

ASX Company Announcement | Issue Date: 31 July 2015

APPENDIX 4C COMMENTARY QUARTER ENDED 30 JUNE 2015

Highlights

Quarterly cash flow results and statistics

- Significant increase in cash receipts from customers by 63% in Q4 compared with Q3.
- Revenue growth of 29% in Q4 revenues compared with Q3.
- Reduction of net operating cash outflows by 16% in Q4 compared with Q3, (Current cost base expected to support numerous major client signings. Cash outflows reduce significantly upon each client signing. Low additional variable costs per client signing).
- Run rate revenue of \$2.9m based on June, 2015, (estimated run rate revenues increasing to \$8m with clients announced as signed in July, 2015).
- Significant growth in Newzulu contributor community (Social network engagement up 180% on Q3), mobile app downloads and sale of images and videos through news agency partnerships.
- Significant technological development of Newzulu Platform and Newzulu Live products.
- Establishment of global infrastructure to support major media outlets, broadcasters and brands as clients.

Operational activities

- Ongoing research and development of Newzulu Platform and Newzulu Live software to support media clients.
- Investment in global sales and client support infrastructure in anticipation of major media groups and broadcasters becoming clients.
- Newzulu Live and Newzulu Prime businesses complete campaigns for media agencies and commercial clients including the Press Association, Microsoft (Nokia), Essilor and Amundi.
- Software license and reseller agreement signed with leading live video solutions provider, LiveU, to integrate mobile live video streaming technologies and collaborate on global sales opportunities for Newzulu Live products: Newzulu Live Reporter Kits and Newzulu Live TV.

- Significant strategic partnerships secured with Getty Images, Tribune Content Agency and Alamy with a focus on high quality, crowd-sourced videos from the Newzulu Live platform.
- Video syndication agreements signed with ZoominTV, Wikino and Shami Media to syndicate video content from Newzulu Live TV, the crowd-sourced news, entertainment, sports and weather content platform, to television and broadcast partners in the USA, European, Spanish, and Latin and South American markets.
- Global reach expanded with content syndication partnerships extending to Japan (Aflo), the Czech Republic (CTK) and Germany (ddp Images).

Corporate activities

- Placement to institutions and sophisticated investors completed, heavily oversubscribed.
- Due diligence and agreements finalised for the proposed acquisition of Octiplex, a leading mobile applications and solutions developer with operations in France, Brazil and China.

June 2015 Quarterly Report

Crowd-sourced global media company Newzulu Limited (“Newzulu”, ASX: **NWZ**) is pleased to report to shareholders on the quarter ended 30 June 2015.

QUARTERLY CASH FLOW RESULTS

Cash receipts from customers increased by 63% during the June 2015 quarter (Q4) compared to the March 2015 quarter (Q3).

Cash at the end of Q4 decreased by 20% compared to Q3 due to the operational expenses incurred to support major media clients signing to Newzulu Platform and Newzulu Live; due to research and development expenditure associated with Newzulu Live, including Newzulu Live TV and Newzulu Live Reporter Kits products; and due to costs associated with sales and marketing initiatives for the Newzulu businesses.

Group revenues in Q4 were \$0.7m, an increase of 29% compared with Q3 while revenues in June 2015 of \$0.24m improved by 7% on the month of May due to increased sales activity. Forward run rate revenues are expected to increase to total approximately \$8m with clients signed in July, 2015

During Q4 there was a net cash outflow relating to operating activities of \$2.6 million compared with an outflow of \$3.2 million in Q3. This Q4 result includes increased research and development expenditure associated with the Newzulu Live and Platform businesses of \$0.9m (Q3: \$0.7m) and sales and marketing related costs of \$0.3m (Q3: \$0.2m).

Net cash outflow relating to investing activities of \$0.7 million for Q4 (Q3: \$5.2m) was due to the costs incurred with LiveU and internal development costs to build Newzulu Live TV and Newzulu Live Reporter Kits products (\$0.4m) and payment of the second instalment of cash consideration for the acquisition of Filemobile (\$0.2m).

Net cash inflow from financing activities of \$2.4m for Q4 was due to completion of the placement of \$2.6m (Q3: \$11.5m).

The Company had \$3.80 million in cash at the end of the June 2015 quarter (Q3: \$4.76 million).

OPERATIONAL ACTIVITIES

Newzulu Live

Newzulu Live products

In June 2015, Newzulu entered into a software license and reseller agreement with leading live video solutions provider, LiveU, to integrate mobile live video streaming technologies and collaborate on global sales opportunities for Newzulu Live TV and Newzulu Live Reporter Kits. The integration of LiveU technology within Newzulu Live will deliver Newzulu Live Reporter Kit and Newzulu Live TV as customised enterprise solutions on a white-label basis within existing broadcast infrastructure.

