee) and the requirements of Listing Rule 10.13, information is provided as follows:

- (a) The Shares will be issued to Mr Kiely (or his nominee).
- (b) A maximum of 1,000,000 Shares will be issued to Mr Kiely (or his nominee).
- (c) The Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Shares will each be issued at a price of \$0.10.
- (e) The Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The funds raised from the issue of the Shares will be utilised by the Company to:
  - (i) fund the Filemobile Acquisition;
  - (ii) pay the expenses associated with re-complying with Chapters 1 and 2 of the Listing Rules;

- (iii) repaying loan funds provided pursuant to the Scarf Loan Agreement; and
- (iv) provide additional general working capital.

Refer to Schedule 3 for further details.

- (g) A voting exclusion statement is included in the Notice.

## 9.5 Director Recommendation

The Directors independent of Mr Kiely recommend that Shareholders vote in favour of Resolution 5.

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# 10. Resolution 6 – Approval of Issue of Shares to Blueroom Capital

## 10.1 Background

As detailed in Section 4.16(b), the Company entered into the Second Blueroom Loan Agreement to secure a loan of \$1,500,000 (being the Second Blueroom Loan). Subject to the Company having the necessary placement capacity under Chapter 7 of the Listing Rules, the Second Blueroom Loan is convertible into Shares at the Company's option at the greater of:

- (a) \$0.10 per Share; or
- (b) if the Company completes a capital raising of \$8,500,000 (before costs) before 31 March 2015, 80% of the lowest price per Share at which Shares were issued:
  - (i) pursuant to such capital raising; or
  - (ii) for cash before the completion of such capital raising,

or if any Shares were issued pursuant to the capital raising referred to above for less than \$0.10 per Share, that price. Refer to Section 4.16(b) for further details on the Second Blueroom Loan Agreement.

As at the date of the Notice, the Company intends to convert the Second Blueroom Loan into Shares as soon as reasonably practicable following the completion of the Capital Raising (assuming that Resolutions 1 to 3 (inclusive) and Resolution 6 are passed).

If Shareholders do not approve Resolution 6, the Company will have to repay the Second Blueroom Loan in cash on or before 31 March 2015.

## 10.2 General

Resolution 6 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue to Blueroom Capital of up to 15,000,000 Shares, in lieu of cash repayment of the Second Blueroom Loan, upon the Company exercising its option to convert the Second Blueroom Loan into Shares pursuant to the Second Blueroom Loan Agreement (**Conversion Right**).

Resolution 6 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 6.

### **10.3 Listing Rule 7.1**

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of equity securities by a listed company, where the equity securities proposed to be issued represent more than 15% of the Company's ordinary securities then on issue.

The effect of approving Resolution 6 will be to allow the Company to issue up to 15,000,000 Shares to Blueroom Capital during the three month period after the Meeting (or a longer period, if allowed by ASX), without utilising the Company's 15% placement capacity under Listing Rule 7.1.

### **10.4 Specific Information Required by Listing Rule 7.3**

For the purposes of Shareholder approval of the issue of the Shares and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) A maximum of 15,000,000 Shares will be issued upon the Company exercising its Conversion Right.
- (b) The Company intends to exercise its Conversion Right and issue the Shares as soon as reasonably practicable following the completion of the Capital Raising (assuming Resolutions 1 to 3 (inclusive) and Resolution 6 are passed) and in any event no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares, issued upon the Company exercising its Conversion Right, will be issued at nil cash consideration and at a deemed issue price of \$0.10 per Share (on the basis that 15,000,000 Shares are being issued in satisfaction of the \$1,500,000 Second Blueroom Loan).
- (d) The Shares will be issued to Blueroom Capital Pty Ltd, who is not a related party or an associate of a related party of the Company.
- (e) The Shares, issued upon the exercise of the Conversion Right, will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) As the Shares are being issued in lieu of cash repayment of the Second Blueroom Loan, the Shares will be issued for nil consideration and accordingly no funds will be raised.
- (g) A voting exclusion statement is included in the Notice.

## Schedule 1 – Definitions and Interpretation

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

**API** means an application programming interface, being a software application to interact with other applications.

**App** means a software application developed to be run on an electronic device such as a smartphone, tablet and other mobile device.

**ASIC** means the Australian Securities and Investment Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited.

**Blueroom Capital** has the meaning given in Section 4.16.

**Board** means the board of Directors from time to time.

**CAD\$** means Canadian dollars.

**Capital Raising** has the meaning given in Section 4.5.

**Chairperson** means the person appointed to chair the Meeting.

**Company** means Newzulu Limited ACN 078 661 444.

**Conversion Right** has the meaning given in Section 10.2.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**December 2014 Meeting** has the meaning given in Section 3.

**Director** means any director of the Company and **Directors** means all of them.

**Executive Options** means the Options, the subject of Resolution 3, the terms and conditions of which are detailed in Schedule 8.

**Executive Performance Rights** means the rights to subscribe for a Share, the subject of Resolution 3, the term and conditions of which are detailed in Schedule 9.

**Explanatory Memorandum** means this explanatory memorandum.

**Filemobile** has the meaning given in Section 4.2.

**Filemobile Acquisition** has the meaning given in Section 4.2.

**Filemobile Agreement** has the meaning given in Section 4.2.

**Filemobile Executives** has the meaning given in Section 4.6.

**First Blueroom Loan** has the meaning given in Section 4.16(a).

**First Blueroom Loan Agreement** has the meaning given in Section 4.16(a).

**FTP** means a file transfer protocol, being a means of transferring files across the internet from one computer system to another.

**Listing Rules** means the official listing rules of ASX.

**Meeting** means the general meeting of the Company to be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Friday, 30 January 2015, at 10.30 am (WST).

**Newzulu Canada** means Newzulu Canada Limited, a corporation governed by the laws of Ontario.

**Notice** means the notice convening the Meeting which accompanies this Explanatory Memorandum.

**Official List** means the official list of the ASX.

**Option** means an option to acquire a Share.

**Original Prospectus** has the meaning given in Section 4.5.

**Previous Shareholder Approvals** has the meaning given in Section 3.

**Proxy Form** means the proxy form attached to the Notice.

**Replacement Prospectus** has the meaning given in Section 4.5.

**Resolution** means a resolution in the Notice.

**RSS** means really simple syndication or rich site summary, which allows a person to subscribe to internet content of their choosing.

**Second Blueroom Loan** has the meaning given in Section 4.16(b).

**Second Blueroom Loan Agreement** has the meaning given in Section 4.16(b).

**Scarf Loan** has the meaning given in Section 4.16(c).

**Scarf Loan Agreement** has the meaning given in Section 4.16(c).

**Schedule** means a schedule to this Explanatory Memorandum.

**Section** means a section of this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

In the Notice and this Explanatory Memorandum, headings and words in bold are for convenience only and do not affect the interpretation of the Notice and this Explanatory Memorandum and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;



- (c) other parts of speech and grammatical forms of a word or phrase defined in the Notice or this Explanatory Memorandum have a corresponding meaning;
- (d) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (e) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (f) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
  - (i) which ceases to exist; or
  - (ii) whose powers or functions are transferred to another body,  
is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (g) **“include”** and **“including”** are not words of limitation; and
- (h) **“\$”** is a reference to Australian currency.

## Schedule 2 – Information on Filemobile Inc

### 1. Business Model

Filemobile's business model is based upon multiple revenue streams utilising and/or related to a range of products and services. Filemobile receives the following types of revenue:

- (a) Licensing revenue: one-time fee for the software and set up of an account;
- (b) Subscription revenue: annual, quarterly or monthly fees for ongoing access to its software services;
- (c) Hosting revenue: based on actual usage of bandwidth, storage and API calls each month; and
- (d) Professional services: customisation and implementation services.

