



30 July 2018: ASX/Media Release (ASX: KNM)

QUARTERLY UPDATE AND APPENDIX 4C PERIOD ENDED 30 JUNE 2018

Online education publisher **KNeoMedia Limited** (“**KNeoMedia**” or the “**Company**”) (**ASX: KNM**) provides this update for shareholders and Appendix 4C for the quarter ended 30 June 2018.

Quarterly Operational Progress

Considerable progress has been made this quarter with Company’s primary focus being the formation of an operating platform that delivers a sustainable sales platform built around:

- **Partnerships** that facilitate access to multiple funding channels from both government and private enterprise;
- **Leading technology** to ensure we maintain a commanding position in Special Needs education;
- **Validated content** by globally recognised and credible health and education bodies;
- **Top talent** in Special Needs learning and development to deliver scale in the markets where we deploy content.

United States

KNeoMedia’s US team has been establishing broader sales channels in New York and other US markets with the most important development being an Alliance Partnership (“the **Alliance**”) with the USA’s oldest, largest and most widely recognised not-for-profit lobby organisations, the National Association for the Advancement of Colored People (**NAACP**) secured in June.

The Alliance Partnership gives KNeoMedia an established and wide reaching infrastructure across the United States, and the not-for-profit accreditation, to fast-track sales and roll-out KNeoWorld content across the US.

Founded in 1909, the NAACP has 2,200 Chapters in all 50 US States and more than half-million members and supporters. The NAACP’s initiatives focus on education, health and economic improvement for youth and young adults.

The NAACP collaboration greatly enhances the Company’s ability to overcome the funding shortage in New York City and State, and elsewhere, by applying a strong voice to the Departments of Education, political discretionary spending and corporate foundation funding.

A focus will continue in New York City but in collaboration with the NAACP. The Alliance Partnership is also targeting Boston Massachusetts, Atlantic City, Oranges, Newark, Morristown New Jersey and Pensacola Florida. Further states for early representation with the NAACP also include Connecticut, Pennsylvania, California, Texas, Michigan, Illinois, Maryland and Florida.

The Alliance Partnership can deliver diversified funding sources and ensure the Company is not impacted by DOE budget allocation delays that have occurred in the past. It will also ensure that after successful trials, funding will be immediately available for the purchase of Seat Licences.

Consistent with this strategy, appropriately skilled and trained business development personnel continue to be recruited and a fuller update on the team, their qualifications and network will be provided in the September quarter.

Asia

Following successful trials in six Special Needs schools, the Superintendent of the regional Department of Education in the Philippines has approved deployment of the content into Vizcaya Province and an application has been made to the Governor for Seat Licence funding.



The Company is confident of establishing a strong business in the Philippines and a workable sales model has been established that will ensure no delays in sales receipts. Negotiations with a well-established charity are also underway in the Philippines to supplement government funding. Meetings with government officials are taking place in the Philippines in late July/early August.

Elsewhere in Asia, the Company is excited to announce Singapore based Wee Woon Wong, the past President of global publishing and education company Pearson Asia, has joined the KNeoMedia Advisory Board and is currently implementing a growth strategy for the initial target market of Malaysia. This follows successful trialing in the small but key benchmark market of Singapore.

Australia

The Company continues to work with Monash University which is undertaking an in-depth study of KNeoWorld and will publish findings by November. School trials completed to date have been successful and more trials commence in the current school term. A priority is the completion of the white paper by Monash University which will be a key catalyst for expansion in Australia and other markets.

United Kingdom

KNeoWorld is now being actively marketed in the United Kingdom and as advised during the quarter, a philanthropic fund has agreed to fund the first 10 paid trials of schools in the UK with deployment into schools to occur after the northern hemisphere summer vacation. Activities during the quarter have involved the identification and selection of trial schools and the identification and recruitment of appropriately skilled and trained business development personnel. The Company expects the paid UK trials to commence in the September quarter.

Technology upgrade of KNeoWorld platform

As advised last month, to ensure the smooth roll-out of KNeoWorld content globally, KNeoMedia has relocated hosting, maintenance and content enhancement to a recognised leader in content development for children, Dubit Limited.

Based in Leeds and with offices in London, Washington DC and Melbourne and a permanent staff of 75, Dubit Limited is a kid's content research and development house that creates some of the leading products for global brands and startups such as Disney, Dreamworks, Sky, Lego, Viacom, and the AFL. They bring 20 years of insight and experience of kids' behaviours and digital lives to KNeoMedia.

The Company has now completed a substantial update of its technology platform that enables content to be rapidly 'regionalised' and thus be more relevant to students and includes text to voice for non-reading students and language diversity. These enhancements are the first key deliverables achieved since Dubit's appointment.

Financial summary

Cash at the end of the quarter was \$2.71 million and the Company is debt free.

Receipts from customers were lower for the month at \$28,000 and receivables from Seat Licences sold to New York public schools remained at ~AUD\$500,000. The Company has every confidence it will secure these funds. Sales revenue is also anticipated to build based on new budget allocations from the New York DOE, private sector and foundation funding particularly with the collaboration with the NAACP, and other channels being pursued.

Operating expenses of \$514,000 were in line with the prior quarter (\$507,000) and the Company has continued with its low operating cost model without crimping its investment in growth initiatives in the US and other markets. Quarterly expenses also included \$265,000 spent on substantial enhancement to the KNeoWorld platform to enable the rapid deployment of the content in local languages and relevant themes.

Commentary

"Key deliverables in the quarter include securing NAACP Alliance Partnership, the appointment of Dubit, and the progress made in the Philippines. The Company has now a solid framework in place to deliver sustainable sales growth. The framework includes securing credible funding partnerships, most notably those established in the United States and the Philippines, creating a first rate technology platform, securing content endorsements from credible learning institutions, an expanded team and a strong balance sheet.



“The Board and Management are well aware of the need to deliver meaningful sales in the next two quarters and secure payment for Seat Licences already sold. We now have the framework in place to do this. Regular updates on progress will be provided.”

– ENDS –

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 an annual seat licence basis through its KNeoWorld.com portal 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.

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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 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28	126
1.2 Payments for		
(a) research and development	(55)	(129)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(65)	(268)
(d) leased assets	-	-
(e) staff costs	(115)	(304)
(f) administration and corporate costs	(318)	(1,496)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	23
1.5 Interest and other costs of finance paid	(1)	(9)
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	(514)	(2,057)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(20)	(20)
(b) businesses (see item 10)	-	-
(c) investments	(3)	(3)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(265)	(456)
(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	(18)	(18)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(306)	(497)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,895
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	415	1,229
3.4 Transaction costs related to issues of shares, convertible notes or options	(7)	(287)
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	408	4,837

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	3,062	403
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(514)	(2,057)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(306)	(497)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	408	4,837

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	64	28
4.6	Cash and cash equivalents at end of quarter	2,714	2,714

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	2,714	3,062
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)	2,714	3,062

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

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

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	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	100
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	80
9.4 Leased assets	-
9.5 Staff costs	120
9.6 Administration and corporate costs	250
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	550

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:  Date: 30 July 2018
Chief Executive Officer

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.