

ASX Company Announcement | Issue Date: 29 April 2016

BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 31 MARCH 2016

Highlights

- + Newzulu enters new phase of operations and growth - positioned to achieve budget of cash-flow positive with proceeds of recent capital raising.
- + Newzulu positioned to leverage strategic opportunities with strategic investment from Seven West Media.
- + 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 strong sales pipeline.
- + Further successful deployments of Newzulu's technology including in Australia with ABC News on Australia Day and ANZAC Day.
- + Newzulu restructures operations in France to attract strategic investor interest in Citizenside and focus Newzulu Mobile on core technology development.

March 2016 Quarterly Report

- + Increase in cash receipts from customers by 104% compared with Q3 FY15. Decrease in cash receipts from customers by 33% in Q3 FY16 compared with Q2 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 Q3 FY; net operating cash outflows increased by 7% in Q3 FY16 compared to Q2 FY16.
- + Investment in research and development moderated further during Q3 FY16 with certain products now released and having entered commercialisation phase.

Newzulu Limited (ASX: NWZ, OTCQX: NWZLY, Newzulu, Company), the world's leading crowd-sourced media company, that provides technology, content and coverage to media companies and brands, is pleased to report to shareholders on the quarter ended 31 March 2016 and present an update on its operations and business plan.

QUARTERLY CASH FLOW RESULTS

Cash receipts from customers increased by 104% compared with Q3 FY15. Cash receipts from customers decreased by 33% during the March 2016 quarter (Q3 FY16) compared to the December 2015 quarter (Q2 FY16) largely due to delays in customer collections, extensions of trial periods by large prospective customers and distraction of senior management with fundraising activities. Given these results, Newzulu recently implemented processes to improve debtor management and customer collections. The Company has a strong sales pipeline of sales opportunities which were well advanced but not concluded during the quarter and successfully advanced a long standing objective to engage with a strategic investor, in Seven West Media.

Cash at the end of Q3 FY16 was lower than the amount held at the end of Q2 FY16 due to the net cash outflows from operating activities during the quarter which increased by 7% compared to Q2 FY16. Although further significant cost cuts exceeding \$5 million per annum were implemented by management during the quarter, the full effect of these measures will not be realised until FY17. Net cash outflow relating to investing activities of \$0.2m for Q3 FY16 (Q2 FY16: \$0.2m) stabilised during the quarter due to the shift in focus of the business having reached commercialisation phase in Q1 FY16.

The Company had \$1.55 million in cash at the end of the March 2016 quarter (Q2 FY16: \$4.65 million).

CORPORATE ACTIVITIES

A \$5 million placement was announced on 20 April with strong support from strategic investor Seven West Media and cornerstone Thorney Investment Group and its associates (**Thorney**). A fully underwritten entitlement issue will be offered to all shareholders to raise an additional \$2 million.

Seven West Media and Thorney have each expressed an intention to put forward nominees to join the Board of Newzulu upon completion of the placement. The Company welcomes this move by its strategic and cornerstone investors and looks forward to those candidates strengthening the leadership team.

OPERATIONAL ACTIVITIES AND BUSINESS PLAN

The funding from these raisings, together with the proposed corporate restructuring is intended to fund the business to cash flow positive in Q3 FY17. Newzulu's current client base, the existing sales network and longer-term revenue prospects provide a foundation to achieve the operating cash flow positive objective.

Management anticipates revenues generated from the Newzulu Technology solutions, comprising Platform and Live, to continue to support the Company's business model (refer Graph 1) and dominate the proportion of sales amongst the businesses. Current sales prospects support assumptions in relation to this revenue mix.

Newzulu continued with successful deployments of its technology for major existing clients and continued to advance previously announced trial deployments, such as with ABC News in Australia on both Australia Day and ANZAC Day. Newzulu's technology consistently delivered its clients with high quality crowd-sourced content submissions, increased audience engagement and traffic growth.

