



29 January 2016

ASX/Media Release

(ASX: KNM)

KNeoMedia operations update and Appendix 4C for Q2 2016

- **KNM continues to make progress with product rollouts in Australia, China and the US**
- **Uptake of HeroWORLD in Australia improving following refinements and strategic marketing**
- **Company progresses national distribution opportunities in China**
- **Company continues to pursue opportunities in US following successful KNeoWorld trials**

Online education publisher KNeoMedia Limited (ASX: KNM) (**KNeoMedia** or the **Company**) is pleased to present its cash flow report for the quarter ended 31 December 2015 (**Quarter**), and provide shareholders with this update on its business operations and activities for the Quarter. The Company continues to make progress with the rollout of its edutainment products in Australia, China and the US.

Australia

In conjunction with its marketing and distribution partner Mobile Embrace (ASX: MBE), KNM is achieving encouraging take up rates of the HeroWorld product in Australia. Having refined and improved the sign up and download process for the product, the Company is encouraged by the increasing number of downloads it is now achieving.

KNeoMedia is confident that the distribution of HeroWorld through Mobile Embrace's market leading MobiPay platform, which utilises the networks of two of Australia's largest telecommunications providers, when combined with a targeted marketing campaign, will further improve take up rates for this product. It is expected that the marketing campaign for HeroWorld will be ramped up in the current quarter and beyond.

China

During the Quarter, national distribution of the first Mandarin version of the Company's KNeoJunior product commenced in China in conjunction with SmartTrans (ASX: SMA). This initial rollout confirmed market demand for edutainment products, particularly in English, to enable language learning. Based on this, the Company is now working with SMA to deliver its flagship KNeoWorld episodic version as a series of Android Apps in English for national distribution in the large and lucrative Chinese market.

United States

The Company continues to pursue opportunities in the US, with a particular focus on the primary school sector after extensive and successful trials of its KNeoWorld edutainment suite in a number of public, private and Catholic schools in the New York area. Following this, the Company is now progressing similar distribution opportunities for the KNeoWorld product in other organisations with large memberships across the US.

The Company also continues to work with New York education entities to further test and progress the release and distribution of its educational product for special needs students.

KNeoMedia Limited ASX:KNM

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Corporate

In December, the Company successfully completed a \$550,200 placement to fund growth opportunities across the business. The placement, which was made through the issue of 39,300,000 new shares at \$0.014 per share to a number of sophisticated investors in Australia and overseas, has enabled the Company to continue driving marketing initiatives and revenue growth.

Outlook

Having now established footholds in three major markets, as outlined above, the Company is focused on increasing market penetration and improving uptake of all its products through targeted marketing programs, as well as continuous refinement in order to meet consumer needs.

The Company is also currently assessing a number of strategic partnerships which would potentially allow wider distribution of its edutainment products into additional geographies, and looks forward to updating shareholders in this regard over the coming months.

– ENDS –

About KNeoMedia Limited:

KNeoMedia Limited is an online games publishing company that delivers world-class edutainment games to global educational and consumer markets (education + entertainment = edutainment).

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWORLD Inc., and sells on a micro-subscription and Apps basis through the KNeoWorld.com games portal, Apps Stores and via distribution agreements and education departments.

Games Based Learning is an integral part of childhood education. Growth in educational markets, combined with advances in mobile devices and connectivity, will continue to accelerate innovation, adoption, and affordability of our products around the world.

KNeoWorld is a fun education games portal where young students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science and arts. KNeoWorld Apps comply with child online protection and the parent approved simple subscription model provides KNeoWorld with a global opportunity to quickly deploy in a product vacuum and become a market leader.

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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

KNeoMedia Limited

ABN

41 009 221 783

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	4	4
Receipts from Grant for Research & Development	435	435
1.2 Payments for (a)staff costs	(105)	(200)
(b)marketing cost	(72)	(132)
(c)one off marketing development	(40)	(40)
(d)research and development	(103)	(163)
(e)leased assets	-	-
(f)other working capital	(117)	(396)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	2
1.5 Interest and other costs of finance paid	(14)	(43)
1.6 Income taxes paid	-	-
1.7 Other (please specify details)	-	-
Net operating cash flows	(11)	(533)

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(11)	(533)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(72)	(139)
(d) physical non-current assets	(4)	(9)
(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	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(76)	(148)
1.14 Total operating and investing cash flows	(87)	(681)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	506	506
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	(300)
1.19 Dividends paid	-	-
1.20 Capital raising cost	(24)	(55)
Net financing cash flows	482	151
Net increase (decrease) in cash held	395	(530)
1.21 Cash at beginning of quarter/year to date	49	979
1.22 Exchange rate adjustments to item 1.20	(8)	(13)
1.23 Cash at end of quarter	436	436

+ 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	56
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors fees which include amounts paid to entities associated with the Directors.

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

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

-

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	-	-
3.2	Private equity placement commitments	244	-
3.3	Others (Further approved Research & Development Grant FY 2015)	-	-

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Appendix 4C
Quarterly report for entities
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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	386	49
4.2 Deposits at call	50	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	436	49

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
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:


 (Chief Executive Officer)

Date: **29 January 2016**

Print name: **James Kellett**

+ See chapter 19 for defined terms.

Notes

1. 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. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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