Filemobile generates the majority of its sales from subscription and hosting revenues.

### 2. Filemobile Products

Filemobile is a software-as-a-service (**SaaS**) fully hosted provided. This means that Filemobile's clients do not need any infrastructure, software or hardware installation to utilise Filemobile services. Clients access Filemobile services and products through the internet.

Filemobile's products are built using leading technology and industry standards. They are designed to serve its clients in a number of ways:

- (a) White-label applications: Filemobile's standard range of products are pre-built with some ability to brand and customise the user experience.
- (b) APIs (application programming interface): Filemobile's APIs allow clients to build a custom website using the core Media Factory functionality.
- (c) Mobile SDK (software development kit): Clients also have the ability to build custom mobile applications using the SDK to create custom applications using the Media Factory tools.

Key statistics in relation to Filemobile's product offerings are as follows:

- (a) 50+ million unique visitors per month;
- (b) 160+ million API calls per month;
- (c) 40 million media views per month;
- (d) 150,000 photo and video uploads per month;
- (e) over 8,000,000 registered users; and
- (f) 10+ million media items uploaded.

### 3. Media Factory

The core element of Filemobile products is the backend platform, called Media Factory, used by administrators, developers and moderators.

Media Factory enables its users to:

- (a) upload content, being photo, video, and audio files, as well as text, from various sources such as websites, mobile, webcam and email and by using a unique hashtag (#) on Instagram;
- (b) convert the uploaded file into multiple files via transcoding. Different files are created based on the client needs for different file sizes and quality and for viewing on different devices (desktop, mobile and tablet);
- (c) moderate the content, being the ability to approve or deny it;
- (d) show content on the client website as soon as it is uploaded or have it deferred until after it is approved;
- (e) curate the content, being the ability to organise the content into different folders for displaying it, for example by geography, product, event, etc.;
- (f) publish the content from Media Factory to Filemobile products on a client website or to other applications such as the client's content management system (CMS), digital asset management system (DAM), and broadcast system and into social media networks such as YouTube;
- (g) search content and users;
- (h) store the metadata of the content, including geographic information included in the photos and videos or provided by the user on upload which can then be displayed on a map; and
- (i) maintain the user information entered in a registration and login system.

Other features of Media Factory include:

- (a) the ability to vote, rate and comment on content;
- (b) multilingual capabilities, for example to have French and English web sites;
- (c) notify users by email when their content has been approved or denied; and
- (d) send geographic based notifications or assignments to users through a mobile device.

#### 4. Other Products

Filemobile also offers the following products:

- (a) The **Widget Suite** is an all-in-one social media marketing software that allows a client user-generated content campaign to be quickly and easily deployed onto its website. The Widgets include:

- (i) An Uploader: for users to register, login and upload photos and videos; there is an upload form that can be customised to gather information about the upload such as Title, Description, Location;
- (ii) A Gallery: to display content in a gallery format; this can be customised to have a main image or video and different rows of content;
- (iii) A Slideshow: to display a single image or video, with the ability to scroll through the content, together with small thumbnails below it; and
- (iv) A Live Feed: to display a constantly updating stream of content that automatically refreshes itself when users upload content or comments; this is usually used beside a live video of an event (such as a weather storm), where the public (users) can participate by commenting and uploading their own photos and videos related to the event.

With user-friendly features and no technical integration required, marketers can start collecting and displaying social content quickly and without the help of a designer or developer.

- (b) The Filemobile **User-Generated News** platform offers a turnkey, integrated solution which enables a client to encourage their audience to participate in “assignments”. When a news opportunity arises, clients can locate their audience on a map and deploy geo-specific mobile alerts motivating participants to capture photos or videos of the subject matter. It is designed with the newsroom workflow in mind to capture, curate and publish user-generated content quickly and efficiently to the client’s TV broadcast systems, websites, print, and more.

Filemobile's User-Generated News platform is used by renowned news organisations, such as Gannett, Fox News, Morris Communications, CTV, and more.

- (c) **Rich Media Workflow** is a new product that makes it easy to gather content from a client’s own employees, such as journalists and freelancers. Content goes from employees in the field into Media Factory from which it can automatically flow into the client’s other downstream systems (such as YouTube). Content can be uploaded from mobile devices or a desktop whilst maintaining the custom metadata. Rich Media Workflow is used by organisations such as Cisco, iTV, Wall Street Journal and others.
- (d) **Filemobile Contests** offers a flexible platform for running a photo or video contest to build social awareness, establish brand affinity and promote viral sharing. Using Filemobile Contests, a client can create and deploy social contests that enable participants to upload photos and videos, view galleries, share content, comment, like, and vote on content - all as part of an immersive contest experience. Contests can live on microsites, Facebook, Apps, or a combination of these and can be customised with the client’s branding, logos, sponsorship and advertising.
- (e) **Community** is a pre-built site for users to join usually around a particular brand, product or area of interest. It includes the ability to register and become a member of the community, upload content, rate and comment on content. Content can be organised and displayed many ways, including by Most Recent, Most Popular, Most Commented, as well as by category, such as geographic area, event, product, etc. Users also have Profile pages that display information about the user, the content uploaded by the user, and comments left on the site by the user.

Filemobile continues to add to its comprehensive line of interactive, SaaS products and continuously develops its proprietary Media Factory platform.

## 5. Filemobile Clients

Some of the world's most reputable brands and companies (including CTV My News, Fox News Chanel, Ben and Jerry's and Tim Horton) utilise Filemobile's products.

The types of clients that Filemobile targets are:

- (a) **Media companies:** Media companies are looking for a platform that can be leveraged across their properties and tools that enable them to engage their audiences, such as contests, and programs that a sales team can sell against advertisement and content inventories. The programs are often integrated into a single sign-on system, and white-label products are crucial to resemble the look and feel of the media company. Filemobile has focussed the majority of its marketing resources on targeting this type of company.
- (b) **Brands:** Social engagement is the key to successful branding. Brands are looking for ways to capture inexpensive content that they can use in their content marketing plans. They desire a custom solution that will engage and grow their audiences directly on their own sites as well as through social networks.
- (c) **Agencies:** Agencies want tools to simplify their work. Speed to market and customisation are the keys to making an agency sale.
- (d) **Corporate:** Companies are turning their internal communications focus to rich media portals, for uses such as management communication, product information, functional area and industry information and training. Filemobile offers solutions for content acquisition and integration with down-stream systems.
- (e) **Education:** Media Factory's integrated social media tool for academia has generated interest in that it allows a "closed" environment for students and teachers to create content and collaborate with one another. Filemobile has not targeted resources to the education community yet, but intends to in the future.

## 6. Key Strengths

The Company considers that Filemobile's services and current product offering is competitive for a variety of reasons as follows:

### (a) **Breadth**

The Filemobile product offering is broader than most of its competitors and manages photo, video, audio and text content with deeper and enhanced functionality, as set out below.

### (b) **Depth**

Filemobile offers multiple methods for registration and login, including basic template registration, social login through public social network username and login (such as Facebook, Twitter, etc.), customer registration and login system, and single sign-on (SSO).

Filemobile offers multiple ways to deploy projects, depending on the timing, budget and technical resources available, such as pre-built, fully functional white-label products, simple widgets and full APIs to build custom applications using the Filemobile functionality.

Filemobile also integrates with many downstream systems, enabling customers to collect content and then push it elsewhere, including YouTube, broadcast systems, publishing systems, content management systems, digital asset management systems, and online video platforms.

