



29 July 2016

ASX/Media Release
(ASX:KNM)

KNeoMedia operations update and Appendix 4C for Q4 2016

- **Growing revenue profile with diversified revenue streams across multiple channels and regions**
- **Solid progress in US with sign-ups now secured for KNeoWORLD in seven schools in New York Public School market**
- **Development of third generation KNeoWORLD App will enhance suite of edutainment offerings and build revenue streams**
- **KNeoMedia well placed to further build on diversified revenue platform in FY2017**

Online education publisher **KNeoMedia Limited** (“KNeoMedia” or the “Company”) (ASX: KNM) is pleased to provide shareholders with this update on its business operations and activities for the period ended 30 June 2016, along with the attached Appendix 4C - Quarterly Report.

Revenue

Revenue for the quarter was \$55,000 and represents a significant increase on the previous quarter \$7,000 and is indicative of the growing uptake of products across multiple regions.

Sales and orders in excess of \$100,000 have been booked during July, including in the US educational markets, and will translate into cash receipts in the current quarter. Increasing uptake of edutainment offerings in the US, Australia, the UK and now Norway will further boost revenues and cash flow through FY2017.

Operational Overview

During the quarter the Company made good progress with its US operations, securing the first sign ups with four schools in the New York area for the special education version of its KNeoWORLD Games Based Learning Portal. Under these agreements, for an initial 600 seat licences, KNeoMedia will receive an annual fee of USD\$50 per seat (USD\$30,000 in total).

Post end of quarter (ASX 4 July 2016), KNeoMedia was also pleased to announce that it had secured three more agreements with non-special needs schools in New York for an additional 1,500 seat licences, bringing the cumulative total to 2,100. These sign ups have been made possible through the philanthropic foundation funding model that is prevalent in the New York public school system, and represent a major endorsement of the KNeoWORLD edutainment offering.

KNeoMedia is also undertaking a range of marketing activities to reach the direct-to-consumer market in the US, having game reviews undertaken by influential bloggers, and by promoting the KNeoWORLD platform and newly developed App to parents via a digital marketing campaign. The Parent Teacher Association fund raising model is a further channel that KNeoMedia is focusing on in this market using App products.

A notable development for KNeoMedia during the quarter (as above) was the launch of its third generation Android App version of KNeoWORLD, which is now available globally on Google Play. The new App is designed for long term audience engagement and player retention and revenue via in-App purchase, with purchases of new episodes being prompted on an episode list.

The Company anticipates soon having an iOS version of the KNeoWORLD App available, with this new technology allowing for prompt future release in Spanish and, in the case of Android, Mandarin. This will offer the potential for broader market penetration and reach in a number of geographies, in particular South America and China.

KNeoMedia has also been encouraged by increasing take up rates for its HeroWORLD edutainment product in both Australia and the UK, in conjunction with its marketing and distribution partner Mobile Embrace (ASX: MBE). Post end of quarter (ASX 15 & 28 July 2016), the Company announced that as part of its ongoing partnership with MBE, it had launched into phase two of its UK expansion, providing reach to over 40 million mobile phone subscribers in this region, and then its launch in Norway with another 5.8 million.

CEO Commentary

Commenting on KNeoMedia's achievements over the quarter and the outlook for the Company, Chief Executive Officer, James Kellett stated: "This has been a busy quarter on all fronts for KNeoMedia and we have made progress however there is much more we can do."

"The sign-ups secured for KNeoWORLD in the New York public school system are a major endorsement of our edutainment offering, and we maintain our focus on this region. The ongoing rollout of HeroWORLD into additional European and potentially Asian regions with our partner Mobile Embrace will also be a major focus for FY2017."

"The development of the KNeoWORLD Apps is a significant milestone, as these will enable us to further improve our suite of product offerings across a number of platforms, channels and regions, once again improving player experience and retention to further build and diversify revenue streams."

"KNeoMedia enters FY2017 well placed with much product development completed and with a clearly defined strategy for further revenue growth. I look forward to updating shareholders on our progress across the business in the coming weeks and 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")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	55	65
Receipts from Grant for Research & Development	-	435
1.2 Payments for (a)staff costs	(101)	(402)
(b)marketing costs	(26)	(207)
(c)one off marketing development	-	(40)
(d)research and development	(138)	(399)
(e)leased assets	-	-
(f)other working capital	(209)	(791)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	2
1.5 Interest & other finance costs (including non-recurring 50k accrued interest on Convertible Note repayment)	(51)	(104)
1.6 Income taxes paid	-	-
1.7 Other (please specify details)	-	-
Net operating cash flows	(470)	(1,441)

+ 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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(470)	(1,441)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(82)	(275)
(d) physical non-current assets	-	(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	(82)	(284)
1.14 Total operating and investing cash flows	(552)	(1,725)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	812	1,362
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	200
1.18 Repayment of Convertible Notes	(200)	(550)
1.19 Dividends paid	-	-
1.20 Capital raising cost	(33)	(105)
Net financing cash flows	579	907
Net increase (decrease) in cash held	27	(818)
1.21 Cash at beginning of quarter/year to date	104	979
1.22 Exchange rate adjustments to item 1.20	(31)	(61)
1.23 Cash at end of quarter	100	100

+ 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	53
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	Share placement	-	-
3.2	Private equity placement commitments	350	-
3.3	Others (Further prior approved Research & Development Grant FY 2016)	320	-

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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	100	104
4.2 Deposits	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	100	104

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 July 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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