



31 January 2017

ASX/Media Release
(ASX:KNM)

KNeoMedia operations update and Appendix 4C for Dec 2016

- **New York Public School sales progress with 2 further schools signed end of January – takes total schools signed to nine (9) with a total seat licences of 2,100 at US\$50.00 per seat licence**
- **Significant growth in New York Public Schools pipeline – 50 advanced sales inquiries now being successively converted**
- **iOS Apple App released and live testing completed satisfactorily**
- **Operations Summary**

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 31 December 2016, along with the attached Appendix 4C - Quarterly Report.

KNeoWorld Education

On 24 January 2017, the Company advised it has built a pipeline of 50 advanced sales inquiries together with interest from some US Federal education groups and that to date, over 2,000 seat licences have been sold, valued at US\$50.00 per licence. The sales team in New York is focused on converting these inquiries into firm sales. While revenue for the quarter was less than the previous quarter, the Company is confident of delivering new sales and in confirmation is pleased to advise a further two NYC public schools have committed to buy a minimum of 50 seat licences each. This takes the total seat licences to over 2,100 and growing steadily.

The Company also previously advised it had been negotiating with the Presidents of three Boroughs in New York – Brooklyn, the Bronx and Queens – to approve the implementation of KNeoWorld into schools Borough-wide. These negotiations are ongoing and interest in KNeoWorld has been most encouraging. Such implementation by the Boroughs would greatly assist in reducing the adoption period as it would assist in over-coming delays individual schools experience in funding allocation as well as enabling a broader deployment into schools in each Borough. The Company will keep shareholders updated on this sales channel.

KNeoWorld Mobile

On 11 January 2017, the Company announced the launch of its iOS Apple App. Since then, and in response to live market testing, several updates have been implemented including a further update today, to ensure this App delivers a great user experience for everyone. With live testing and updating complete, the App will be the catalyst to increase of strategic marketing activities that will now be ramped up, including via the Company’s collaboration with the US Parent Teacher Association.

Operations Summary

Direct operating costs decreased from the previous quarter by \$55,000 and, with the completion of the iOS App, intellectual property investment will also greatly reduce in the current quarter. While receipts from customers were less than the September quarter, current receivables have increased substantially as a direct reflection of increased sales activity in the New York City school education market. The receipt of sales revenue from the schools via the NYC Department of Education and others, together with anticipated additional sales from education and other channels, will support the Company’s cash flow in the current quarter.

– 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.

For further information please contact:

James Kellett

Chief Executive Officer

T: (03) 9286 7500 M: 0439 805 070

E: jkellett@kneomedia.com

Sophie Karzis

Company Secretary

T: (03) 9286 7500

E: sk@ccounsel.com.au

Released through: Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448



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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")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	34	148
1.2 Payments for		
(a) research and development	(24)	(118)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(50)	(126)
(d) leased assets	-	-
(e) staff costs	(63)	(126)
(f) administration and corporate costs	(97)	(152)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	292
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(202)	(87)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(134)	(187)
(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	(140)	(193)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	320	320
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(24)	(24)
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	296	296

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	163	100
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(202)	(87)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(140)	(193)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	296	296

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	0
4.6	Cash and cash equivalents at end of quarter	116	116

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	116	163
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)	116	163

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
53
-

- 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 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (Private Placement Commitments)	350	-
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.		

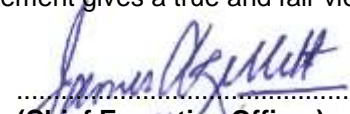
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	30
9.2 Product manufacturing and operating costs	30
9.3 Advertising and marketing	50
9.4 Leased assets	-
9.5 Staff costs	65
9.6 Administration and corporate costs	100
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	275

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

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

Sign here: 
(Chief Executive Officer)

Date: 31 January 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.