These Newzulu Live products will provide clients with the opportunity to access and broadcast verified, pre-produced and secure live streams by citizen journalists worldwide. Newzulu Live's moderation and validation functionality provide the capabilities to eliminate the issues recently encountered by Periscope and Meerkat in relation to copyright breaches, pornography and profanity such that publishers, broadcasters and brands can harness the power of mobile live streaming within a commercial context.

Newzulu also expects the deal with LiveU to increase sales of Newzulu Live solutions through LiveU's 1,000+ broadcast clients in over 60 countries which include Fox News, CBS Sports and TMZ.

Newzulu Live charges subscription fees for publishers, broadcasters and brands to access Newzulu Live products and Newzulu Live Reporter Kits and content fees for live streams from Newzulu Live TV.

In July 2015, the Company announced it had signed several major media outlets as clients of Newzulu Live.

Newzulu Live and PA coverage of the UK General Election

Following the launch of Newzulu Live in Q3, Newzulu extended its partnership with the UK's leading multi-platform content provider, Press Association ("PA") to facilitate PA's coverage of the 2015 General Election in the UK. PA accessed Newzulu's live streaming capabilities through the Newzulu Live platform to enable crowd-sourcing of validated live video streams as well as photo and video content in the lead up to and following the UK General Election, which took place on 7 May 2015.

This collaboration between Newzulu and PA utilised mobile live video for the first time in an election campaign and promoted greater engagement and transparency between voters and candidates for the Prime Minister of the UK.

Video syndication agreements

During Q4, Newzulu entered into agreements to syndicate video content from Newzulu Live TV, the crowd-sourced news, entertainment, sports and weather content platform, to media distribution partners in the European, Spanish, Latin and South American and USA markets.

Newzulu is excited to be working with Zoomin.TV (Europe), Wikino (Spain, Latin America and South America), Getty Images and Shami Media (USA) to increase the distribution and monetisation of contributions from the Newzulu community and Newzulu's database of media content.

In Q4, Newzulu also secured a number of strategic collaborative partnerships which have a focus on high quality, crowd-sourced videos from the Newzulu Live platform. Further details of these partnerships are described below.

Newzulu Prime

Newzulu Prime reported a series of successful creative production campaigns for a number of high profile companies in Q4. Companies including Microsoft's Nokia France, Essilor and Amundi accessed the global filmmaker community and received creative pitch submissions which met their campaign objectives. The films and videos produced via the Newzulu Prime campaigns were distributed online via the clients' social media channels, engaging their online communities across social networks.

Newzulu Prime charges service fees on a per campaign basis for commercial clients, advertising agencies and brands to source creative concepts and production services from the global Newzulu creative community of photographers, videographers, artists, producers and directors.

Newzulu Editorial

Newzulu Editorial business delivered just 7% of revenues in Q4. The Newzulu Editorial business is expected to grow with the increasing number of strategic collaborations and content syndication partnerships and strengthening community of contributors.

Newzulu Editorial charges licence fees on a per content basis to publishers, news wires and media outlets but also an increasing number of brands, commercial clients and advertising agencies. Newzulu Editorial, with its sophisticated content validation system, is also customised and licensed to media outlets on a white-label basis. This allows media outlets to dynamically break news as it occurs and enhance the understanding of their readers and viewers through their own community of journalists.

Content submitted from white-label partners on a non-exclusive basis is uploaded into the Newzulu database of media content and then syndicated and on-licensed via the Newzulu Platform to other clients and agencies.

Newzulu Platform

The Newzulu Platform delivered 80% of revenues in Q4. New clients that signed up to the Newzulu Platform and related products during Q4 include Wake Up America.

The Newzulu Platform is licensed as-is and on a customised basis to media outlets, brands, commercial clients and advertising agencies and derives subscription fees for ongoing access on an annual, quarterly or monthly basis. This software-as-a-service ("**SaaS**"), fully hosted business model means that clients do not need any infrastructure, software or hardware installation to use Newzulu's services, which are designed as white label applications, application programming interface ("**APIs**") and mobile software development kits ("**SDKs**").

In July 2015 the Company announced several major media outlets had signed as clients of Newzulu Platform.

