

Investor Update

December
2022

Deep Recognition continues to build a business supported by our RaaS platform and know-how to deliver advanced recognition technologies.

This enables our customers to easily apply leading-edge AI solutions to their business for increased competitive advantage.

Deep Recognition Holdings Limited	An Australian unlisted public company
ABN	33 631 171 796
Founded	2016
HQ	Docklands, VIC Australia
Industry	Recognition Technology Platform Company
Brand	Deep Recognition and Recognition as a Service (RaaS)
Website	www.deeprecognition.io
Examples of our work	Porsche Lexus Chevy Paramount Studios
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Highlights

- **First phase of technical evaluation sign-off by global 5G manufacturer. Next phase is under way sooner than expected**
- **New Deep Recognition strategy released**
- **Purchase agreement and vendor setup with a major Telecommunication Company**
- **Outstanding cyber security achievement**
- **New RaaS Experience Centre nearing completion**
- **RaaS Version 1 release getting closer**
- **Three major retailers looking to commence with RaaS deployments once released**

CEO Update



As we stand excitedly on the precipice of 2023 and all that we have to look forward to in the year ahead, it's the perfect time to reflect upon our incredible achievements in 2022 proudly.

Via these newsletters, we have strived to provide updates with reasonable detail, ensuring our investors and stakeholders are well-informed of our strategic intent and related initiatives we have undertaken. By employing transparency in our reporting, we can provide confidence in how Deep Recognition mitigates risk to protect your investment.

With that said, we have received positive feedback regarding our newsletter updates throughout 2022. We have received requests for more frequent updates, so we aim to issue them on a more regular basis in 2023.

As per our last update, Deep Recognition has collaborated with a global 5G manufacturer for the previous year. We are very excited to report that our efforts have been overwhelmingly positive, with the first phase of our work deemed a complete success and phase two currently underway. Due to the confidential nature of this collaboration, it isn't easy to convey the size of this global opportunity, but suffice it to say that 2023 is set to be an invigorating year!

Furthermore, Max Bolkovsky, our Director of Strategic Sales, is progressing well with the commercial go-to-market arrangements. One of our engineers has recently returned from working in the 5G Manufacturers' labs in the US. It's expected that either Max or myself will be required in the US early in 2023 to commence with demonstrations of our combined solution to global telecommunication companies. Therefore, as we nurture this meaningful relationship, we are excitedly fueling our motivation as we leap into the new year.

The team from Canary Capital recently attended our new strategy launch, enabling them to hear first-hand about our updated strategy. At the same event, they heard from 2 representatives of the 5G Manufacturer we are in collaboration, who outlined some of the plans they have to work with Deep Recognition. By giving the team at Canary Capital a clear understanding of the trajectory of our partnership, they can better assist in our investment goals.

Deep Recognition has also been set up as a vendor with a major Telecommunications company. There are currently two contracts in progress, allowing us to transact with them as soon as RaaS Version 1.0 is released at the end of February 2023. This will help further reinforce the Telecommunication usage cases for the 5G Manufacturer.

We will be running detailed sessions to explain the size and scope of the above opportunities in more detail as part of our new investment round in February/March 2023.

Launching a platform like RaaS is a complex but exhilarating opportunity for Deep Recognition as we strive to re-imagine and elevate the game on every level. Our one-stop-shop RaaS platform significantly reduces our customers' complexity, generating endless growth opportunities.

Through sustained innovation and product superiority, the introduction of the RaaS platform disrupts the market from the ground up. However, being ahead of the current market is challenging. Therefore, we are targeting innovators and early adopter customers at this stage. Then, as the platform becomes more widely adopted, the pragmatists and conservatives will follow suit.

Rather than continuing to focus on the sale of point solutions, which has been essential to date, our strategy and resource levels have dictated a move to selling RaaS. This has impacted short-term sales, but the longer-term upside is far more critical to Deep Recognition, our investors, and achieving our strategy.

Strategic Vision

Below is the new Deep Recognition Strategic Vision, which has recently been communicated to all employees. Our strategic intent (Exit Plan) is to be "Sale Ready at the highest possible valuation in three years". The success of our RaaS platform is critical to achieving this goal.

With clear focus areas laid out and cohesively, this creates a clear path forward for DR and our employees to bring our strategic vision to fruition. By including key focus points such as implementing AI systems responsibly and in a way that makes our platform very easy to use, the potential to be the trusted recognition technology provider of choice and drive upsell is extensive. Making it super easy means customers can turn on more services like an app on their smartphone or smart TV. The appeal of this model for our Telecommunications company customers is powerful, as the more RaaS Services they sell, the higher the revenue for all, both them and us. Additionally, the more services their Telecommunication Company customers utilise, the more additional services they sell (storage, computers, communications, etc.), further enhancing their overall revenue.