Newzulu has undertaken a significant restructure of its operations in France, separating the Company's French language editorial operations, known as Citizenside, from its core mobile applications development and mobile live video engineering team, known as Newzulu Mobile. Newzulu has mandated KPMG France to pursue interest from major media groups in France that may be interested to make a strategic investment in or acquisition of Citizenside.

The business model summary information, depicted in Graph 1 (**Business Model Summary**) has been prepared with reference to a number of estimates and assumptions concerning future events (the **Key Best Estimate Assumptions**). These Key Best Estimate Assumptions are set out in Annexure A below. The Business Model Summary is subject to a number of risks which are set out in Annexure A. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a guarantee of actual performance.

The Directors believe the Key Best Estimate Assumptions as a whole to be reasonable as at the time of this ASX release. Both the Business Model Summary and the Key Best Estimate Assumptions are by their very nature subject to inherent business, economic and political uncertainties and risks, many of which are outside of the control of the Directors and are not reliably predictable. Therefore, actual financial results are likely to vary from those forecasts and variations may be materially positive or negative. As a result, neither the Directors nor the Company can give any assurance that the financial results set out in the Business Model Summary will be achieved.

Newzulu continues to reduce operational and administrative costs and is in the process of consolidating operations with a focus on the US market. The primary operating locations will be: New York City, USA, with a sales and Content focus; Toronto, Canada, with a Technology and management focus; and Lyon, France, with the Newzulu Mobile team. Once this consolidation has been completed, it is anticipated that operating expenses will have been reduced by approximately 30% in Q1 FY17.

Mr. Marc Milgrom, currently Global Chief Operating Officer, has agreed to accept the role of interim CEO with direct responsibility for the execution of Newzulu's business plan. Mr Milgrom will report directly to the Board of Directors of Newzulu and a permanent CEO appointment will be made within six months. The Chief Financial Officer role, including overall financial and capital management functions of the Company, will be directly answerable to the CEO.

Prior to joining Newzulu, as President of Filemobile, Inc. Mr Milgrom was responsible for technology and product development, finance, strategic partnerships, major accounts, client delivery and for driving strategic development with the senior management team. He has a proven track record of delivering profitable revenue growth through strategic vision, leadership and execution. Mr Milgrom was previously a tax partner of PriceWaterhouseCoopers (PwC)

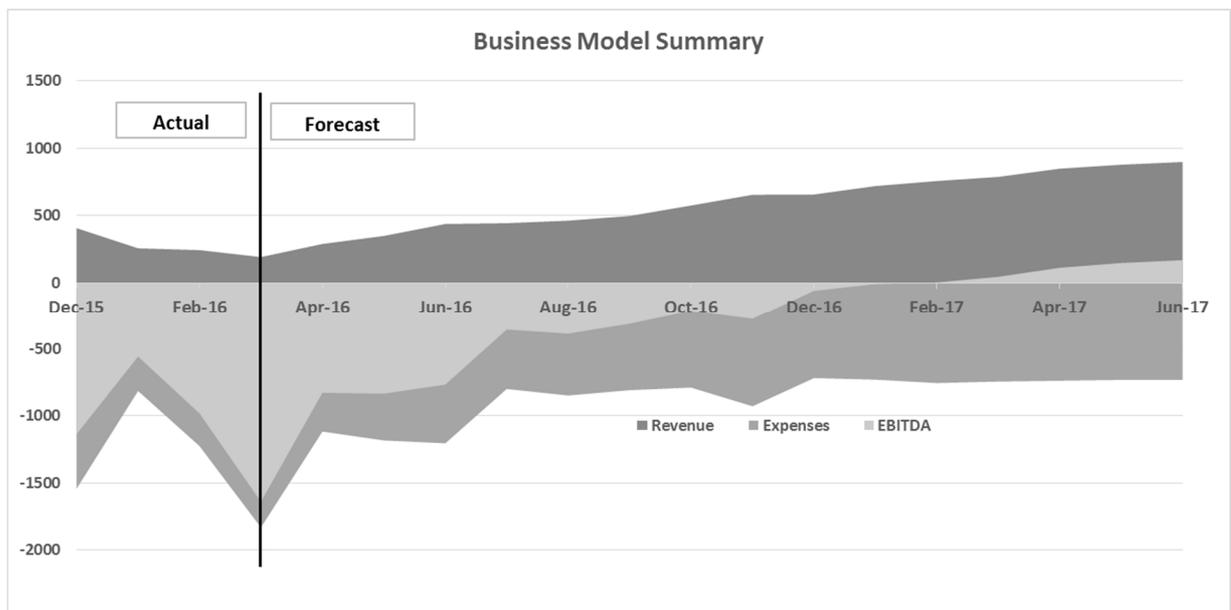
Mr. Alexander Hartman, will shift his focus in his existing role as Managing Director to corporate and business development, particularly in support of the Company's expansion plans in the US market. Mr. Hartman will be responsible for the origination and continued development of major client opportunities and partnerships and will support the CEO across sales, editorial, product and technology operations. Mr. Hartman has agreed on a voluntary basis to reduce cash payment of his base salary to \$1 per annum from 1 July, 2016, with deferred amounts to be accrued until the company