Strategic Collaborative Partnerships

During Q4, Newzulu secured a number of strategic collaborative partnerships to syndicate premium user-generated content (**UGC**). Each of the agreements is focused on syndicating high quality, crowd-sourced videos sourced from the Newzulu Live platform. Newzulu and its partners recognise the value of validated, crowd-sourced content offering unique perspectives of breaking news events and compelling, alternate angles of other engaging and entertaining stories.

Getty Images

In April 2015, Newzulu secured a partnership and content syndication agreement with Getty Images, the world's leading visual communications company, to make Newzulu's high quality, crowd-sourced content available to Getty Images' global customer base of more than 1.5 million media, creative and commercial customers. The agreement with Getty Images has a focus on regions including the USA and other territories worldwide and the partnership will result also in the creation of the Newzulu Collection on www.gettyimages.com.

Tribune Content Agency

In May 2015, Newzulu signed a long-term strategic partnership agreement for news and multimedia distribution, syndication and sales with Tribune Content Agency, one of the largest American print media publishing companies boasting publications including the *Chicago Tribune*, *Los Angeles Times* and *The Baltimore Sun* in its portfolio. The partnership is focused on the Tribune Content Agency's syndication and sales capabilities for Newzulu Live videos and other crowd-sourced content through Tribune's network of over 2,000 publishers worldwide, as part of a collaborative initiative to maximise audience reach, advertising revenues and content licence fees.

Alamy

In June 2015, Newzulu entered into a strategic partnership and content syndication agreement with Alamy, the world's largest independent agency for news, stock and video imagery. The Alamy platform has proven highly successful in monetising creative content having generated over US\$154 million for its contributors and partners since it was founded in 1999. Following the upload of Newzulu's database of media content, Alamy's collection now boasts over 60 million high quality stock images, vectors and videos (www.alamy.com).

Content Syndication Partnerships

During Q4, Newzulu also expanded the global reach of its businesses by signing partnerships and content syndication agreements with Aflo Co., Ltd in Japan, the Czech News Agency (ČTK) in the Czech Republic and ddp images in Germany. Newzulu anticipates these regional partnerships will deliver a material increase in revenues for Newzulu's businesses from the date that the Newzulu user-generated photo and video content, news feed and archive are made available via Aflo's extensive client network, ČTK's distribution channels and on the ddp images platform.

Newzulu boasts a presence in many countries by way of local bureaus or strategic regional partnerships. The Company looks forward to delivering further updates as to Newzulu's increasing global reach and provide our growing community of contributors with more opportunities to leverage their content in more corners of the world.

Community of Contributors

With increasing consumer accessibility to digital devices and platforms, the spread of high-speed Internet and mobile cellular broadband, Newzulu recognises the opportunity for its apps, platforms and websites to harness UGC from its community of contributors.

Newzulu is proud to report a 2.08% increase in active users in the Newzulu community in Q4. Newzulu also tracked a 180% increase in followers in Q4.

Newzulu's global community of reporters, photographers and video-journalists are now active in 198 countries sharing photos, videos and streaming live via the Newzulu mobile apps, platforms and websites.

CORPORATE ACTIVITIES

Completion of Placement

In May 2015, Newzulu utilised its remaining 15% capacity to complete a heavily oversubscribed placement to institutional and sophisticated investors, raising approximately \$2.6 million, before costs.

Newzulu will refresh its 15% capacity at the EGM to be held on 31 July 2015.

Proposed Acquisition of Octiplex

Subsequent to the end of the quarter, the Company announced the proposed acquisition of Octiplex, a leading mobile applications and solutions developer with operations in France, Brazil and China (the “**Acquisition**”). The Acquisition is expected to bolster the software engineering capabilities of Newzulu Mobile, positioning Newzulu as a world leader in mobile app development for the media and advertising industry and leveraging Newzulu’s global sales and operations infrastructure. The Acquisition will reduce Newzulu’s mobile development costs as previously outsourced software engineering is moved in-house. The Acquisition is also expected to increase the depth of Newzulu’s relationship with both Apple and Google.

Consideration for the acquisition is up to €725,000 (approximately A\$1,055,000), to be settled as cash payment of €362,500 and fully paid ordinary shares in Newzulu up to the value of €362,500. The consideration represents a valuation of the Acquisition at approximately 2.6 times (2.6x) twelve month historical EBITDA.

Subject to completion of the acquisition, Damien Gosset, the founder of Octiplex, will be appointed Senior Vice President of Newzulu Mobile.

Completion of the acquisition is subject to a number of conditions precedent and will be voted upon by shareholders at the upcoming EGM.