Strategic Intent	Sale ready at the highest possible valuation in three years			
Aspiration	Vision Be the first point of call for businesses needing to solve recognition problems		Mission Make the enterprise adoption of recognition models as easy as purchasing a mobile app	
Where we play	Will Play <ul style="list-style-type: none"> Customers with scale and "real-world" operations Channel partners with customer access and ability to articulate value Vendors who meet our criteria and solve recognition problems 		Won't Play <ul style="list-style-type: none"> Direct to consumer/end customer Customers who only have one problem Immature channel partners Building primary AI Engines 	
How we will win	We will be the best at making partnering easy and participating in our RaaS ecosystem simple			
Capabilities	We need to be great at telling our story simply (branding), developing and engaging channel partners, identifying and resolving friction points			
Measure and Manage	<ul style="list-style-type: none"> We need to adopt a clearly understood decision-making framework, to ensure we only focus on "strategic accelerant opportunities" Speed to value for our partners and customer base 			
Value	Impact Always have the greatest positive impact for our customers, partners and communities	Humanity We are focused on ethical AI and helping our customers avoid unforeseen negative outcomes	Simplicity We make a highly technical and complex space accessible and consumable	Trustworthy We do what we say and our brand will be a shorthand for "safe AI"
Pillars	Business Generate value through improvements in ARR	Brand The easiest and highest impact way to solve recognition problems and scale the benefit	Customer As easy as downloading an app to your phone	Capability Manage a platform of trust so customers don't need to.

Outstanding Cyber Security Achievement

With recent news in the press regarding cyber-security breaches, many of our resellers and customers are now requesting that Deep Recognition be security audited. Our customers always own their data. However, it was evident some time back that we still required a robust security posture with well-advanced Security compliance initiatives. One of our Telecommunication customers engaged a company called CyberGRX to undertake a security audit of our technology and processes. We are thrilled to advise that we have achieved a full 99% quartile completion of CyberGRX compliance which is an excellent result. The security work also assists in our efforts to become ISO27001 compliant. We have designed RaaS to be globally relevant, which makes it critical that we have industry-leading security processes and technology in place. However, this does come at a high cost.

RaaS Version 1 Release Getting Closer

Deep Recognition's Labs team, led by Kent Ramchand, is on track to have version 1.0 of the RaaS Platform completed by the previously projected date of 1st March 2023. We are all enormously proud of the work Kent and the Deep Recognition Labs team are doing, making for an exciting start to 2023. We are already mapping out product features and functionality for versions 2.0 through to version 5.0 of RaaS, with new releases expected every six months following the release of RaaS version 1.0. The focus of version 1.0 is on having a solid technology base to add additional capabilities. Having a platform approach for the deployment of vision-based Artificial Intelligence affords Deep Recognition significant benefits over and above point solutions.

Privacy and Ethics

Dr Chelle Adamson, Deep Recognition's head of Privacy and Ethics, is busy fine-tuning our governance and frameworks within this area. We are confident that we can make our Privacy and Ethics approach a competitive advantage for the RaaS platform. We will provide more information on this in our following newsletter.

New RaaS Experience Centre Nearing Completion

When it comes to launching anything new, such is the case with the RaaS Platform, everyone from innovators to early adopter customers and re-sellers wants to see the technology in action. Humans are highly visual and tactile creatures and find it's much easier to jump on board with an idea if they can physically engage with it.

With this in mind, we set about building a modular Experience Centre so that different usage cases for various industry verticals could be demonstrated, enabling customers to see RaaS in action as it relates to them. By creating a high-quality, portable, re-usable set-up, we have created a highly cost-effective product that can be sold to global telecommunications companies and resellers who want to demonstrate RaaS.

Further, Deep Recognition will be featured at two exhibitions in 2023, so introducing a demonstrative physical space will be incredibly useful and will remove costs as we move forward.



Did you know?

It is now possible for Deep Recognition to stream footage from Drones and Robots into the RaaS Platform, thereby providing our end customers with the ability to apply a wide range of different video analytics to this footage. Footage from drones and robots is often in another format than utilised by security infrastructure, further validating our RaaS platform approach. Rather than pulling a separate feed from the drone or robot for each usage case, the RaaS platform enables a single video feed to be split into 16+ different video analytics, thereby saving import battery life.

Summary

As you can see, things are very positive at Deep Recognition.

Lastly, I would like to extend my sincere gratitude to our employees and investors for your support throughout 2022. 2023 is shaping to be a big year as we transform to selling RaaS with its inherent benefits following its release on the 1st of March 2023. This timing coincides nicely with our next capital raise to enable us to ramp up our sales functions covering local and global markets.

On behalf of the Deep Recognition Team, I hope you and your families had a fantastic Christmas and all the best for 2023.

Please get in touch with Stuart Craige from Canary Capital at +61 411 440 567 or me if you have further questions.

John McGiffin – CEO
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