

ASX Company Announcement | Issue Date: 31 October 2017

## **BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 30 SEPTEMBER 2017**

### **HIGHLIGHTS**

- + Confirmation of CEO appointment – Mr. Marc Milgrom appointed to the position of CEO on a permanent basis, as the Company moves towards global marketplace leader
- + Proposed name change – the Company announced it intends to change its name to CrowdSpark Ltd
- + Newzulu appoints new Board member, Mr. Chris Adams, to drive sales and communication in the Australian market
- + Q1 FY 2018 – cash burn significantly reduced

**Newzulu Limited (ASX: NWZ, Newzulu, Company)**, a global crowdsourced technology and media company, is pleased to present an update on the quarter ended 30 September 2017 and an update on its operations.

#### **CONFIRMATION OF CEO APPOINTMENT**

On 13 October 2017, the Company announced the appointment of Mr. Marc Milgrom to the position of CEO on a permanent basis and agreed to a revised remuneration structure. During the past 16 months since his appointment as interim CEO, Mr. Milgrom has made a considerable contribution to the Company in completing capital raisings of \$5.84 million to drive growth of the business. Mr. Milgrom has also focused on reducing the cost base of the Company completing a restructuring and streamlining of operations reducing annual cost savings of \$5.50million, exceeding management's target of \$4.50 million of savings announced in 2016.

#### **PROPOSED NAME CHANGE AND CONSOLIDATION OF CAPITAL**

On 17 October 2017, the Company announced that it intends to change the Company's name to CrowdSpark Ltd and consolidate the Company's issued capital, both proposals of which are subject to shareholder approval at its Annual General Meeting (**AGM**) on 16 November 2017.

The new capital structure and name change are the final steps in the complete transformation of the Company that has taken place under CEO, Marc Milgrom.

#### **NEWZULU APPOINTS TECHNOLOGY LEADER CHRIS ADAMS TO THE BOARD OF DIRECTORS**

On 20 September 2017, the Company announced the appointment of Mr. Chris Adams as a non-executive director of the Company as Newzulu moves towards its goal of being the marketplace leader in the user-generated content space.

Mr. Adams is currently consulting with Newzulu on matters relating to strategic communications and business development, with a particular focus on the Australian market. Mr. Adams's career has included his working with and for some of the best-known companies in the world, a wide variety of start-ups, charitable endeavors, brands and thought leaders. Some of the more notable companies include: Facebook, Amazon, Participant Media, Comcast Cable and Interactive.

#### **OPERATIONAL UPDATE**

Following completion of the last capital raise and during the first quarter of fiscal 2018, the Company made additional investment in its sales team in North America. Led by US Sales Director, Anthony Ruggiero based out of the Company's New York office, the sales team is building out the sales pipeline in depth and breadth with opportunities at all stages and across media companies, brands and enterprise. As the sales funnel and each opportunity mature and progress, the Company expects to close more contracts on a regular basis. As announced on 9 October 2017, the Company signed a one-year deal with Ontario Centres of Excellence to power the organisation's 2017/2018 Young Entrepreneurs digital program "Make Your Pitch". More recently on 23 October 2017, the Company announced a series of Creative wins including Diana Foods, MACSF and Edmond de Rothschild.

For the quarter ended 30 September 2017 the Company continued to streamline operations and invest in the future of the business. During the quarter the Company repaid an outstanding loan in the amount of \$0.69m, entered into prepaid technology contracts in the amount of \$0.11m that offered significant discounts, made the payment of \$0.10m to auditors in respect of the annual audit and paid \$0.10m for fees incurred in respect of the prior quarter capital raise.

#### **2017 ANNUAL GENERAL MEETING**

The Company's 2017 AGM will be held in Sydney, NSW on Thursday, 16 November 2017 commencing at 9:00 am (AEDT). The notice of meeting and proxy form was sent to shareholders on 17 October 2017 and lodged with ASX on that date.

The Company encourages its shareholders to attend the meeting and meet the directors and senior executives of the Company.