The Filemobile product offering is also flexible and customisable. The combination of these traits allow our customers to launch a broad range of projects for a variety of purposes, from the quick and simple to the highly customised and complex, all on one platform with one vendor relationship and without having to invest in building the technology and infrastructure.

(c) **Enhanced functionality**

The enhanced functionality of the Filemobile products includes:

- (i) Mobile SDK: a notification centre where customers can view its users on a map, choose a geographic area on a map and send notifications to the users within that area;
- (ii) Multilingual capabilities: making it easy to deploy projects with different sites for different languages while maintaining customisation and integration points;
- (iii) A social hub: allowing customers to pull content into Media Factory from public social networks such as Instagram through the use of hashtags, and publish content back out to public social networks such as YouTube; and
- (iv) Developer Documentation Portal: providing support and guidance to clients and developers in order to set up and manage Media Factory and other Filemobile products from the Widget Suite to the API.

**7. Awards and recognition**

Filemobile and its key executives' focus on customer service, product quality, innovation and reliability has attracted the following awards and recognition:

- (a) Media Factory was a *2010 Digital Hot List* winner in the Hot Technology Category.
- (b) Filemobile's co-Founder and Chief Creative Officer, Steve Hulford was named to Digital Media's *2010 List of Digital Media People to Watch in Ontario*.
- (c) Filemobile has twice been named to PROFIT Magazine's *Hot 50 List of Emerging Growth Companies*, 2008 and 2009.
- (d) Filemobile was honoured on IDC's *Ten Canadian New Media Companies to Watch* in 2009.
- (e) Filemobile was ranked 6<sup>th</sup> in Backbone Magazine's *Top 20 Web 2.0 Companies* in 2009.

### Schedule 3 – Proposed Expenditure Program and Budget of the Company

As at 30 November 2014, the Newzulu group had cash reserves of approximately \$2,337,714. The expected use of funds in the period to 30 June 2015 where the minimum subscription of \$10,000,000 is raised and if the Capital Raising offer is fully subscribed is as follows:

Item	Minimum Subscription (\$)	%	Offer is fully subscribed (\$)	%
Cash on hand as at 30 November 2014	2,337,714		2,337,714	
Net funds subsequently received pursuant to Second Blueroom Loan Agreement <sup>1</sup>	1,410,000		1,410,000	
Funds raised from the Capital Raising Offer <sup>2</sup>	10,000,000		17,000,000	
<b>TOTAL FUNDS AVAILABLE</b>	<b>13,747,714</b>		<b>20,747,714</b>	
<b>Newzulu Business</b>				
• Operational, journalistic and technical costs of the Newzulu business	5,100,000		6,785,000	
• Cost associated with pursuing expansion plans in the United States market	Nil		1,000,000	
• Costs associated with the development of the "Newzulu Mobile" App	220,000		220,000	
• Costs associated with development of the "Payzulu" system	70,000		70,000	
• Costs associated with the development of the Newzulu Platforms	50,000		50,000	
• Costs associated with marketing and development of the Newzulu business	125,000		600,000	
	5,565,000	40.48%	8,725,000	42.05%
<b>Filemobile Acquisition Costs<sup>3</sup></b>				
• Payment of consideration payable to acquire Filemobile	5,085,000		5,085,000	
• Costs associated with completion of the Filemobile Acquisition	358,761		358,761	
	5,443,761	39.60%	5,443,761	26.24%
<b>Filemobile Business</b>				
• Costs associated with operational and technical costs of the Filemobile business	10,000		10,000	
• Costs associated with Filemobile product development	100,000		500,000	
• Costs associated with marketing and development of the Filemobile business	15,000		100,000	
	125,000	0.91%	600,000	2.89%
<b>Ongoing operational and technical costs of the Kiosk and WiFi Business</b>				
	175,000	1.27%	175,000	0.84%
<b>Listed Company Expenses</b>				
• Ongoing corporate and administrative costs of Newzulu	620,000		620,000	
• Costs associated with pursuing new opportunities	Nil		500,000	
• General working capital	75,050		2,490,050	
	695,050	5.06%	3,620,050	17.40%
<b>Repayment of Scarf Loan<sup>4</sup></b>	<b>683,903</b>	<b>4.97%</b>	<b>683,903</b>	<b>3.30%</b>
<b>Expenses of the Offer</b>	<b>1,060,000</b>	<b>7.71%</b>	<b>1,500,000</b>	<b>7.23%</b>
<b>TOTAL FUNDS ALLOCATED</b>	<b>13,747,714</b>		<b>20,747,714</b>	

(1) Refer to Section 4.16(b) for further details of the Second Blueroom Loan Agreement.

(2) Refer to Section 4.5 for further details of the Capital Raising.

(3) Refer to Section 4.2 for further details of the Filemobile Acquisition.

(4) Refer to Section 4.16(c) for further details of the Scarf Loan and Scarf Loan Agreement.

*\*The above table is a statement of current intentions as of the date of the Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.*

## **Schedule 4 – Filemobile Executives**

### **Marc Milgrom, President and CEO**

Mr Milgrom is responsible for technology (the development team and product), finance, strategic partnerships, major accounts, client delivery and for driving strategy development with the senior management team at Filemobile. He has a proven track record of delivering profitable revenue growth through strategic vision, leadership and execution. Mr Milgrom has senior corporate development experience primarily in the technology, entertainment and life sciences industries.

Prior to joining Filemobile, Mr Milgrom was a tax partner of PricewaterhouseCoopers (PwC) with a full client practice. In that role he was the senior relationship partner on major accounts, led the firm's business transformation, knowledge management, Internet, and Web 2.0 initiatives. He was also a member of PwC's Leadership Team that managed its Canadian firm.

Mr Milgrom was called to the Ontario Bar in 1986, having completed a Doctor of Jurisprudence (J.D.) at the University of Toronto. He is a member of the Canadian Bar Association and the Law Society of Upper Canada.

Mr Milgrom also holds senior community involvement roles including positions of member of the Board of Trustees Research Committee of University Health Network and of the Board of Directors of the Arthritis Research Foundation, having recently stepped down as Chair of the Board.

### **Steve Hulford, Co-Founder and Chief Creative Officer**

Mr Hulford's role at Filemobile has evolved from a product focus during the early stages of the business to managing sales and marketing, with a focus on driving revenue. Having a passion for combining sales and product development to deliver great products with great user experiences, Mr Hulford continues to provide strategic insight into the product roadmap for Filemobile.

Prior to co-founding Filemobile, he was a co-owner of PoolExpert.com which was purchased by Rogers Communications in 2008 and prior to that founded Fantasy Sports Network in partnership with Molson/Coors. Filemobile is Mr Hulford's third internet start-up venture in ten years.

His previous roles include the VP of Sports Products and Bell Globe Media where he ran TSN.ca and RDS and Client Relationship Manager at IBM, and Independent Documentary Filmmaker.

Mr Hulford completed a Bachelor of Arts at the University of Toronto.

### **Dave Minogue, Director of Technology and Development**

Mr Minogue is responsible for managing the development and operations teams at Filemobile while constantly improving a multi-tenant system and using the cloud to provide redundancy and scalability.

Prior to Filemobile, Mr Minogue spent ten years at Yahoo!, most recently as an engineering manager. He also worked for several technology companies in developer roles.

Mr Minogue completed a Bachelor of Science (Computer Science) at the Laurentian University.