records its first month of cash flow positive trading. The voluntary undertakings by Mr Hartman were provided subject to a number of conditions approved by resolution of the Board. Ms. Laura Placide, currently Editor-in-Chief based in Paris has agreed to accept the role of Global Editor-in-Chief based in New York, responsible for all editorial and content operations of Newzulu. Ms. Placide will re-locate to the Company's New York office to support the development of Newzulu's contributor community and content distribution business in the USA and to focus on opportunities for crowd sourced media in North America. Newzulu's editorial operations in France and French language edition will operate on a forward basis under the Citizenside brand and management team, in partnership with Newzulu.

Mr. Damien Gosset, currently Senior Vice President of Newzulu Mobile has agreed to accept the role of Chief Technology Officer responsible for all technology and operations of Newzulu Mobile in France. Mr. Gosset will work with Olivier Corgeron, CTO and David Minogue, SVP Engineering on the delivery of Newzulu's technology vision and product roadmap with its emphasis on crowd sourcing, social media, mobile applications and live video.

Mr. Craig Sowden, currently Chief Financial Officer of Newzulu based in Sydney has agreed to assist the Company transition its financial management structure with the intended appointment of a new CFO based in the Company's Toronto office in support of the interim CEO. Newzulu intends that the management and administrative structure of the Company transitions to reflects its focus on corporate and operational opportunities in North America.

The Business Model Summary depicted in Graph 1 below represents the Directors' best estimate as to how the Company will achieve cash flow positive operations in Q3 FY17. Management conducts a review of actual results to the Business Model Summary information on a quarterly basis.



Graph 1: Business Model Summary from 1 January 2016 to 30 June 2017

The directors are confident that completion of the proposed capital raisings, the restructure and cost containment measures together with Board and management changes, will enable Newzulu to give effect to its stated objectives.

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Company Secretary
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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 New York, Newzulu operates bureaus in London, Paris, Los Angeles and Toronto. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency and Alamy in the United States, Agence France-Press (AFP) in France, Press Association (PA) and Videoplugger in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Aflo Co., Ltd in Japan, Australian Associated Press (AAP) in Australia, ITAR TASS in Russia, Norwegian News Agency (NTB) and YAY Images in Norway, Agenzia Nazionale Stampa Associata (ANSA) in Italy, ddp Images in Germany, East News in Poland, TT Nyhetsbyrå in Sweden, Agencia EFE in Spain, Wikono Societed Limitada and GtresOnline in Spain and South America, Northfoto in Eastern Europe. Further information can be found on www.newzululimited.com.

