

ASX Company Announcement | Issue Date: 29 July 2016

BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 30 JUNE 2016

Highlights

- + Cash receipts from customers increased by 29% during the June 2016 quarter (Q4 FY16) compared to the March 2016 quarter (Q3 FY16).
- + Newzulu releases updated Social Hub product, providing clients with an easy way to gather and publish content from popular social networks using hashtags, all from within Newzulu Platform.
- + Newzulu releases updated Live Streaming product for reporters to live stream and upload videos and photos directly into Newzulu Platform.
- + Newzulu signs new contract with Archant Regional Ltd. to further deploy Newzulu Platform across more than 50 web sites, and completes of new Prime projects of crowd-sourced creative film production for Prevention Routière and Darty.
- + Newzulu restructures its Board to complement and support recent management changes and to drive sales with resources focused on North American Market.
- + Newzulu business model is now underpinned by cost reductions, consolidation of operations and a new management team.
- + Cash at bank of \$5.1m at 30 June 2016 to fund the business to cash flow break even.

June 2016 Quarterly Report

- + Cash receipts from customers increased by 29% during the June 2016 quarter (Q4 FY16) compared to the March 2016 quarter (Q3 FY16).
- + Ongoing restructuring and cost cuts are on target to deliver estimated annual cost savings of over \$5 million. Operating cash outflows from operating activities reduced in Q4 FY16 by over 27% compared to Q3 FY16.

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- + Newzulu completed a \$5.0m placement from sophisticated investors and strategic investor Seven West Media and cornerstone Thorney Investment Group and its associates (Thorney). The Company also closed a fully underwritten entitlement issue to shareholders seeking to raise over \$2.0m.

Newzulu Limited (ASX: NWZ, OTCQX: NWZLY, Newzulu, Company), a global crowd-sourced technology and media company, is pleased to report to shareholders on the quarter ended 30 June 2016 and present an update on its operations and business plan.

QUARTERLY CASH FLOW RESULTS

Cash receipts from customers increased by 29% during the June 2016 quarter (Q4 FY16) compared to the March 2016 quarter (Q3 FY16)

During Q4 FY 2016 there was a reduction of 27% in net cash outflow relating to operating activities (\$2.1m) compared with Q3 (\$2.8m). This decrease is the result of a reduction in administrative staff costs and an improvement in working capital. The full effect of these cost saving measures will not be realised until FY17.

During Q4 FY 2016, there was an increase of 102% in the net cash outflow relating to investing activities (\$0.5m) compared with Q3 (\$0.3m). This increase is the result of an increase in intellectual property and loans in respect of the Newzulu Employee Share Trust Plan (**ESTP**).

During Q4 FY 2016 there was \$6.5m of net cash inflows relating to financing activities as a result of funds received via the placements completed and entitlement issue undertaken during the quarter.

The Company had \$5.1m in cash at the end of the June 2016 quarter (Q3 FY 2016: \$1.6m) due to these capital raising activities.

CORPORATE ACTIVITIES

During the quarter, the Company successfully raised \$5.0m, before costs, via a placement to strategic and sophisticated investors (**Placement**), which was supported by strategic investor Seven West Media and financial cornerstone Thorney. The Company also closed a fully underwritten non-renounceable entitlement issue to shareholders which raised a total of \$2.09m, before costs (**Entitlement Issue**). The shares under the Entitlement Issue were allotted on 1 July 2016.

On 22 June 2016, Newzulu issued its first tranche of shares under the ESTP. The ESTP was established as a mechanism to assist the recruitment, reward, retention and motivation of employees and senior management of the Company. Recognising the importance of cash conservation, \$260,000 worth of shares were issued to the trustee of the ESTP, allowing the allocation of 16,883,096 share units to be made to employees of Newzulu. Subsequent to the end of the period, the Company announced the appointment of Mr. Clive Dickens as a non-executive director of the Company. Mr Dickens is the Chief Digital Officer of Seven West Media, which currently holds a 18.53% shareholding in Newzulu. Also on 1 July 2016, Mr. Philip Kiely resigned as a non-executive director of the Company.

