



19 July 2016

Interview with KNeoMedia Chief Executive Officer

KNeoMedia's Chief Executive Officer, James Kellett, provides the following update for shareholders on these initiatives and the near term outlook for the Company.

1. James, KNeoMedia recently announced the 'facilitation' of a USD\$3 million education grant? What is the financial benefit to KNM here?

KNeoMedia will receive revenue from three additional public schools signing on to the KNeoWorld Games Based Learning Portal via an annual per-seat licence basis. In this instance, we are working to deliver a further 1,500 seat licences. As we have previously reported, a seat is sold at USD\$50.00 per licence, so shareholders can see that our revenue is starting to build through these channels.

While the majority of the grant is for the provision of 1,500 tablets, two year's connectivity, and the three educators implementing the program, it is a big positive for KNeoMedia and our edutainment products. It is also a reflection of the commitment to education funding in the New York public schools' system, and the commitment to games based learning products/edutainment here.

This announcement represents a very solid endorsement of the KNeoWorld Games Based Learning Portal and will greatly assist us in securing further sign ups in the New York area and ultimately across the US.

2. So how many schools in the New York public school system are now using the KNeoWorld product?

The addition of these three non-special needs schools through the agreement announced on 4 July brings the total number of schools to seven, with a combined 2,100 seat licences. This represents USD\$105,000 in annual revenue.

We only secured our first sign up with a special needs school in early April this year, followed rapidly by another in the same month, so the momentum is really starting to build.

The more schools we sign up, the easier it becomes to secure further agreements and seat licences from public schools directly and from a broad range of corporates that contribute to education funding in the United States. KNM is focused on tapping a number of revenue channels in the United States with this type of foundation funding being just one source.

3. What's the market opportunity here and is this type of funding the main revenue driver for KNeoMedia in the United States?

In grades K-8, the age group for which the KNeoWorld Games Based Learning Portal is designed, the general student population is over 1.25 million in the greater New York area alone. Of this, over 220,000 are special needs students. But we are really just scratching the surface here, as there are over 35 million in the general K-8 student population across the entire United States which represents a huge addressable market opportunity.

So while we are in the early stages, we now have validation and endorsement, a very large addressable market, and the team in place on the ground in New York to drive new sign-ons. We have made the strategic decision to initially focus our attention on the greater New York area in order to prove the product in this key market, before scaling up and expanding across the US.

The foundation funding model, which is prevalent in public schools in New York, is of course an ongoing focus for KNM, but we also plan to generate revenue by promoting KNeoWorld directly to parents in the broader consumer education market. This way, we are not entirely reliant on sales through the schools' system.

The direct-to-consumer channel, which includes our Parent Teacher Association fund raising model, is a very important one for us, and this is why we have developed mobile Apps so we can actively market to consumers. We are also having game reviews undertaken, which are very influential marketing awareness tools, and we are undertaking other means of promotion such as targeted social media, and by securing the support of influential parent bloggers as part of a fully integrated digital marketing campaign. This is all progressing well.

4. Can you also give us a brief update on the partnership with Mobile Embrace?

This is going exceptionally well, as we are now seeing some solid market penetration for HeroWorld in Australia and good growth in the UK, with steady uptake of the product in both markets. The recently announced expansion of our program in the UK with Mobile Embrace reflects how well the partnership is going.

Again we are in the early stages here, but we are confident that we can achieve greater consumer uptake and scale through direct carrier billing with Mobile Embrace's telco partners. As we have flagged, roll out of the program into other markets in Europe is pending and we expect to report on these very soon.

5. So what are the near term growth drivers for KNeoMedia?

We are now very focused on strategically building out the various revenue streams and achieving scale with each. Having a number of different revenue models in multiple regions de-risks the business and this is something we are working hard to achieve.

The Android App version of KNeoWorld that has just been launched globally on Google Play will make it far more accessible and easy to purchase, as will the iOS version soon to follow. The addition of Spanish and Mandarin language versions will give us the opportunity to expand into the huge South American and Chinese markets. We are also assessing additional distribution opportunities in China that will complement what we are trying to achieve in China through our direct carrier billing strategy with SmartTrans Holdings.

The near term growth drivers include the greater take up of KNeoWorld in the broader New York public school system, direct-to-consumer take up in all markets through the creation of the multi-language App version of KNeoWorld, and increased penetration through our direct carrier billing partnerships, most notably with Mobile Embrace, which gives us excellent geographical reach and diversity.

Third party edutainment licensing opportunities is also a focus for us and we want to build out a suite of these products which we market and promote through our distribution networks. Clever Goats is really the first example of this strategy and we expect to update shareholders on this in the near term. We are committed to becoming a global edutainment company with multiple products, and what shareholders see today is KNM sowing the seeds of that vision.

So all in all, we are in good shape – early stages, but with huge addressable markets in multiple jurisdictions.

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