ANNEXURE A

Key Best Estimate Assumptions

The Business Model Summary depicted in Graph 1 is based on various assumptions relating to future events and/ or actions which the Directors, as at the date that the Business Model Summary was prepared, expect to take place. These events and/ or actions may or may not take place. Accordingly, no guarantee or assurance is given that the Business Model Summary will be achieved and it is likely that the Company's actual performance will not match those forecasts.

The industry in which the Company operates is volatile and opportunities and threats regularly arise which are difficult to anticipate or quantify. The Company intends to be opportunistic and to capitalise on attractive opportunities as and when they arise. The Company will also have to contend with threats as and when they arise. This may result in costs being incurred which are not in the Business Model Summary.

The following Key Best Estimate Assumptions have been used in the preparation of the Business Model Summary. These assumptions should be read in conjunction with the risks and sensitivity analysis outlined below.

Specific Assumptions

The following specific assumptions have been made in preparing the Business Model Summary:

Revenue

Newzulu has developed a number of products to a commercial stage during FY16 and expects sales in FY17 to be significantly higher than in FY16 in all product lines other than Content, for which revenues in FY17 are not expected to contribute significantly to the top line.

Platform and Live are subscription based models, with revenue accumulating as new subscribers sign up. The growth in Platform revenue is expected to be driven by a large volume of smaller clients generating lower levels of annual sales, as well as a lesser number of medium and large clients.

Similarly, the expected growth in Live revenues are based on mostly small and medium customers. Revenues from Live will be dependent on the size of the client and the number of Reporter Kits and mobile application licences required. Newzulu Reporter Kit revenues are based on the number of kits licenced per month whilst mobile application revenues are recognised over the period of the licences.

Management anticipates sales from the Newzulu Technology solutions to be enhanced by the launch of a new Social Hub, allowing clients to source content from social networks, as well as an online self-service sales platform that will enable prospective clients to purchase entry level products via a simple web interface. The Social Hub is currently untried and untested.

Revenues from Mobile, Prime and Content are more project and transactional based with Mobile and Prime businesses recognising sales on a percentage completed basis. With the increased business focus on the Newzulu Technology solutions, it is not expected that the Newzulu Content business will contribute significantly to the top line in FY17.

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Operating Expenses

At the time of preparing the Business Model Summary, Newzulu was undergoing a restructure of its operations in France and the UK. Earlier in FY16, a restructure of the Content division was completed. As a result of these restructures, operating costs in FY17 are expected to be significantly lower. Q1 FY17 is expected to be circa 30% lower than Q3 FY16.

Sensitivity Analysis

The Business Model Summary in this ASX release is based on a number of estimates and assumptions, including General and Specific Assumptions as described in this Annexure A. Both the Business Model Summary and the Key Best Estimate Assumptions are by their very nature subject to significant inherent business, economic, political and competitive uncertainties, contingencies and risks, many of which are beyond the control of Newzulu, the Directors and management and are not predictable. Therefore, actual financial results may vary from these forecasts and variations may be materially positive or negative. The following table demonstrates the potential impact on profitability that may arise from variations to the Key Best Estimate Assumptions (either positive or negative):

Key Assumption Category	Type of variation	Potential impact on FY17 EBITDA '000
Revenue growth	1% more/ (less)	Increases/ (reduces) by \$65
Operating expenses	1% more/ (less)	(Increases)/ reduces by \$75
AUD/EUR exchange rate	1% more/ (less)	(Increases)/ reduces by \$10

In the event that one or more downside sensitivities were to occur, there are a number of actions which Newzulu could take in an attempt to mitigate the impact to EBITDA. These have not been reflected in the sensitivities above.

Care should be taken when interpreting this information as it deals with each type of variation in isolation from potential variations in any of the other key categories. Circumstances that give rise to any particular variation may or may not result in variations elsewhere. It is also possible that multiple sets of circumstances could give rise to movements in more than one category and these movements may have cumulative or off-setting effects on profitability.

