



31 October 2017: ASX/Media Release (ASX: KNM)

KNeoMedia Quarterly Update & Appendix 4C

Online education publisher **KNeoMedia Limited** ("**KNeoMedia**" or the "**Company**") (ASX: KNM) is pleased to provide shareholders with this update and Appendix 4C for the quarter ended 30 September 2017.

Activity in the New York public schools sector has now returned to normal levels after the end of the US vacation period, and the subsequent commencement of the new scholastic year and as predicted, sales of new Seat Licences have materialised during October.

As previously reported, during October, the Company completed a heavily oversubscribed capital raising of \$3.85M to predominantly institutional and sophisticated investors. This, combined with the conversion of convertible note debt in the previous quarter and the accumulation of a strong debtors' ledger, has culminated in a strong debt free balance sheet with minimal creditors.

During the US summer vacation the Company made considerable progress enhancing KNeoESP and KNeoEd content by adding more learning and development functionality, fine tuning the analytics capabilities, and building in a SaaS-based online ordering tool so content is easier for schools to procure.

This work has been undertaken collaboratively with educators in the New York public school system who have provided regular feedback on the software. The Company is also processing all payments due to KNeoMedia from the New York City Department of Education. As previously reported, these payments were to materialise from budget allocated in the new financial year from July 2017 but due to NYC administrative delays payment processing has now commenced during October.

Strong seat licence commitment has progressed with more Seat Licence sales to additional New York Public Schools. As previously reported, KNeoMedia has secured the support of the New York City Education Department District 75 with 70% of District 75 now deploying the Company's content. A further six general public schools outside of District 75 have also procured Seat Licenses.

Quarterly receipts from customers and an ongoing focus on managing KNeoMedia's cost base

As has been repeatedly emphasised during the quarter, cash receipts from sales of Seat Licences in the June quarter would not materialise until the current quarter, when new budget is actually allocated to the schools. Consequently, and as expected, cash receipts from customers as reflected in the attached Appendix 4C were minimal. KNeoMedia can confirm that cash receipts have started to materialise in the current quarter.

Operating costs during the quarter remained stable at A\$400,000 and the Company has minimal creditors. The Company continues to manage its cost base very tightly and will continue to do so. The ongoing growth in sales will not add materially to KNeoMedia's cost base and the cost of additional sales support personnel will have a minimal impact on the cost base. Notwithstanding, the Company will use recently raised funds to expedite sales in New York City, the greater US market, and in new regions including Australia and Asia following the recent appointment of Melbourne based Director of Strategic Relationships, Damian O'Sullivan.

KNeoMedia is well-placed for another quarter of significant growth.

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About KNeoMedia Limited:

KNeoMedia Limited is an online education publishing company that delivers world-class education assessment products and games-based learning to global educational markets.

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

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 an education games portal where young and also special needs 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, arts, reasoning and memory. KNeoWORLD products provide extensive analytical performance data to educators and comply with child online privacy protection. Our SaaS model provides KNeoWORLD with a global education market opportunity addressing both regular and special needs students.

For further information, please contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

KNeoMedia Limited

ABN

41 009 221 783

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8	8
1.2 Payments for		
(a) research and development	(74)	(74)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(65)	(65)
(d) leased assets	-	-
(e) staff costs	(63)	(63)
(f) administration and corporate costs	(247)	(247)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(444)	(444)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(38)	(38)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(38)	(38)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	320	320
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	320	320

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	403	403
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(444)	(444)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(38)	(38)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	320	320

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of quarter	233	233

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	233	403
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	233	403

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
63
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
-
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Placement	2,099	-
8.2 Credit standby arrangements	-	-
8.3 Other (Exercise of Options)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 26 October 2017 a placement of \$2.099M was settled net of 6% fees to predominantly institutional and sophisticated investors. It is anticipated that Tranche 2 of the placement for \$1.506M will be completed after the Company's 2017 Annual General Meeting, bringing the total placement funds raised to \$3.62M net of placement fees.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	50
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	125
9.4 Leased assets	-
9.5 Staff costs	75
9.6 Administration and corporate costs	150
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	400

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....
(Chief Executive Officer)

Date: 31 October 2017

Print name: James Kellett

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.