## Schedule 5 – Pro Forma Statement of Financial Position

	Audited 30 June 2014	Subsequent event adjustments	\$10 million raising	Pro-forma adjustments \$17 million raising	Acquisition of Filemobile	Pro-forma after Capital Raising \$10 million raising	\$17 million raising
<b>Assets</b>							
Cash and cash equivalents	1,116,344	2,405,917	8,256,097	14,816,097	(5,402,229)	6,376,130	12,936,130
Trade and other receivables	98,907	218,499	-	-	416,491	733,897	733,897
Inventories	955	-	-	-	-	955	955
Current income tax assets	988	-	-	-	185,554	186,542	186,542
Restricted cash	225,453	-	-	-	-	225,453	225,453
Related party loans	-	37,902	-	-	-	37,902	37,902
Other current assets	26,424	73,025	-	-	21,722	121,171	121,171
<b>Total current assets</b>	<b>1,469,071</b>	<b>2,735,343</b>	<b>8,256,097</b>	<b>14,816,097</b>	<b>(4,778,462)</b>	<b>7,682,050</b>	<b>14,242,050</b>
Property, plant and equipment	3,902	481,166	-	-	20,584	505,652	505,652
Intangible assets and goodwill	-	15,708,649	-	-	5,053,320	20,761,969	20,761,969
<b>Total non-current assets</b>	<b>3,902</b>	<b>16,189,815</b>	<b>-</b>	<b>-</b>	<b>5,073,904</b>	<b>21,267,621</b>	<b>21,267,621</b>
<b>Total assets</b>	<b>1,472,973</b>	<b>18,925,158</b>	<b>8,256,097</b>	<b>14,816,097</b>	<b>295,442</b>	<b>28,949,671</b>	<b>35,509,671</b>
<b>Liabilities</b>							
Trade and other payables	422,936	(422,936)	-	-	142,374	142,374	142,374
Loans and borrowings	2,413	-	-	-	158,884	161,297	161,297
Loans and borrowings from related parties	-	26,601	-	-	-	26,601	26,601
Derivative liability	-	4,700,000	(4,700,000)	(4,700,000)	-	-	-
Employee benefits	30,953	239,324	-	-	-	270,277	270,277
Deferred revenue	9,102	-	-	-	179,241	188,343	188,343
Provisions	70,742	-	-	-	-	70,742	70,742
<b>Total current liabilities</b>	<b>536,146</b>	<b>4,542,989</b>	<b>(4,700,000)</b>	<b>(4,700,000)</b>	<b>480,499</b>	<b>859,634</b>	<b>859,634</b>
Loans and borrowings	928	-	-	-	173,704	174,632	174,632
Loans and borrowings from related parties	-	565,726	(565,726)	(565,726)	-	-	-
Employee benefits	31,873	-	-	-	-	31,873	31,873
Deferred tax liability	-	162,075	-	-	-	162,075	162,075
Provisions	58,843	-	-	-	-	58,843	58,843
<b>Total non-current liabilities</b>	<b>91,644</b>	<b>727,801</b>	<b>(565,726)</b>	<b>(565,726)</b>	<b>173,704</b>	<b>427,423</b>	<b>427,423</b>
<b>Total liabilities</b>	<b>627,790</b>	<b>5,270,790</b>	<b>(5,265,726)</b>	<b>(5,265,726)</b>	<b>654,203</b>	<b>1,287,057</b>	<b>1,287,057</b>
<b>Net assets</b>	<b>845,183</b>	<b>13,654,368</b>	<b>13,521,823</b>	<b>20,081,823</b>	<b>(358,761)</b>	<b>27,662,614</b>	<b>34,222,614</b>
<b>Equity</b>							
Share capital	30,617,047	(11,984,073)	14,297,143	20,857,143	-	32,930,117	39,490,117
Reserves	818,407	892,663	385,000	385,000	-	2,096,070	2,096,070
Accumulated losses	(30,590,271)	24,745,778	(1,160,320)	(1,160,320)	(358,761)	(7,363,573)	(7,363,573)
<b>Total equity</b>	<b>845,183</b>	<b>13,654,368</b>	<b>13,521,823</b>	<b>20,081,823</b>	<b>(358,761)</b>	<b>27,662,614</b>	<b>34,222,614</b>

\*Note: The above is in AUD.

## Assumptions adopted in compiling the Pro-forma Statement of Financial Position

The Pro-Forma Statement of Financial Position has been prepared by adjusting the audited financial position as at 30 June 2014 for the Company for the adjustments as outlined in Sections 1 and 2 below.

### 1. Subsequent events

The Pro-Forma Statement of Financial Position reflects the following events that have occurred subsequent to the year ended 30 June 2014:

- (a) The issue of 75,000,000 fully paid ordinary shares at an issue price of \$0.04 per share to raise \$3,000,000, before costs, on 12 August 2014 and payment of fundraising fee of \$160,750 on 12 August 2014.
- (b) The completion of the acquisition of Newzulu Holdings Limited on 13 August 2014 as approved by shareholders in general meeting on 11 August 2014, by the issue of 178,230,977 Shares to the vendors of Newzulu Holdings Limited.
- (c) The issue of 20,000,000 Options exercisable at \$0.10 each on or before 30 June 2017 to Mr Alexander Hartman at an issue price of \$0.001 per option.
- (d) The forgiveness of loans of \$794,169 advanced by Matilda Media Pty Ltd, a company associated with Mr Alexander Hartman, pursuant to a deed of debt forgiveness between Newzulu Holdings Limited and Matilda Media Pty Ltd and effective from completion of the acquisition of Newzulu Holdings Limited.
- (e) The issue of 2,000,000 Options to a current director and 2,000,000 Options to a former director of the Company on 13 August 2014 in lieu of fees owed of \$30,000 each as at 31 March 2014 and 4 April 2014, respectively.
- (f) Payment of transaction costs associated with the acquisition of Newzulu Holdings Limited, including:
  - (i) Cash settlement of transaction costs totalling \$838,613; and
  - (ii) The issue of 5,838,318 fully paid ordinary shares to advisers on 15 August 2014 in part payment of fees for the completion of the acquisition of Newzulu Holdings Limited.
- (g) The advancement of further loan funds totalling \$406,000 in July and August 2014 pursuant to the Scarf Loan Agreement and the partial repayment of \$177,097 of the Scarf Loan on 14 August 2014.
- (h) Settlement of outstanding fees totalling £108,000 as at 31 March 2014 owing to Mr Hartman by way of payment of £72,000 on 19 August 2014 in full satisfaction of all amounts owing at Completion under the Executive Services Agreement with Gandalf Ventures Limited, a company associated with Mr Hartman.
- (i) The advancement of \$3,500,000, before costs, pursuant to the First Blueroom Loan Agreement on 10 October 2014 and payment of fundraising fees of \$210,000 on 17 October 2014.
- (j) The advancement of \$1,500,000, before costs, pursuant to the Second Blueroom Loan Agreement on 30 December 2014 and payment of fundraising fees of \$90,000.
- (k) During the period from 1 July 2014 to 30 November 2014, the Company has incurred net cash outflows of \$4,468,659. These cash outflows are net of revenues received and relate to the following:
  - (i) Capital expenditure totalling \$472,891;
  - (ii) Operational costs totalling \$3,323,675, including product development costs of \$578,792; and
  - (iii) Trade and other payables amounts totalling \$672,093.