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OPERATIONAL ACTIVITIES AND BUSINESS PLAN

During Q4, Newzulu restructured its business operations with a focus on its technology business and the North American market, while implementing various cost reduction measures. The Company also implemented several management changes.

Effective 1 June 2016, Mr. Marc Milgrom was appointed as the Company's interim Chief Executive Officer (**CEO**). Mr Milgrom has been with the Company in his capacity of Global Chief Operating Officer since the acquisition of Filemobile Inc. by Newzulu in February 2015. In the role of interim CEO, Mr Milgrom has direct responsibility for the execution of Newzulu's strategy and business plan from Toronto, which aligns with Newzulu's focus on corporate and operational opportunities in North America and the transition of the management and administrative structure of the Company to that region.

Effective 20 June 2016, Mr. Tom Lieu joined the Company as Chief Financial Officer (**CFO**). Mr. Lieu is an experienced CFO specialising in the technology industry, with over 10 years of financial management experience in the technology sector. He most recently served as CFO of mobile software company Route 1.

Effective 11 July 2016, Mr. David Klinghoffer joined the Company as its Senior VP, Global Sales. Mr. Klinghoffer is based at the Company's New York headquarters and will focus the sales team on growing revenues for the business in the North American region. With almost 20 years of experience in revenue generation, Mr. Klinghoffer has a track record of aggressive revenue generation and growth in SaaS software solutions sales for marketing, social media, digital media and broadcast.

On 1 July 2016, the Company announced that it received a notice of termination from Mr. Alexander Hartman which provided six months' notice of termination of his Consultancy Deed with Newzulu effective 29 June 2016 in respect of his roles and responsibilities as Managing Director. The Company will make the necessary appointments to replace Mr. Hartman as a Director of the Company and each of its international subsidiaries. The Company is continuing to engage with Mr Hartman to finalise these arrangements.

The combination of cost reductions, management personnel now in place, the product enhancements outlined below together with the Company's product roadmap, and the long-term revenue prospects provide the basis to achieve cash flow positive operations. Newzulu continues to reduce operational and administrative costs by consolidating operations with a focus on the US market.

PRODUCT DEVELOPMENT

At the end of Q4, Newzulu released Phase I of its new Social Hub technology product, providing clients with an easy way to gather and publish content from popular social networks using hashtags, all from within Newzulu Platform.

Phase I of the Social Hub product supports Twitter and Instagram with a plan to integrate with more social networks. Once a hashtag is tracked, posts will automatically be ingested on an ongoing basis. Customers can moderate posts to ensure only approved posts are published, or they can allow the posts to be published automatically, while having the security to remove unwanted posts with a single click. Customers can also embed posts on their sites in a modern, responsive widget. Newzulu plans to release additional functionality in the coming quarters to build out the Social Hub offering.

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Newzulu also released a new version of its Live Streaming product. An entirely internally developed streaming solution, the new version enables customer reporters to now live stream and upload videos and photos from their iOS and Android devices directly into Newzulu Platform. Producers can then publish live video to broadcast and web, as well as publish post-live video and photos.

The inclusion of Social Hub and Live Streaming, together with the existing ability to acquire user-generated content (**UGC**) directly from users, all through Newzulu Platform, solves the problem faced by media companies and brands of how to gather content in a cost-effective manner. These developments enhance Newzulu's value proposition of providing a single solution for customers to gather, manage and publish content. The Company plans to continue to build out its technology offering to further position Newzulu as the Content Gateway for customers.

SALES AND CUSTOMERS

During the quarter, Newzulu signed a new agreement with Archant Regional Ltd., the fifth largest regional newspaper publisher in the UK, for the provision of Newzulu's Platform technology services. Archant has used Newzulu's content acquisition platform since 2011 for its iWitness community brand. The new agreement represents a broader relationship through which Archant will be deploying Newzulu's Platform technology across its media web site network of more than 50 sites.

