

ASX Company Announcement | Issue Date: 29 October 2015

APPENDIX 4C COMMENTARY QUARTER ENDED 30 SEPTEMBER 2015

Highlights

Quarterly cash flow results and statistics

- + Sustained increase in cash receipts from customers up by 20% in Q1 FY16 compared with Q4 FY15 and significant increase of 602% compared with Q1 FY15. Increases across both Newzulu Content and Newzulu Technology business units in line with budget, with a strong forward sales pipeline.
- + Commencement of restructuring and cost cuts to deliver estimated cost savings over \$1.1 million in FY16. Review of costs ongoing. Current fixed costs expected to support multiple major client signings. Cash outflows reduce significantly upon each client signing. Low additional variable costs per client signing.
- + Run rate revenue of \$3.3m based on September 2015. Up 12% compared with June, 2015 (estimated run rate revenues increasing with clients announced as signed through September, 2015).
- + Sustained growth in Newzulu contributor community (Social network engagement up 36% on Q4 FY15), mobile app downloads and sale of images and videos through news agency partnerships.
- + Continued significant research and development in core business divisions with expansion of global video infrastructure for Newzulu Content and software engineering in support of Newzulu Technology products, including Newzulu Platform and Live, with \$0.4m invested in Q1 FY16 compared with \$0.4m in Q4 FY15.
- + \$4.52 million cash at bank at the end of the September 2015 quarter.

Operational activities

- + Delivery of agreements with media companies and agencies for the license of Newzulu Technology products progressed during Q1 FY16. Client acceptance testing of Newzulu Platform and Newzulu Live on track to occur in November 2015.
- + Subject to completion of the acceptance testing, revenues from the Newzulu Technology clients signed in the quarter are expected to commence in Q2 FY16 with a ramp up expected to continue through Q3 FY16. Estimated run rate revenues increasing with clients announced as signed through September, 2015.

- + Major Newzulu Content partnerships such as Getty Images, Tribune Content Agency and national news agency partnerships in Europe are expected to commence generating revenues in Q2 FY16, with technical integration now completed. Newzulu recorded its first sales through Getty Images in the quarter.
- + Substantial product functionality update of Newzulu Platform and Newzulu Live was delivered to all clients in October 2015 with significant enhancements to mobile live video streaming capabilities for both professional reporter kits and for crowd-sourced gathering of live video.
- + Major updates to Newzulu's own mobile applications for iOS and Android completed in conjunction with acquisition of Octiplex and merger within Newzulu's operations as Newzulu Mobile.
- + Launch of entertainment, celebrity and showbiz platform, Boomzulu, complemented by daily news content and video bulletins from leading London-based showbiz agency BANG Media International for syndication by publishers and broadcasters.
- + Significant strategic partnership secured with Ooyala with a focus on high quality, crowd-sourced videos from the Newzulu Live platform.
- + Video syndication agreements signed with Videoplugger 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 UK market.
- + Global reach expanded with content syndication partnerships extending to Russia (TASS), Belgium (Belga), Italy (ANSA), the Poland (East News), Spain and Portugal (Gtres Online) and India (Mahatta).

Corporate activities

- + Placement to fund expansion of Newzulu Live and Platform product offerings in USA and European markets closed oversubscribed.
- + Marketing and IR initiatives commenced in the US capital markets.
- + Appointment of KPMG Corporate Finance to assess interest from strategic investors in USA and Australia.
- + Commitment to restructure and cost cuts to deliver estimated cash savings over \$1.1 million in FY16.
- + Acquisition of Octiplex reduces previously outsourced mobile development costs and delivers immediate revenues for Newzulu.

September 2015 Quarterly Report

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

QUARTERLY CASH FLOW RESULTS

Cash receipts from customers increased by 20% during the September 2015 quarter (Q1 FY16) compared to the June 2015 quarter (Q1 FY15).

Cash at the end of Q1 FY16 increased by 22% compared to Q4 FY15 due to the capital raising completed during the quarter.

Group revenues in Q1 FY16 were \$0.7m, remaining consistent with revenues in the previous quarter while revenues in September 2015 of \$0.28m improved by 42% on the month of August due to an immediate impact from the new Mobile division, following the acquisition of Octiplex during September.

During Q1 FY16 there was a net cash outflow relating to operating activities of \$2.8m compared with an outflow of \$2.6m in Q4 FY15. This result includes increased technology-related expenditure associated with the Newzulu Content, Live and Platform businesses of \$1.1m (Q4 FY15: \$0.9m) and sales and marketing related costs of \$0.2m (Q4 FY15: \$0.2m).

Net cash outflow relating to investing activities of \$1.0m for Q1 FY16 (Q4 FY15: \$0.7m) was due to the ongoing investment in the development of Newzulu's Content, Live and Platform applications (\$0.4m) and payment of the cash consideration for the acquisition of Octiplex (\$0.58m).