## **2. Pro-forma adjustments**

The Pro-Forma Statement of Financial Position reflects the subsequent events set out in Section 1 above and the following transactions and events relating to Capital Raising and the proposed acquisition of Filemobile:

- (a) Conversion of the First and Second Blueroom Loans totalling \$5,000,000 and payment of Loan fees of 3,571,429 Shares and 5,500,000 Options exercisable at \$0.20 per share and expiring 3 years from the date of issue.
- (b) The issue of up to 170,000,000 Shares at an issue price of \$0.10 per share to raise \$17,000,000 pursuant to the Capital Raising offer. The Capital Raising offer is subject to a minimum subscription of \$10,000,000 (being 100,000,000 Shares).
- (c) The payment of expenses associated with the preparation and issue of the Prospectus and the re-compliance listing of the Company of an estimated amount of \$1,060,000 (\$1,500,000 assuming maximum subscription).
- (d) The repayment of the remaining Scarf Loan of \$683,903 pursuant to the Scarf Loan Agreement.
- (e) The completion of the Filemobile Acquisition for a purchase price of CAD\$5,000,000 and cash settlement of remaining transaction costs estimated to be CAD\$350,000.

## Schedule 6 – Newzulu Group of Companies

Entity name	Country of incorporation	Nature of business
Newzulu Limited	Australia	ASX listed entity and owns the PieNetworks business.
Newzulu Holdings Limited	Australia	Holding entity for the Newzulu business.
Newzulu Pacific Pty Ltd	Australia	Sub-holding entity for Pacific operations.
Newzulu Australia Pty Ltd	Australia	Operating entity in Australia.
Newzulu Europe Limited	United Kingdom	Sub-holding entity for European operations.
Newzulu SAS	France	Operating entity in France.
Newzulu UK Limited	United Kingdom	Operating entity in the United Kingdom.
Newzulu Americas Limited	United Kingdom	Sub-holding entity for American operations.
Newzulu Canada Limited	Canada	Operating entity in Canada.
Newzulu USA Inc	United States of America	Operating entity in the United States of America.
Boomzulu Inc	United States of America	Owens the intellectual property rights for the Boomzulu business in the United States of America.
Citizenside Limited	United Kingdom	Non-operating entity (refer to commentary below).
Newzulu Limited	United Kingdom	Owens substantially all the Newzulu group's intellectual property rights.
Livezulu Limited	United Kingdom	Owens the intellectual property rights for the Livezulu business in the United Kingdom.
Boomzulu Limited	United Kingdom	Owens the intellectual property rights for the Boomzulu business in the United Kingdom.
Mobizulu Limited	United Kingdom	Owens the intellectual property rights for the Mobizulu business in the United Kingdom.
Payzulu Limited	United Kingdom	Owens the intellectual property rights for the Payzulu business in the United Kingdom.
Newzulu Ireland Limited	Ireland	Operating entity in Ireland.
Filemobile Inc.	Canada	Owens the intellectual property rights for the Filemobile business and the Filemobile operating entity.

## **Schedule 7 – Risk Factors**

The below list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders should the Filemobile Acquisition and Capital Raising be completed. The risk factors below, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the Company's securities. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Company or the Directors and cannot be mitigated. The Company cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.

### **1. Company Specific Risks**

#### **(a) Re-quotation of Shares on the Official List**

The Filemobile Acquisition and the Capital Raising constitute a significant change in the scale of the Company's activities and the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation of the Shares on the Official List. Should this occur, the Shares will not be able to be traded on ASX until such time as those requirements can be met, if at all.

#### **(b) Limited Operating History**

The Company, in respect to the business segment acquired from "Newzulu Limited" (now named "Newzulu Holdings Limited") in August 2014, has a limited operating history and the potential of its business model is continuing to evolve and develop. No assurances can be given that the Company will achieve commercial viability through the successful implementation of its business plans.

In addition, there is the risk that the Company's technical platforms may not function as intended, including with respect to scalability and coping with increasing numbers of users or client numbers. This may lead to the Company's reputation suffering amongst users, contributors and its partners.

#### **(c) Integration Risk of Filemobile Acquisition**

The operating results of the Company will depend on the success of management in integrating the acquisition of Filemobile. There is no guarantee that the Company will be able to integrate this new acquisition into the Company successfully, or that any economic benefits will be able to be realised. There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion.

#### **(d) Future Capital Needs and Additional Funding**

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of the Capital Raising should be adequate to fund its business development activities, business plan and other Company objectives in the short to medium term as detailed in this Explanatory Memorandum (refer to Schedule 3). Changes to operational requirements, market conditions and business opportunities may mean further funding is required by the Company, the Newzulu group and/ or a business unit at an earlier stage than is currently anticipated.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional funding, if required, would have a material adverse effect on the Company's business and its financial condition and performance and the Company's ability to continue as a going concern.

(e) **Reliance on Key Employees**

The Company's and Filemobile's ability to effectively execute its growth strategies depends upon the performance and expertise of key employees, including those with valuable technological skills and specialist knowledge of the Company's or Filemobile's business model and markets, respectively. The departure of certain key employees, including Mr Alexander Hartman and Mr Marc Milgrom, and any delay in their replacement or indeed any failure to adequately replace them, is likely to hinder the Company's ability (post completion of the Filemobile Acquisition) to achieve its strategic growth objectives and financial performance goals. In addition, in order for the Company to achieve its growth objectives it will likely be required to engage the services of additional key management personnel with appropriate experience and technological skills. There is no guarantee that the Company will be able to attract and retain appropriately qualified personnel in these areas. Any failure to do so is likely to also hinder the Company's ability to achieve its strategic growth objectives.

(f) **Failure to Deal with Growth**

The Directors will continue to seek to grow the Company both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth may take longer than expected to be achieved or may not be achieved at all. Any investments pursued could have a material adverse effect on the Company.

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Filemobile Acquisition. The capacity of the expanded management team to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

Filemobile's business has the potential to grow rapidly. If that occurs and the Company fails to properly manage that growth, then that failure could harm its business. Any failure to meet user and contributor demand properly could adversely affect the business, including demand for Filemobile's products, services, revenue collection, user and contributor satisfaction and public perception.

(g) **Industry Competition**

The Company's future performance may be affected by the level of competition in the crowd-sourced news market in which it operates. Whilst the Company is an early mover in the industry, new or existing competitors may be successful in offering alternative or preferred crowd-sourced news platforms for citizen and freelance journalists and photographers and may enter into strategic partnerships with recognised press associations which enhance their business at the expense of the Company.

Filemobile's future performance may be affected by the level of competition in the media and branding markets in which it operates. Whilst Filemobile has enjoyed success in these industries to date, new or existing competitors may be successful in offering alternatives for media outlets, brands, agencies, enterprises and content producers to the Media Factory platform offered by Filemobile.

(h) **Attracting Traffic to Websites**

The Company's growth strategy and future revenues depend on, amongst other things, attracting sufficient web traffic to its websites. The level of web traffic to the Company's websites is likely to directly influence the number of contributors to its platforms, the ability of the Company to enter into further agreements or arrangements with clients and its ability to generate revenue from its platforms and advertising. Various factors can affect web traffic arriving at the Company's websites including, but not limited to:

- (i) marketing – if the Company's marketing and promotional efforts are not effective, a lack of web traffic is likely to result;
- (ii) brand damage – if the Company suffers from reputational damage (refer to other risks in this Schedule 7), the level of web traffic may be adversely impacted; and
- (iii) search engine traffic – search engines direct significant traffic to the Company's websites. Should any of the major search engines make changes to their algorithms and procedures that direct this traffic, the Company may experience a reduction in web traffic.

A decline in web traffic to the Company's websites could adversely impact the Company's ability to generate new business and revenue streams and result in it failing to achieve its strategic growth objectives.

