

Further technology enhancements delivered; \$4.8m raised to accelerate growth initiatives

March 2023 Quarter Activities Report

Unith Ltd (ASX: UNT | FWB: CM3) (“UNITH” or the “Company”) is pleased to provide its quarterly activities report and Appendix 4C for the quarter ended 31 March 2023 (Q3 FY23).

Q3 FY23 Highlights:

- Ongoing advancement in Digital Human platform development and commercialisation
- Successful test outcomes from ChatGPT integration with the Digital Human platform
- Heads of Agreement signed with NVISO to integrate emotional intelligence into Digital Humans
- Mobile Subscription division expanded into four new geographies; AI History product launched
- Commercial and technical roadmap launched for CY23
- Launch of new interactive website
- Successfully raised \$4.8 million to accelerate growth initiatives; cash at bank of \$5.5 million as at 31 March 2023

Commenting on the performance during the third quarter, UNITH’s CEO Idan Schmorak said:

“We are really pleased with the technological advancements UNITH made to its Digital Human platform during the quarter, and very excited about the projects underway as we prepare our Self-Service Platform for launch in Q4 CY23. Our development team continued to make digital humans more human-like by improving response times to ‘near instant’ and focusing on more subtle details, such as lip movements and empathy generation.



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Integration of ChatGPT into our platform is progressing well and soon our avatars will be able to answer questions based on any data set provided. We also see great potential in our venture with NVISO, which integrates emotional and behavioural analytics into digital humans.

I would like to take the opportunity to thank our existing shareholders and welcome new ones who supported our recent Placement and Share Purchase Plan. Following the capital raise, we are well-funded to deliver further technology improvements, scale the platform and capitalise on the enormous opportunity within the conversational AI market.”

Operational Update

Digital Human Technology Division

During the quarter, UNITH made further enhancements to its Digital Human platform. Platform performance has been significantly improved and optimised for further scale with a server upgrade, providing near-instant conversation generation on any device and contributing to the humanisation of the digital humans. The human likeness of avatars is continuously being improved with the development team currently focused on enhancing lip movements and empathy generation, while improvements to head and body movements are planned for the second half of CY23.

In January 2023, UNITH announced a binding Heads of Agreement with NVISO Japan KK (“NVISO”), a leading provider of AI-enabled visual intelligence solutions, to integrate behavioural analytics into digital humans in conversational settings. The agreement provides NVISO with access to UNITH’s Digital Human Platform for integration with the NVISO platform, providing scale implementation of digital avatars in various target products and markets. Technical integrations were completed in April with pre-sale activity in collaboration with NVISO to commence in June. The first deployment of the interactive avatars through digital kiosks in Japan is expected in Q1 FY24. The project has been granted €74k (approx. \$117k) by the EU-funded BonsAPPS program to assist with development costs.

UNITH is pleased to announce that it successfully delivered the first Digital Human to its Big-5-Tech client over the quarter, with the implementation of advanced cyber security encryption standards released in April 2023. This security implementation enabled the release of the Digital Human within the client, which was a major milestone for UNITH, as the Company’s cyber security was certified by a major technology company.

It is expected that the Digital Human will begin being utilised in May 2023, which will allow UNITH to gather analytics towards product improvements and support the self-service platform development. Following this, UNITH will begin the creation of the other two Digital Humans included as part of the Big-5 Tech agreement, and further upselling opportunities.

Separately, UNITH achieved successful test outcomes with the integration of ChatGPT to the Digital Human platform. Initial testing confirmed the platform’s ability to generate correct answers using small

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data sets (e.g. Wikipedia and company websites), while testing with larger data sets (e.g. employee handbooks and operating manuals) is underway and expected to be completed by June 2023. Once complete, the GPT integration enables ÜNITH's digital humans to provide improved and more personalised responses, enabling more human-like conversations and improving the overall user experience.

Mobile Subscription Division

The Mobile Subscription division continued to expand into new territories and added AI History to its suite of products. AI History, an edutainment product based on the Digital Human technology, offers users an interactive conversation-like platform to learn history with famous historical figures. AI History creates an additional revenue stream for ÜNITH, complementing Bedtime Stories and AstroVIP into the Company's existing range of Mobile Subscription products.

Over the quarter, ÜNITH secured further mobile network approvals to distribute its AI mobile subscription-based products in Kenya, Kazakhstan and Afghanistan, increasing the number of territories with access to the conversational AI applications to 13. Expanding activities into these new markets is a continuation of the Company's diversification strategy of entering new and unsaturated markets.