Net cash inflow from financing activities of \$4.6m for Q1 FY16 was due to completion of the placement of \$5.0m (Q4 FY15: \$2.6m).

The Company had \$4.52 million in cash at the end of the September 2015 quarter (Q4 FY15: \$3.72 million).

OPERATIONAL ACTIVITIES

Sales and Business Development

During Q1 FY16, Newzulu reached commercialisation phase having established a global sales infrastructure and referral agreements for marketing of its Content and Technology product offerings. Newzulu continues to maintain its focus on the USA market given the size of that market and interest expressed from a range of prospective clients. As a result, Newzulu has relocated management resources to the USA.

Newzulu perceives significant market demand for its offering from national and local broadcasters, publishing groups, digital publishers and news agencies in the largest global media markets. Newzulu will continue to update the market as contracts are signed with additional clients and trial clients in these markets.

Client Delivery

During the Q1 FY16 quarter, Newzulu entered into agreements with a number of media companies and agencies for the license of Newzulu Technology products, including Newzulu Platform and the Newzulu Live product suite. The delivery of these agreements progressed during the quarter, with client acceptance testing scheduled to occur in November 2015. A major product functionality update of Newzulu Platform and Newzulu Live was delivered to all clients in October 2015. Updates to Newzulu's own mobile applications for iOS and Android were also completed.

Subject to completion of the acceptance testing, revenues from these clients is expected to commence in Q2 FY16 with a ramp up expected to continue through Q3 FY16. Key Newzulu Content partnerships will commence generating revenues in Q2 FY16 with cash flows expected to follow in Q3 FY16.

Content Syndication Partnerships

During Q1 FY16, Newzulu continued to expand the global reach of its businesses by signing partnerships and content syndication agreements with ITAR TASS in Russia, Belga News Agency in Belgium, Agenzia Nazionale Stampa Associata (ANSA) in Italy, East News in Poland, Gtres Online in Spain and Portugal and Mahatta Media in India. 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 the client networks, distribution channels and platform of these leading news and multimedia agencies.

Video Syndication Agreement

During Q1 FY16, Newzulu entered into an agreement with Videoplugger (www.videoplugger.com), to syndicate video content from Newzulu's crowd-sourced video archives through its extensive international client network.

Specialising in the syndication of celebrity, showbiz and sports-related online video content for media and commercial use worldwide, Videoplugger is set to distribute content from Boomzulu (Newzulu's celebrity and showbiz vertical) and Sportszulu (Newzulu's sports news vertical), along with Newzulu's crowd-sourced post-live video news content.

Strategic Collaborative Partnership

During the quarter, Newzulu signed an agreement with leading online video technology company Ooyala (www.ooyala.com), under which Newzulu and Ooyala will collaborate on mutual business opportunities and refer clients to each other on a revenue sharing basis.

Ooyala's main product offering enables broadcasters, website operators and media companies, many of which are existing clients or prospects of Newzulu, to build more engaged audiences and manage, monetise, analyse, and optimise video programming, video streaming and video syndication. Ooyala and Newzulu will collaborate on sales opportunities and pursue client opportunities where the Newzulu Platform and Newzulu Live crowd-sourced content platforms will integrate with the Ooyala platform, enabling crowd-sourced video to be delivered seamlessly for clients seeking to implement the product offerings of both companies.

Launch of Boomzulu

During the quarter, Newzulu launched its entertainment, celebrity and showbiz platform, Boomzulu (www.boomzulu.com), in addition to Boomzulu mobile apps for iOS and Android. Entertainment and celebrity content is highly valued by publishers and broadcasters worldwide.

Boomzulu is a crowd-sourced entertainment, celebrity and showbiz news platform sourcing photos, videos and live video streams for syndication and licensing via Newzulu's global partnerships including Getty Images, Alamy, Agence France-Presse (AFP) in France, Press Association (PA) in the UK & Ireland, DDP in Germany, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia, and Aflo Co. in Japan.

CORPORATE ACTIVITIES

Completion of Acquisition of Octiplex

In September 2015, the Company completed the acquisition of Octiplex, a leading mobile applications and solutions developer with operations in France, Brazil and China (the “**Acquisition**”) and the launch of Newzulu Mobile.

Newzulu Mobile was launched as a comprehensive solutions provider for companies with requirements for exceptional mobile applications development. With networked and mobile devices estimated to reach 24.4 billion by 2019, the market demand for app development services is ever increasing. Demonstrating demand for these services, Newzulu Mobile signed its first mobile development contract of approximately A\$225,000 in parallel to the Acquisition.

Consideration for the Acquisition, which included key mobile and mobile video intellectual property, was €725,000. The consideration was settled via a cash payment of €362,500 and the issue of 19,920,327 fully paid ordinary shares in Newzulu with a value of €362,500, calculated pursuant to the terms of the agreement. The consideration represented a valuation of the Acquisition at approximately 2.6 times (2.6x) twelve month historical EBITDA.