(i) **User-Generated Content**

The Company's business is based upon the contributions of citizen and freelance journalists and photographers to its platforms. The Company has screening and reporting mechanisms in place for identifying inappropriate or objectionable contributions. If these mechanisms fail to adequately identify any such contributions prior to publication, the Company may, by reason of its publication of the user-generated content, be implicated in objectionable or illegal activity which exposes it to law enforcement investigation or action, or a civil dispute. Any such occurrence may cause the Company to suffer financial loss and may lead to the Company's reputation suffering amongst users, contributors and its partners.

Filemobile's business is based upon the licencing of its user-generated content publishing platform to its clients. Filemobile has moderation tools for use by client personnel to identify and moderate inappropriate or objectionable content. If these tools fail to adequately handle content upon human approval or denial actions, Filemobile may, by reason of its software enabling the publication of the user-generated content, be implicated in objectionable or illegal activity which exposes it to law enforcement investigation or action, or a civil dispute. Any such occurrence may cause Filemobile to suffer financial loss and may lead to Filemobile's reputation suffering amongst its clients.

(j) **Reputational Risks**

The Company and Filemobile operate in an online and fast-changing environment. Negative publicity can spread quickly, whether true or false. Disgruntled users posting negative comments about the businesses in public forums may have a disproportionate effect on the Company's or Filemobile's reputation (as applicable) and their ability to earn revenues and profits. Additionally, complaints by such users can lead to additional regulatory scrutiny and a consequential increased compliance burden in responding to regulatory enquiries. This could negatively impact upon the Company's or Filemobile's profitability (as applicable).

(k) **Reliance on Core Information Technology and Other Systems**

The operation of the Company's and Filemobile's platforms is dependent upon the performance, reliability and availability of its information technology and communication systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war or a breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause one or more of those core technologies to become unavailable. There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or contractors or other technical issues. The Company's and Filemobile's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover loss or damage that the Company or Filemobile suffers as a result of a system failure.

Any damage to, or failure of, the Company's or Filemobile's key systems can result in disruptions in the Company's or Filemobile's ability (as applicable) to operate its various crowd-sourced news platforms and other services. Such disruptions have the potential to reduce the Company's or Filemobile's ability (as applicable) to generate revenue, impact consumer service levels and damage the Company or Filemobile brand (as applicable). This could adversely affect the Company's and Filemobile's ability to generate new business and cause it to suffer financial loss.

The media and communications industry is also subject to rapid and significant changes in technology and the impact of these changes on the Company and Filemobile and their businesses cannot be predicted. The costs associated with implementing emerging and future technology changes could be significant.

(l) **Reliance on Third Party IT Service Provision**

The Company and Filemobile utilise equipment, software, hosting and other services provided by third parties to maintain and deliver its Software as a Service platforms. Significant or extended disruption of the Company or Filemobile's platforms caused by supplied equipment, software or service failure may reduce the Company's or Filemobile's ability (as applicable) to generate revenue, impact client and consumer service levels and may damage the Company or Filemobile brand (as applicable). This could adversely affect the Company's and Filemobile's ability to generate new business and cause it to suffer financial loss. Any mitigation of this loss via redress from third party suppliers may not be immediately available, if at all.

(m) **Intellectual Property**

The Company and Filemobile have developed a system architecture, specialised technology and algorithms for its business. In particular, the Company has



developed methodologies for validating content ownership and credibility, live video streaming and integration between its different platforms. The Company has also sought and received protection of certain of its intellectual property, namely trademarks which have been registered in Australia, Canada, the United States and Europe.

The laws relating to intellectual property assist to protect the Company's and Filemobile's proprietary rights in the intellectual property relevant to the Company's or Filemobile's business (as applicable). However, trade mark registration, although an indicator of valid intellectual property ownership, is not indefeasible as any errors in the registration process can lead to registration being challenged or revoked. Accordingly, the Company and Filemobile cannot be certain that the validity, ownership or authorised use of intellectual property relevant to the Company's or Filemobile's business (as applicable) will not be successfully challenged by third parties. In addition, there can be no guarantee that unauthorised use or copying of the Company's or Filemobile's software, data, specialised technology or algorithms will be prevented.

(n) **Privacy and Media Law**

The environment in which the Company and Filemobile operate is subject to complex and evolving Australian and foreign policies, laws and regulations regarding privacy, data protection, defamation, obscene material, content regulation, intellectual property (see further above), competition, distribution of electronic contracts and other communications, protection of minors, consumer protection, taxation, online payment services and advertising and marketing standards.

Foreign data protection, privacy, and other laws and regulations are often more restrictive than those in Australia. In some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. In particular, the European Union (**EU**) and its member states have traditionally taken a broader view as to types of data that are subject to privacy and data protection, and have imposed greater legal obligations on companies in this regard. Data protection has been under review in the EU in recent years, with the European Privacy Directive 95/46/EC expected to be replaced in 2015 by new legislation known as the EU General Data Protection Regulation. The proposed new EU data protection regime extends the scope of the EU data protection law to all foreign companies processing data of EU residents. It provides for harmonisation of data protection regulations throughout the EU, but imposes a strict data protection compliance regime and provides for strict penalties. Privacy laws in France are particularly restrictive and make it an offence to take, record or transmit a recording or picture of a person taken without their consent (which is presumed when a recording or picture is taken openly and publicly).

The media industry in Australia, the EU and other places around the world has the potential to become subject to even higher levels of regulation by government. It is likely applicable laws and regulations will continue to change in an effort to keep up with the rapidly evolving industry. Due to their evolving nature, many of these laws and regulations are subject to uncertain interpretation. It is difficult to predict how existing and new laws and regulations will be applied to the Company or Filemobile or their respective businesses. It is possible that they may be interpreted and applied in a manner that is inconsistent with current practices or detrimental to the Company.

Existing and new laws and regulations applicable to the media industry can be costly to comply with, delay or impede the development of new products and services, require changes to business practices, result in negative publicity, lead to declines in user growth or engagement, require significant time and attention of management and technical personnel and subject the Company to inquiries or investigations, claims or other remedies, including monetary penalties, or otherwise harm the Company's business.

(o) **Security Breaches**

The Company and Filemobile collect, store and process highly sensitive, highly regulated and confidential information. The provision of secure and reliable information storage and processing services is integral to the businesses and operations of the Company and Filemobile in the media and communications industry.

Whilst the Company and Filemobile follow best practice in relation to security policies, procedures, automated and manual protections, encryption systems and staff screening to minimise risks, there is no guarantee that the implementation of such precautions will be sufficient to prevent data security breaches and information being compromised or misused.

A malicious attack on the Company's or Filemobile's systems, processes or people from external or internal sources could put the integrity and privacy of contributors' and client data and business systems used to run the Company or Filemobile (as applicable) at risk. The impact of loss or leakage of contributor, client or business data could include potential service disruption, litigation, liability to third parties, penalties imposed by government agencies under applicable laws and brand damage resulting in reduced or falling revenues. These potential losses or liabilities will be different for each jurisdiction in which the Company or Filemobile operates.

There is also currently an increased exposure to organisations that process personal information in the course of their commercial activities, in particular, relating to liability arising from security incidents. Although the Company and Filemobile are relatively small, vulnerabilities in the information security governance will require remediation in the near future and upon completion of the Filemobile Acquisition.

(p) **Changes in the Nature of the Media Industry**

The Company's and Filemobile's businesses may be affected by changes in the nature of the media industry, for example, changes to demand for different media products and services. As the Company's and Filemobile's businesses include the publication and circulation of media in different forms, these changes may, depending on their nature and the business model at the relevant time, impact the demand for the Company's and Filemobile's services and products and their financial performance.

(q) **Overseas Operations and Expansion**

Filemobile is presently headquartered in Toronto, Canada.