#### **Q1 CASHFLOWS**

During the quarter ended September 2017 (Q1 FY18) the Company's quarterly cash burn was \$1.75m compared to the quarter ended September 2017 (Q1 FY17) of \$2.32m, a reduction in cash burn of 0.57m. During the quarter ended September 2017 the Company spent a significant amount of cash on onetime items including the repayment of a loan in the amount of \$0.69m, \$0.11m to take advantage of significant discounts through the prepayment of technology services and \$0.10m in fees for the prior quarter capital raise. Similarly, during the quarter ended September 2017 the Company also made

payments on a number of annual expenses including the annual audit, corporate insurance and final government social payments related to employees no longer with the company due to restructuring completed in the prior quarter. Such social payments will not be payable going forward as the company no longer has these employees

As at September 30, 2017 (Q1 FY18) the Company had \$3.28m in cash.

Cash receipts from customers decreased by 22% to \$614,000 during Q1 FY18 compared to Q1 FY17 (\$790,000). The majority of this decrease is the result of differences in the invoicing and payment of some customers, in particular, the difference in timing of project based work

During Q1 FY18 there was a net cash outflow relating to operating activities of \$1.11m, a decrease of 1.06m, compared to Q1 FY17s outflow of \$2.17m. During the quarter the Company made a number of large payments including the prepayment of technology services, annual audit, final government social charges related to the restructuring and corporate insurance.

During Q1 FY18 there was a net cash outflow relating to investing activities of zero, a decrease of \$148,000, compared to Q1 FY17's outflow of \$148,000. During the quarter the company did not capitalize R&D compared to the same period in the prior year (\$168,000).

During Q1 FY18 there was a net cash outflow relating to financing activities of \$0.65m, an increase of \$0.65m, compared to Q1 FY17's outflow of zero. The net cash outflow primarily relates to the repayment of a loan in amount of \$0.68m.

**For further information please contact:**

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Company Secretary  
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**About Newzulu**

Newzulu is a crowdsourced technology and media company which facilitates the use of professional and user-generated content for broadcasters, publishers and brands to create a deeper engagement with their audiences Newzulu's Platform is a web-based and mobile software that enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Creative division provides crowdsourced, creative film and video production for the digital age. Newzulu's Content division allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in New York, Newzulu also operates in Toronto, London, and Paris. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency and Alamy in the United States, Agence France-Presse (AFP) in France, Press Association (PA) and Videoplugger in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia and other news agencies around the world.

Further information can be found on [www.newzulu.com](http://www.newzulu.com).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Newzulu Limited

**ABN**

27 078 661 444

**Quarter ended ("current quarter")**

September 30, 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (Three months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	614	614
1.2 Payments for		
(a) (i) administrative staff costs	(313)	(313)
(ii) technology staff costs (see Note 1)	(398)	(398)
(iii) sales and marketing staff cost	(177)	(177)
(b) advertising and marketing	(45)	(45)
(c) research and development (see Note 1)	(351)	(351)
(e) other working capital	(474)	(474)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	37	37
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,105)</b>	<b>(1,105)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Three months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	133	133
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(684)	(684)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – equity raising costs	(95)	(95)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(646)</b>	<b>(646)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (Three months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,022	5,022
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,105)	(1,105)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(646)	(646)
4.5 Effect of movement in exchange rates on cash held	4	4
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>3,275</b>	<b>3,275</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	3,275	3,275
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,275</b>	<b>3,275</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

<b>Current quarter \$A'000</b>
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- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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**7. Payments to related entities of the entity and their associates**

**Current quarter  
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

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7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

**Total facility amount  
at quarter end  
\$A'000**

**Amount drawn at  
quarter end  
\$A'000**

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

No additional facility has been entered into or are proposed to be entered into after the quarter end.

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Payments for

(a) (i) administrative staff costs	(370)
(ii) technology staff costs (see Note 1)	(360)
(iii) sales and marketing staff cost	(180)
(b) advertising and marketing	(50)
(c) research and development (see Note 1)	(330)
(e) other working capital	(510)

**9.8 Total estimated cash outflows**

**(1,800)**

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### 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.

Sign here:

  
 .....  
 Non-Executive Chairman

Date: 31 October 2017

Print name: Charles Koones

### Notes

1. Research & Development (item 1.2 (c) 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 personnel components of development expenditure (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 cash flow 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 of 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 itemized disclosure relating to maintaining operating capacity
  - 52 itemized disclosure relating to segment reporting