As a result of the successful product launch in the recently announced territories, the Company has recorded 20 times more signups for its AI-based mobile subscription products on a quarter-to-quarter basis.

In April, ÜNITH began a process to move all user acquisition activity for the Mobile Subscription division in-house. This is a major development for ÜNITH, as this is expected to reduce the customer acquisition costs, rather than going to third parties, and drives revenue growth in this part of the business.

New website launch

A new ÜNITH website was launched during the quarter, following the recent rebranding and name change of the Company. The new website is a user-friendly and comprehensive resource for facilitating a better understanding of ÜNITH's business while showcasing digital humans to existing and prospective customers, end-users and investors.

Successful capital raise to fund platform development and growth initiatives

During the quarter, ÜNITH successfully raised \$4.5 million under a strongly supported Placement by institutional and sophisticated investors. In addition, the Company raised a further \$271k through a Share Purchase Plan ("SPP").

The funds raised will be used to:

- Accelerate development and commercialisation of ÜNITH's products, including:
 - Ongoing development of the Digital Human platform;
 - Advancing ChatGPT-driven conversational AI features into the Digital Human platform.



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- Strengthen sales and development teams through additional hires;
- Drive various sales and marketing initiatives across divisions; and
- General working capital needs and Placement costs.

Outlook

Commenting on the outlook, Mr Schmorak said: *“We are excited to continue to build out our technology platform and work towards delivering our 2023 Roadmap. Our development team has been expanded and are focused on commercialisation activities that will enable ÜNITH to deliver on its growth strategy.*

We will continue to work on the BIG-5 Tech client integration, with the expectation for Enterprise Go-to-Market and Initial Self Service Go-to-Market to occur in the second half of CY23. The NVISO collaboration is progressing well with physical display deployment in Japan to launch in Q1 FY24.

In the Mobile Subscription space, we will aim to add new territories to the AI products in coming quarters. The second half of CY23 will see the launch of the AI-powered customer support avatar for our subscription products and the expansion of AI services in Africa to further increase our geographical reach.

The demand for conversational AI is growing rapidly as businesses look to automate customer brand representation and support. We are well placed to continue to deliver on our goals for the remainder of CY23 and beyond and I look forward to updating you on our progress.”

Q3 FY23 Financial Update

- Cash as at 31 March 2023 was \$5.5 million.
- Net cash used in operating activities was (\$54K), an 84% improvement from the prior quarter.
- Net cash used in investing activities for the period was (\$414K), which was mainly used for further investment in intellectual property.
- Net cash flow from financing activities was \$4.1 million, mainly reflecting \$4.5 million from the share placement less transaction fees.

Related Party Payments

Section 6 of the Appendix 4C released today discloses payments to related parties of \$77K, reflecting fees paid to non-executive directors and for provisions for Company Secretary services during the quarter.

This announcement has been authorised for release by the Board of Directors of Unith Ltd.

(ENDS)



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About UNITH

UNITH is a leading digital human software developer. It unifies the research and development of facial movement deep learning, audio machine learning, and conversational design to generate the first customizable, interactive avatar of its kind.

Businesses can create their own digital humans to immerse, assist, and educate customers in real time and in multiple languages, all through one full stack platform.

For further information, please visit: unith.ai



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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Unith Limited

ABN

13 083 160 909

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	904	3,490
1.2 Payments for		
(a) research and development	(82)	(601)
(b) product manufacturing and operating costs	(135)	(913)
(c) advertising and marketing	(205)	(567)
(d) leased assets		
(e) staff costs	(417)	(1,279)
(f) administration and corporate costs	(108)	(497)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	65
1.5 Interest and other costs of finance paid	(15)	(59)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(54)	(362)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property	(414)	(917)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(414)	(917)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,500	5,100
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	30	57
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(372)	(373)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(42)	(147)
3.10	Net cash from / (used in) financing activities	4,116	4,637

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,910	2,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(54)	(362)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(414)	(917)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,116	4,637
4.5	Effect of movement in exchange rates on cash held	(65)	(93)
4.6	Cash and cash equivalents at end of period	5,493	5,493

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,493	1,910
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,493	1,910

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	77
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	0	0
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(54)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,493
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	5,493
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	102.2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 26 April 2023

Authorised by the Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.