The Company is presently headquartered in Paris and has established bureaus (i.e. local representative offices) in New York, London, Sydney, Toronto, Montreal, Los Angeles and Paris.

Should the Company seek to expand into additional overseas markets, it may require a physical presence in those countries and an associated increase in overheads and development and marketing costs. There is the risk that the costs of doing business in that market, including the costs of establishing a new base in-country, overseas regulatory compliance and the potential duplication of running costs for the business, are such that the Company's available working capital may be adversely impacted.

(r) **Large Shareholders**

The Company has a number of shareholders with relatively large shareholdings. An expectation by the market that one or more of those shareholders may sell all or a substantial portion of its shareholding, or the actual sale of such a shareholding, could have a negative effect on the price of the Shares.

(s) **Potential Acquisitions**

As part of its overall business strategy, the Company may from time to time make acquisitions of or significant investments in companies, products or technologies. Any such future transaction would be accompanied by the risks commonly encountered in making acquisitions of companies, products or technologies.

2. **General Risks**

(a) **Securities Investments**

There are risks associated with any securities investment. The prices at which the Shares trade on the Official List may fluctuate in response to a number of factors including:

- (i) the recruitment or departure of key personnel;
- (ii) actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- (iii) variations in the Company's financial results or those of companies that are perceived to be similar to the Company including changes caused by changes in financial accounting standards or practices or taxation rules or practices;
- (iv) announcements regarding litigation or other proceedings that involve the Company;
- (v) war or acts of terrorism or catastrophic disasters that disrupt world trade or adversely affect confidence in financial markets;
- (vi) other general economic, industry and market conditions; and
- (vii) other factors described in this Schedule 7.

(b) **Share Market Conditions**

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Liquidity Risk**

There is no guarantee that there will be an ongoing liquid market for the Shares. Accordingly, there is a risk that, should the market for the Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

(d) **Economic Risk**

Factors such as inflation, currency fluctuations, interest rates and supply and demand of capital have an impact on business costs and stock market prices. The Company's operating costs, possible future revenues and future profitability can be affected by these factors which are beyond the control of the Company.

(e) **Foreign Exchange Risk**

The Company operates internationally and, presently, in five major currencies. Accordingly, fluctuations in prevailing exchange rates affect the Company's profitability and financial position. For example, the Company pays a website hosting provider in US dollars. If the Australian dollar falls relative to the US dollar, those costs increase in Australian dollar terms, potentially reducing the Company's profitability.

Currently, most of the Company's revenues are in Euros and most of its costs are in Euros and Australian dollars.

However, the mix of currencies in which the Company pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.

The Company's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which the Company transacts may adversely affect its financial performance and position.

(f) **Insurance**

The Company will, where possible and economically practicable, endeavour to mitigate some business risks by procuring relevant insurance coverage. However, such insurance coverage may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance coverage.

(g) **Third Party Risks**

The operations of the Company will require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual noncompliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(h) **Policies and Legislation**

The introduction of new legislation or amendments to existing legislation by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

Any adverse developments in political and regulatory conditions in the countries in which the Company could conduct business, could materially affect the Company's prospects. Political changes, such as changes in both monetary and fiscal policies, expropriation, methods and rates of taxation and currency exchange controls may impact the performance of the Newzulu group as a whole.

## Schedule 8 – Terms and Conditions of Executive Options

The Executive Options entitle the holder to acquire Shares on the following terms and conditions:

1. Each Executive Option entitles the holder to subscribe for one Share upon exercise of the Option.
2. The exercise price of each Executive Option is \$0.20 (**Exercise Price**).
3. The Executive Options will expire on the date that is three years from their date of issue (**Expiry Date**).
4. The Executive Options are exercisable at any time prior to the Expiry Date.
5. The Executive Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Executive Option being exercised.
6. Subject to compliance with the Corporations Act (including but not limited to section 707(3) of the Corporations Act), the Executive Options are freely transferable in whole or in part at any time prior to the Expiry Date.
7. All Shares issued upon exercise of the Executive Options will rank equally in all respects with all previously issued Shares at the time being on issue.
8. The Company will apply to the ASX for quotation of all Shares issued upon exercise of the Executive Options, within the period required by ASX, if the Shares are then quoted on the ASX.
9. If there is any reconstruction of the issued share capital of the Company, the rights of the holder of the Executive Options will be varied in accordance with the Listing Rules.
10. There are no participation rights or entitlements inherent in the Executive Options and holders will not be entitled to participate in new issues of capital offered to existing Shareholders during the currency of the Executive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This will give the holders of Executive Options the opportunity to exercise their Executive Options prior to the date for determining entitlements to participate in any such issue.
11. If the Company makes a bonus issue of Shares or other securities to Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
  - (a) the number of Shares which must be issued on the exercise of an Executive Option will be increased by the number of Shares which the holder would have received if the holder of the Executive Options had exercised the Executive Option before the record date for the bonus issue; and
  - (b) no change will be made to the Exercise Price.
12. If the Company makes an issue of Shares pro rata to Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price will be reduced according to the following formula:

$$\text{New Exercise Price} = \frac{O - E [P - (S + D)]}{N+1}$$

O = the old Exercise Price.

- E = the number of underlying Shares into which one Executive Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

13. Reminder notices will be forwarded to the Executive Option holders prior to the expiry of the Executive Options. Executive Options not exercised before the Expiry Date.
14. The Executive Options will be recorded on the Company's register of securities maintained at the share registry. The register will be open for inspection by an Executive Option holder free of charge. Shares to be allotted on exercise of Executive Options will be recorded on the Company's share register.
15. The Executive Options will not be quoted on the ASX.
16. The Executive Option holder, if appearing on the Company's register of securities at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.
17. Notwithstanding any other provision contained in these terms and conditions, as a condition to the exercise of an Executive Option, the Company shall require the Executive Option holder to pay to the Company an amount as necessary so as to ensure that the Company is in compliance with the applicable provisions of any federal, state or local law relating to the withholding of tax or other required deductions (**Applicable Withholdings and Deductions**) relating to the exercise of an Executive Option. In addition, the Company shall be entitled to withhold from any amount payable to the Executive Option holder, either under these terms and condition or otherwise, such amount as may be necessary so as to ensure that the Company is in compliance with Applicable Withholdings and Deductions relating to the exercise of the holder's Executive Options.

In the above terms and conditions, unless the context otherwise requires, terms defined in the Corporations Act or the Listing Rules and not otherwise defined in these terms and conditions are deemed to have the meanings ascribed to them in the Corporations Act or Listing Rules (as applicable).

## Schedule 9 – Terms and Conditions of Executive Performance Rights

The Executive Performance Rights entitle the holder to be issued Shares on the following terms and conditions:

1. Each Executive Performance Right will automatically convert into one Share on the date two years after completion of the Filemobile Acquisition (**Milestone Date**).
2. The Company is not permitted to extend the Milestone Date without approval by the Shareholders.
3. The Executive Performance Rights will be subject to the condition that the holder continues to be employed by Newzulu Canada, other than for any of the following reasons:
  - (a) death;
  - (b) total and permanent disability;
  - (c) bona fide redundancy;
  - (d) Newzulu Canada terminates the holder's employment without cause;
  - (e) bona fide retirement; or
  - (f) any other circumstances approved by the Board,**(Performance Condition)**.
4. If the holder ceases to be employed by Newzulu Canada for any of the reasons described in the Performance Condition, the holder will be considered a "Good Leaver".
5. The Board will (in its sole discretion) determine if the Performance Condition has been satisfied.
6. If the Board determines that the Performance Condition has been satisfied, then:
  - (a) the Company will notify the holder in writing that the Executive Performance Right has vested; and
  - (b) the Executive Performance Rights will be converted and the holder will be issued with one Share per Executive Performance Right in respect of which the Performance Condition is satisfied.
7. If the Board determines that the Performance Condition has not been satisfied, then the Company will notify the holder that the Executive Performance Right lapsed.
8. If the holder (other than a Good Leaver) ceases to be an employee of Newzulu Canada all Executive Performance Rights held by the holder will be deemed to have automatically lapsed upon the cessation of the holder's employment.
9. If the holder is Good Leaver, the Board may (in its absolute discretion) determine that any number of Executive Performance Rights held by that holder vest and convert into Shares upon cessation of that holder's employment.
10. All Shares issued upon conversion of a Executive Performance Right will rank equally in all respects with all previously issued Shares at the time being on issue.