As part of the Acquisition, Damien Gosset, the founder of Octiplex joined as Senior Vice President of Newzulu Mobile. The Acquisition has reduced Newzulu’s previously outsourced mobile development costs and continues to deliver new revenue streams and earnings for Newzulu.

The Acquisition was approved by shareholders at the EGM held on 31 July 2015.

Operational Cost Cuts

At the end of Q1 FY16, Newzulu commenced a restructure of its editorial operations and pursued other opportunities for cost reduction such that they deliver approximately \$1.0m in cash cost savings in FY16. The restructure of Newzulu’s editorial operations is aimed at reducing the number of Newzulu bureaus and shift editorial focus to high value, high quality video contributions. The restructure has not diminished the group’s operational capabilities.

Newzulu will continue to identify further opportunities for cost reductions as the Company seeks to reduce cash burn and pursue cash flow positive operations targeted within the next 12 months.

Completion of Placement

During the quarter, Newzulu completed an oversubscribed placement to institutional and sophisticated investors, raising \$5 million, before costs to fund Newzulu Live and Platform product offerings to pursue expansion into USA and European markets.

Strategic investors and USA investor relations

During the quarter, Newzulu worked with its appointed adviser KPMG Corporate Finance to advance discussions with parties in the US and Australia regarding the acquisition of a strategic interest in the Company. Newzulu will provide further updates to the market on the process in due course.

Newzulu also commenced marketing initiatives in the US capital markets, actively seeking to develop investor awareness of the Company. Newzulu received promising initial interest following coverage by US equity research house SeeThruEquity and online video coverage by Stock News Now.

2015 AGM

The Company's 2015 AGM will be held at Spacecubed in Perth, Western Australia on Wednesday, 25 November 2015 commencing at 10:00 am (WST). Newzulu encourages its shareholders to attend the meeting and meet the directors and senior executives of the Company.

- ENDS -

For further information please contact:

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Executive Chairman
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Karen Logan
Company Secretary
E: karen@newzulu.com

About Newzulu

Newzulu is a crowd-sourced media company that allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in Paris, Newzulu operates bureaus in London, New York, Los Angeles, Toronto and Sydney. 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, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia, Czech News Agency (CTK) in the Czech Republic, ITAR TASS in Russia, Agenzia Nazionale Stampa Associata (ANSA) in Italy, East News in Poland, Mahatta Multimedia in India, ANSA in Italy, Wikono Sociedad Limitada in Spain 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 September 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	Previous quarter \$A'000
702	702
(1,062)	(1,062)
(598)	(598)
(202)	(202)
(163)	(163)
(519)	(519)
(48)	(48)
(928)	(928)
-	-
1	1
-	-
-	-
-	-
(2,817)	(2,817)

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	Previous quarter \$A'000
1.8 Net operating cash flows (carried forward)	(2,817)	(2,817)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5)	(578)	(578)
(b) equity investments	-	-
(c) intellectual property (See Note 1)	(423)	(423)
(d)(i) physical non-current assets	(14)	(14)
(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	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other – Cash acquired on acquisition	-	-
Net investing cash flows	(1,015)	(1,015)
1.14 Total operating and investing cash flows	(3,832)	(3,832)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	5,000	5,000
1.16 Proceeds from the sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(4)	(4)
1.19 Cash held in trust	-	-
1.20 Other - equity raising and loan establishment costs	(381)	(381)
Net financing cash flows	4,615	4,615
Net increase (decrease) in cash held	783	783
1.21 Cash at beginning of quarter/year to date	3,716	3,716
1.22 Exchange rate adjustments to item 1.21	25	25
1.23 Cash at end of quarter	4,524	4,524

+ 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	209
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	On 17 September 2015, the Group acquired 100% of the shares and voting interests of Octiplex. Consideration for the acquisition was €725,000, settled by way of a cash payment of €362,500 and the issue of 19,920,327 fully paid ordinary shares.
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

	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	4,397	3,233
4.2	Deposits at call	7	363
4.3	Bank overdraft	-	-
4.4	Other -Term Deposits	120	120
Total: cash at end of quarter (item 1.23)		4,524	3,716

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Octiplex	Not applicable
5.2 Place of incorporation or registration	France	
5.3 Consideration for acquisition or disposal	€725,000	
5.4 Total net assets	Not finalised at the date of this report.	
5.5 Nature of business	Mobile application and solution development	

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: 29 October 2015
Chief Financial Officer

Print name: **Craig Sowden**

Notes

1 Research & Development represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C, expensed personnel components of R&D expenditure have been disclosed at item 1.2 (a)(ii) – Technology Staff Costs as operating cash flows and capitalized development costs (that met the recognition criteria and definition of an Intangible Asset, as per *AASB 138: Intangible Assets*) have been disclosed as investing cash flows.

2 Commentary on the 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.