Archant publishes 1.6 million newspapers per week in print with a reach of over six million readers per month online. This agreement represents a significant opportunity for Newzulu in terms of both revenue and reach and is in line with Newzulu's strategy to license the Newzulu Platform technologies to the world's leading publishers, broadcasters and brands.

Newzulu Prime's crowd-sourced creative film production services were chosen by Prévention Routière's agency to produce two videos for a TV ad campaign in order to raise public awareness about the dangers of drinking and driving. Prévention Routière is a major insurance professional association. A small group of French directors from Newzulu were approached to work on this project who within one week submitted a wide range of production proposals. The final films were broadcast on the major French broadcaster Canal+ TV and were also posted on YouTube where they generated more than 500,000 views.

Darty, a multinational electrical retailing company headquartered in London, United Kingdom, engaged Newzulu Prime for the crowd-sourced production of two videos to communicate the digital television transition (DTT) signal switch to high definition (HD). Darty needed to raise the DTT users' awareness about the upgrade to their DTT box before the switching date. The Newzulu Prime team worked with Newzulu's Prime professional filmmaker network and received a variety of creative proposals within a few days. Darty selected their two favourite concepts and the winning filmmakers delivered the final films within the two following weeks.

Within one day, one of the films had more than 34,000 views on Darty's Facebook page. Newzulu Prime allowed Darty to source a variety of professional creative concepts while reducing its production costs and timing.

The Newzulu business model is now underpinned by cost reductions, consolidation of operations and a new management team focused on revenue generation and cost control. The Company will continue to provide updates on its product development initiatives and North American focus.

For further information please contact:

Marc Milgrom
Chief Executive Officer
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Karen Logan
Company Secretary
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About Newzulu

Newzulu is a crowd-sourced technology and media company that links broadcasters, publishers and brands with the public to Connect Through Content. Newzulu's web-based and mobile software enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Prime division provides crowd-sourced, 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 operates bureaus in Toronto, London, Paris and Lyon. 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.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

Newzulu Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

June 30, 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from customers	916	3,336
1.2 Payments for		
(a) (i) administrative staff costs	(791)	(3,819)
(a) (ii) technology staff costs (see Note 1)	(703)	(2,637)
(a) (iii) sales and marketing staff cost	(107)	(666)
(b) advertising and marketing	(140)	(380)
(c) research and development (see Note 1)	(599)	(2,427)
(d) other corporate cost	(0)	(114)
(e) other working capital	(653)	(3,609)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	8
1.5 Interest and other costs of finance paid	(1)	(5)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(2,075)	(10,314)

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

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(2,075)	(10,314)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(578)
(b) equity investments	-	-
(c) intellectual property (see Note 1)	(268)	(1,111)
(d) physical non-current assets	-	(131)
(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	(260)	(294)
1.12 Loans repaid by other entities	28	30
1.13 Other – Cash acquired on acquisition	0	209
Net investing cash flows	(500)	(1,874)
1.14 Total operating and investing cash flows	(2,575)	(12,189)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	5,260	13,260
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,839	1,839
1.18 Repayment of borrowings	(0)	(22)
1.19 Dividends paid	-	-
1.20 Other – equity raising and loan establishment costs	(572)	(1,228)
Net financing cash flows	6,526	13,849
Net increase in cash held	3,951	1,660
1.21 Cash at beginning of quarter/year to date	1,548	3,716
1.22 Exchange rate adjustments to item 1.21	11	8
1.22a Release of funds previously restricted by bank guarantee	-	127
1.23 Cash at end of quarter	5,511	5,511

+ 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	122
1.25	Aggregate amount of loans to the parties included in item 1.11	260

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	684	684
3.2	Credit standby arrangements	-	-

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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	5,511	1,542
4.2 Deposits at call		7
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	5,511	1,549

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 Act (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 July 2016
 Non-Executive Chairman

Print name: Charles C. Koonen

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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 itemised disclosure relating to maintaining operating capacity
- 52 itemized disclosure relating to segment reporting

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