11. The Company will apply to the ASX for quotation of all Shares issued upon conversion of an Executive Performance Right, within the period required by ASX, if the Shares are then quoted on the ASX.
12. Unless the Board otherwise determines, no amount is payable by a holder on the vesting of an Executive Performance Right.
13. An Executive Performance Right will not confer upon the holder the right to dividends or to vote as a Shareholder until the Executive Performance Rights have vested and are converted into Shares.
14. The issue of Shares to a holder following the vesting and conversion of an Executive Performance Rights is subject to such issue not contravening the Corporations Act, the Listing Rules, or any other applicable law.
15. Unless the Board resolves otherwise, where, in the Board's opinion, a holder at any time:
  - (a) acts or has acted fraudulently or dishonestly; or
  - (b) is in breach or has breached any of his or her obligations to the Company,the Board may take any one or more of the following actions:
  - (c) deem any unvested Executive Performance Rights of the holder to have immediately lapsed; or
  - (d) deem all or any Shares issued to the holder (following the vesting and conversion of an Executive Performance Right) to be forfeited, in which event the holder will be deemed to either have:
    - (i) agreed to sell such Shares to the Company pursuant to a share scheme buy-back for no consideration; or
    - (ii) appointed an officer of the Company as his or her agent to sell such Shares,and where any such Shares have been sold by the holder, require the holder to pay all or part of the net proceeds of that sale to the Company.
16. Subject to the Corporations Act and the Listing Rules, if during the term of any Executive Performance Right, the Company makes a pro rata issue of securities to the Shareholders by way of a rights issue, the holder will be entitled to participate in the rights issue on the same terms as the Shareholders as if the holder held that number of Shares as is equal to the number of Shares issuable to the holder if all of the holder's Performance Rights were vested and converted into Shares prior to the record date for determining entitlement under the pro rata issue.
17. A holder will not be entitled to any adjustment to the number of Shares that holder is entitled to, or adjustment to any Performance Condition which is based, in whole or in part, upon the Share price, as a result of the Company undertaking a rights issue.
18. If during the term of any Executive Performance Right, securities are issued pro rata to the Shareholders generally (otherwise than pursuant to any incentive scheme) by way of bonus issue, the number of Shares each holder is then entitled, will be increased by that number of securities which the holder would have been issued if the Executive Performance Rights then held by that holder had vested and converted into Shares immediately prior to the record date for the bonus issue.

19. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company (not being a reconstruction referred paragraphs 16 and 18 above), the number of Executive Performance Rights will be reconstructed (as appropriate) in accordance with the Listing Rules (applying at that time) and in a manner which will not result in any additional benefits being conferred on a holder which is not conferred on holders of Shares generally, but in all other respects these terms and conditions will remain unchanged.
20. Paragraphs 16, 18 and 19 are cumulative and shall apply (without duplication) to successive issues, subdivisions, combinations, consolidations, distributions and any other events that require adjustment of the number of Shares or the number or kind of securities that can be acquired upon the vesting and conversion of Executive Performance Rights.
21. If, during the life of any Executive Performance Right, securities of any other corporation are offered or otherwise made available to the Shareholders generally, the Company will use its reasonable endeavors to ensure that each holder is given an opportunity to participate on the same basis as if the Executive Performance Rights then held by the holder had vested and converted into Shares.
22. Executive Performance Rights which have not lapsed in accordance with these terms and conditions will automatically vest and be deemed to immediately become vested Executive Performance Rights where:
  - (a) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the Shareholders approve the proposed compromise or arrangement at such meeting;
  - (b) a takeover bid:
    - (i) is announced;
    - (ii) has become unconditional; and
    - (iii) the person making the takeover bid has a relevant interest in 50% or more of the Shares; or
  - (c) any person acquires a relevant interest in 50.1% or more of the Shares by any other means.
23. The Executive Performance Rights will not be quoted on the ASX.
24. Subject to paragraph 25, a holder must not transfer, assign or novate an Executive Performance Right without the prior approval of the Board. An Executive Performance Right which is transferred, assigned or novated without prior approval of the Board will immediately lapse.
25. Paragraph 24 does not apply to the transmission of Executive Performance Rights to a legal personal representative of a holder following that holder's death.
26. Notwithstanding any other provision contained in these terms and conditions, as a condition to the conversion of an Executive Performance Right, the Company shall require the holder to pay to the Company an amount as necessary so as to ensure that the Company is in compliance with the applicable provisions of any federal, state or local law relating to the withholding of tax or other required deductions (**Applicable Withholdings and Deductions**) relating to the exercise of an Executive Performance Right. In addition, the Company shall be entitled to withhold from any amount payable to the holder, either under

these terms and condition or otherwise, such amount as may be necessary so as to ensure that the Company is in compliance with Applicable Withholdings and Deductions relating to the conversion of the holder's Executive Performance Rights.

In the above terms and conditions, unless the context otherwise requires, terms defined in the Corporations Act or the Listing Rules and not otherwise defined in these terms and conditions are deemed to have the meanings ascribed to them in the Corporations Act or Listing Rules (as applicable).

**NEWZULU LIMITED**

ACN 078 661 444

**PROXY FORM**

The Company Secretary  
NEWZULU LIMITED

**By delivery or Post:**  
Suite 8, 7 The Esplanade  
MOUNT PLEASANT WA 6153

**By facsimile:**  
+61 8 9315 5475

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark  to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

**STEP 1 – APPOINT A PROXY TO VOTE ON YOUR BEHALF**

I/we being Shareholder/s of the Company hereby appoint:

**The Chairperson (mark box)**

**OR** if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy to act generally at the Meeting on my/our behalf to be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Friday, 30 January 2015 at 10.30 am (WST) and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [ ]% of the Shareholder's votes / [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**Important – If the Chairperson is your proxy or is appointed your proxy by default**

**The Chairperson intends to vote all available proxies in favour of all Resolutions.**

**STEP 2 – INSTRUCTIONS AS TO VOTING ON RESOLUTIONS**

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Change to Scale of Activities			
Resolution 2	Approval of Issue of Shares			
Resolution 3	Approval of Issue of Executive Options and Executive Performance Rights to Filemobile Executives			
Resolution 4	Approval of Director's Participation in Capital Raising			
Resolution 5	Approval of Director's Participation in Capital Raising			
Resolution 6	Approval of Issue of Shares to Blueroom Capital			

\* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Authorised signature/s**  
instructions to be implemented.

This section **must** be signed in accordance with the instructions overleaf to enable your voting

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:                      where the holding is in more than one name all of the holders must sign.

Power of Attorney:                if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                         a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at, posted to or received by facsimile transmission at the Perth office of the Company (Suite 8, 7 The Esplanade, Mount Pleasant, WA, 6153 or Facsimile (08) 9315 5475 if faxed from within Australia or +618 9315 5475 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).