



30 April 2020: ASX/Media Release (ASX: KNM)

QUARTERLY UPDATE AND APPENDIX 4C FOR MARCH 2020

Online education publisher **KNeoMedia Limited** (“KNeoMedia” or the “Company”) (ASX: KNM) provides the following shareholder update and Appendix 4C for the quarter ended 31 March 2020.

Activities For The Quarter

US Schools and Remote-Learning

With a clear understanding that the US would be closing most schools due to COVID-19, the Company moved quickly to direct its KneoWorld eLearning SaaS platform into the home environment under remote teacher instruction and assessment. While home access has always been available in the platform, many teachers have had difficulty in providing meaningful support.

To address this and remove any difficulties, KneoWorld’s team used its Content Management System (CMS) to deploy instructional sets of story-based eLearning lessons that teachers can provide to students on a daily basis. This enables the teachers to ascertain the students’ virtual attendance and the time engaged and their progression – a key differentiator to other games-based learning products. With this information, the teacher can then address each student’s individual needs and provide ongoing tailored instructions online.

To achieve rapid engagement with educators and schools, the Company made the lesson plans and platform access free for the first 60 days with payment required thereafter. The 60-day program was completed in time for the return from the spring vacation to a stay-at-home virtual school environment across most of the US. Terms agreed enables schools and districts to arrange payment at the expiration of the free period to ensure continuity of service and we will be working with all participants to maximise longer term deployment. To date, 20 schools have taken up the opportunity and we will continue to work with them.

It is also important to note that in-home is certainly not a 'COVID-19 pivot'. Our platform has always been securely available to students 24 hours a day as an extension of the in-class licence, and teachers have in the past used it for setting homework. It was also our highly-developed and valuable CMS that enabled to us to quickly package dedicated daily lessons for schools to transmit to their at-home classes in an engaging structured format. The program essentially enabled us to show how our content could reach into the home beyond the classroom. Both parents and teachers will start to realise the benefits which is why we have gone with the 60-day trial. Post COVID-19, we see in-class and at-home access as the normal participation.

An extension of this program has been our introduction to the US home schooling market that comprises approximately 2.5 million students and is a market to which our platform is ideally suited where parents are capable and suitably skilled to deploy the platform in its proper form. Addressing this market requires negligible platform adjustment and the Company looks forward to advising shareholders of further developments.

During the quarter, KNM finally established a streamlined payment pathway through a number of US government departments to expedite sales and receipts for our ‘Connect all Kids’ initiative which includes the NAACP and Dell Technologies. This will now greatly assist us in completing many more sales under the ‘Connect all Kids’ initiative and also establishes a clear precedent and pathway to obtain further



financial commitment and sales in the program and most importantly, in a far more timely manner. While the past delays have been frustrating, our team in New York has created a robust multi-party approval process involving City Council, the DOE and government representatives (e.g. Assembly and Congress members, Mayors, Councilors etc.) that commit the original funds. The mapping of the pledge-approval-payment process will ensure future payments for other previously announced sales will be much more seamless and of course, timely. 'Connect all Kids' is a worthy program and we remain committed to this channel despite the delays.

While the US is one of the Company's major focuses, including converting the previously announced sales into paying deployments, we have been assessing other regional opportunities as one of four defined pillars of market development and post balance date, we reported a secure licencing agreement with private equity company Augustya, India, as announced in late April.

The agreement is an outstanding opportunity for the Company to enter the private education market in India which has 1.5 million Kindergarten to Year 12 schools (K-12) with over 250 million students enrolled. Of this, 40 percent or 100 million students, are educated in private schools which are not dependent on government funding. This is the part of the market that the Augustya is specifically targeting.

Operations

The Company moved quickly to offset the impact of COVID-19. While maintaining 100% operational capability and product delivery via its cloud-based SaaS platform it was also able to reduce currently redundant marketing and conference costs while maintaining sales initiatives online.

Significant Post quarter Events

- Completion of capital raise of \$2.5 million with Peloton Capital as lead broker, as announced.
- Major licencing Agreement with Augustya, India, as announced.

About KNeoMedia Limited:

KNeoMedia Limited (ASX: KNM) is a SaaS publishing company that delivers world-class education and assessment products to global markets in both special and general education classrooms via its KneoWorld portal special and general education classrooms via its KneoWorld portal. Student seat licences are sold to education departments on an annual basis and via distribution agreements. The KneoWorld platform is a story-based and game assessment learning program that provides engaging and effective ways for students to process and apply academic skills and concepts. Researched and evidence based, programs are mapped and measured to curriculum with student performance data delivered via the educator dashboard. KneoWorld is fully compliant with child online privacy protection including US COPPA and European GDPR. Our proven ability to engage, educate and assess provides a global education market opportunity selling on a business to business strategy.

Authorised for release by James Kellett, CEO

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

KNEOMEDIA LIMITED

ABN

41 009 221 783

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28	248
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10)	(37)
(c) advertising and marketing	(138)	(606)
(d) leased assets	-	-
(e) staff costs	(209)	(702)
(f) administration and corporate costs	(79)	(818)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(58)	(63)
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	(466)	(1,978)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	(148)	(561)
(f) other non-current assets	-	(25)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(148)	(587)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,264
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(105)
3.5	Proceeds from borrowings	420	420
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	420	1,579

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	278	1,168
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(466)	(1,978)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(148)	(587)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	420	1,579
4.5	Effect of movement in exchange rates on cash held	-	(98)
4.6	Cash and cash equivalents at end of period	84	84

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	84	278
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)	84	278

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
105
-

Description of items reported at 6.1 and 6.2: Director fees and wages paid in the quarter.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	270	270
7.2 Credit standby arrangements	2,000	-
7.3 Other (short term loan)	150	150
7.4 Total financing facilities	2,420	2,420

7.5 **Unused financing facilities available at quarter end** 2,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Further Details:

7.1: Elsadik Investments Pty Ltd at 10% interest.

7.2: Access to a \$2m facility provided by Stratford Capital valid to 31 December 2020.

7.3: Unsecured private short term advance.

Both facilities at 7.1 and 7.3 will be extinguished in the following quarter.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(466)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	84
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,000
8.4 Total available funding (Item 8.2 + Item 8.3)	2,084
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Placement raising \$2.5m completed on 23rd April 2020.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

In addition to the completed raise, the efforts carried out across the United States is expected to convert to further sales receipts.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

We expect operations to continue supported by the recent raise and progress made across our international markets.

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.

Date: 30 April 2020

Authorised by: Mr. James Kellett, Chief Executive Officer

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.