General Assumptions

The following general assumptions have been made in preparing the Business Model Summary:

- + the completion of the \$5 million placement and \$2 million fully underwritten entitlement issue as announced on 20 April 2016;
- + no acquisitions of businesses or assets are included in the forecasts;
- + no significant deviation from the current market expectations of global economic conditions relevant to the media and advertising sector;
- + no changes in the statutory, legal or regulatory requirements in the markets in which Newzulu operates that would have a material effect on Newzulu's operating results;

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- + no material beneficial or adverse effects arising from changes in industrial, political or economic conditions in the markets in which Newzulu operates;
- + material contracts to which Newzulu is a party remain in force and are not terminated, rescinded or varied in a manner which would have a material impact on Newzulu;
- + no material beneficial or adverse effects from changes in technology or actions from competitors;
- + no material changes in key personnel, including key management personnel, other than as announced on 21 April 2016. It is also assumed that Newzulu maintains its ability to recruit and retain the personnel required to support future growth;
- + no material industrial strikes, employee relations disputes or other disturbances, contingent liabilities or legal claims arise or are settled to the detriment of Newzulu;
- + there will be no material movement in the Australian dollar relative to the currencies of countries in which Newzulu carries on business;
- + there will be no changes in current tax legislation in the relevant operating jurisdictions, in particular the current corporate, goods and services, VAT, sales and withholding tax rates;
- + the Company's accounting policies remain consistent during the forecast period. It is also assumed that there will be no changes in applicable accounting standards, other mandatory professional reporting requirements or the Corporations Act that will have a material effect on the reporting of the Company's reported financial performance or cash flow or financial position, accounting policies, financial reporting or disclosures;
- + the Company is not and will not be a party to any material litigation;
- + the business model operated by Newzulu will remain substantially unchanged during the forecast period and the Newzulu product offering will not incur any business risks to an abnormal level.

Risk Factors

The following specific risk factors may have a material impact on the financial performance of the Company and the Business Model Summary:

- + delays in client signings;
- + lost client opportunities;
- + material variation to estimate of client opportunities and the securing of long-term revenue prospects;
- + delays in the implementation of corporate and management restructure initiatives;
- + material variations to estimated restructure costs, including redundancy and termination provisions; and
- + delays in product development schedules, client and subscriber usage and acceptance.

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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")

31 March 2016

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 – Net grants/R&D concessions

Current quarter \$A'000	Year to date \$A'000
732	2,529
(966)	(3,028)
(665)	(1,934)
(176)	(560)
(28)	(241)
(720)	(1,873)
(0)	(114)
(1,009)	(3,020)
-	-
1	6
(1)	(4)
-	-
-	-
(2,832)	(8,239)

Net operating cash flows

+ See chapter 19 for defined terms.

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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)	(2,832)	(8,239)
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)	(195)	(844)
(d)(i) physical non-current assets	(51)	(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	(2)	(33)
1.12 Loans repaid by other entities	0	2
1.13 Other – Cash acquired on acquisition	-	209
Net investing cash flows	(248)	(1,375)
1.14 Total operating and investing cash flows	(3,080)	(9,614)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	8,000
1.16 Proceeds from the sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(16)	(21)
1.19 Cash held in trust	-	-
1.20 Other - equity raising and loan establishment costs	-	(656)
Net financing cash flows	(16)	7,323
Net increase (decrease) in cash held	(3,096)	(2,291)
1.21 Cash at beginning of quarter/year to date	4,653	3,716
1.22 Exchange rate adjustments to item 1.21	(8)	(3)
1.22a Release of funds previously restricted by bank guarantee	-	127
1.23 Cash at end of quarter	1,549	1,549

+ See chapter 19 for defined terms.

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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	127
1.25	Aggregate amount of loans to the parties included in item 1.11	2

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

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	684	684
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

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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	1,542	4,646
4.2	Deposits at call	7	7
4.3	Bank overdraft	-	-
4.4	Other -Term Deposits	-	-
Total: cash at end of quarter (item 1.23)		1,549	4,653

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: 29 April 2016
Chief Financial Officer

Print name: **Craig Sowden**

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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 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.