- ENDS -

For further information please contact:

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Karen Logan
Company Secretary
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About Newzulu

Newzulu is a crowd-sourced media company that allows anybody, anywhere, with a smart phone and a story, to share news, get published and get paid. Headquartered in Paris, Newzulu operates bureaus in London, New York, Los Angeles, Toronto, Montreal, Sydney and Perth. In February 2015 Newzulu completed the acquisition of leading Toronto based user-generated content marketing software company Filemobile Inc. Newzulu operates in partnership with Getty Images, Tribune Content Agency, Alamy, Agence France-Presse (AFP) in France, Press Association (PA) in the UK & Ireland, ddp images in Germany, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia, Czech News Agency (ČTK) in the Czech Republic and Aflo Co., Ltd in Japan. Further information can be found on www.newzululimited.com.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

Newzulu Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities

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

| Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|-------------------------------|--|
| 587 | 1,184 |
| (1,099) | (3,367) |
| (655) | (1,630) |
| (167) | (342) |
| (170) | (514) |
| (252) | (1,045) |
| (275) | (1,804) |
| (542) | (2,478) |
| - | - |
| 4 | 22 |
| - | - |
| - | - |
| - | - |
| (2,569) | (9,974) |

Net operating cash flows

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|-------------------------------|--|
| 1.8 Net operating cash flows (carried forward) | (2,569) | (9,974) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | (257) | (5,149) |
| (b) equity investments | - | - |
| (c) intellectual property (See Note 1) | (400) | (1,413) |
| (d)(i) physical non-current assets | (87) | (955) |
| (e) other non-current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | - | (151) |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other – Cash acquired on acquisition | - | 3,655 |
| Net investing cash flows | (744) | (4,013) |
| 1.14 Total operating and investing cash flows | (3,313) | (13,987) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | 2,604 | 19,104 |
| 1.16 Proceeds from the sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | 4 | 410 |
| 1.18 Repayment of borrowings | - | (180) |
| 1.19 Cash held in trust | - | - |
| 1.20 Other - equity raising and loan establishment costs | (257) | (1,634) |
| Net financing cash flows | 2,351 | 17,700 |
| Net increase (decrease) in cash held | (962) | 3,713 |
| 1.21 Cash at beginning of quarter/year to date | 4,760 | 75 |
| 1.22 Exchange rate adjustments to item 1.21 | 10 | 20 |
| 1.23 Cash at end of quarter | 3,808 | 3,808 |

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

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

| | | Current quarter \$A'000 |
|------|--|------------------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 150 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | - |

1.26 Explanation necessary for an understanding of the transactions

| |
|--|
| Payments related to director fees and for the services of Mr Alex Hartman under an Executive Services Agreement. |
|--|

Non-cash financing and investing activities

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

| |
|----------------|
| Not applicable |
|----------------|

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

| |
|----------------|
| Not applicable |
|----------------|

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount Available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|---|--------------------------------|
| 3.1 | Loan facilities | 853 | 684 |
| 3.2 | Credit standby arrangements | 120 | - |

+ See chapter 19 for defined terms.

Appendix 4C
 Quarterly report for entities
 admitted on the basis of commitments

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--------------------------|----------------------------|-----------------------------|
| 4.1 | Cash on hand and at bank | 3,325 | 4,267 |
| 4.2 | Deposits at call | 363 | 361 |
| 4.3 | Bank overdraft | - | - |
| 4.4 | Other -Term Deposits | 120 | 132 |
| Total: cash at end of quarter (item 1.23) | | 3,808 | 4,760 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|---|-------------------------------|-----------------------------|
| 5.1 Name of entity | Not applicable | Not applicable |
| 5.2 Place of incorporation or registration | | |
| 5.3 Consideration for acquisition or disposal | | |
| 5.4 Total net assets | | |
| 5.5 Nature of business | | |

Compliance statement

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

Sign here: Date: 31 July 2015
Chief Financial Officer

Print name: **Craig Sowden**

+ See chapter 19 for defined terms.

Notes

- 1(a) Research & Development represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C the personnel component of R&D expenditure has been disclosed at item 1.2 (a)(ii) – Technology Staff Costs. Except as disclosed in note 1(b), R&D expenditure (and Technology Staff costs) has been classified as a cash flow from an operating activity in the current period.
- 1(b) During the reporting period, a number of software projects have met the recognition criteria and definition of an Intangible Asset, as per *AASB 138: Intangible Assets*. This has resulted in a reclassification of the associated development costs from operating activities to investing activities.
- 2 Commentary on the cashflow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
- 3 *Preparation:*

The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.

The quarterly report is unaudited.

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

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