

29 January 2021

ASX/Media Release (ASX: KNM)

Quarterly Activities Report & Appendix 4C

Online education publisher KNeoMedia Limited (“KNeoMedia” or the “Company”) (ASX: KNM) is pleased to provide this update on performance for the quarter ended 31 December 2020. The Company’s focus in the quarter has been to ensure the successful deployment of content and hardware to support the roll-out of the *Connect All Kids* education initiative into New York City public schools, securing new agreements to expand the sales and distribution of the KNeoWorld technology and actively building investor support in the United States.

Financial summary

KNeoMedia ended the quarter with cash at bank of approximately \$1m and no debt, and additionally has contractually binding receivables of A\$350,000. As stated in the Appendix 4C attached, the Company is funded well beyond the next two quarters.

Payments to related parties of the entity and their associates

During the quarter, \$93,000 was paid in fees and salaries to Directors.

Connect All Kids roll-out

As advised during the last quarter, KNM reported its second successful enforceable contract valued at \$US1 million (KNM’s share: ~A\$355,000) of the *Connect All Kids* education initiative where KneoWorld three-year licences are included with Dell hardware for use by students in the New York public school system.

With the uncertainty created by the COVID-19 pandemic which has seen public schools in New York closed, the Company’s focus was to ensure the successful deployment and use of the first 1,700 devices and licences into 20 schools across 3 Districts. The second contracted deployment to the New York City Department of Education (NYC DOE) for an additional 1,700 Dell Chromebooks and three-year KneoWorld licences is progressing. In this instance, Dell is bundling and paying KneoWorld directly, a sign of their growing confidence in the *Connect All Kids program*.

These deployments have created excellent visibility and validation for *Connect All Kids* in the public education system in New York City and more widely across New York State with more schools and Districts now seeking the content. The focus is to achieve greater critical mass in New York while expanding to other US states with NAACP and Dell.

US funding secured

During the period the Company successfully raised AUD\$1m through a placement to Lind Global Macro Fund, LP, an investment fund managed by The Lind Partners, a New York based institutional fund manager.

Lind Partners is supportive of the Company’s growth strategy and primary focus on the US education market and they were attracted by KneoMedia’s recent sales success in the New York public school system through the ‘*Connect All Kids*’ education initiative established with NAACP and Dell Technologies. They also recognise the potential for the broader roll out of the KNeoWorld technology across the United States through the different sales and promotional channels the Company is assembling.

Lind Partners has a track record investing in the EdTech sector and in businesses of a similar nature to KNeoMedia. In September 2020 it funded a US\$20m follow-on investment in Nasdaq-listed Boxlight Corporation (Nasdaq: BOXL), a leading provider of technology solutions for the global learning market.

Expanding sales and marketing channels in the United States

As reported subsequent to the end of the quarter, the Company has been actively pursuing new channels to market, primarily in the United States, to broaden and diversify the distribution of the KNeoWorld content and grow sales. Partnerships have been announced with the prestigious Home School Buyer Co-Op (“HBCO”) and First Inspires (“FIRST”). The KNeoWorld Inc. team in the United States has been working on these agreements for over six months and more are under consideration.

The new partnerships reinforce the appeal and educational qualities of KNeoWorld and put the Company in a much stronger position to deliver sales from six defined channels to market in the US. These channels are:

1. The ‘Connect All Kids’ NAACP/Dell collaboration funded by DOE State and City budgets and political and Foundation budgets.
2. Direct to schools and Districts sales funded by DOE State and City budgets
3. In school Career Technology Education (CTP) programs to Districts funded by established CTE program budget.
4. Direct sales through the Home School Educators Academy funded by direct sales to consumers.
5. Home School Buyers Co-op reseller partnership funded by direct sales to consumers.
6. The partnership with First Inspires creating extensive awareness in the school and consumer sectors.

Progress in other international markets

While the Company remains focused on advanced sales opportunities in the United States first and foremost, further progress is being made in other markets. As reported last quarter, our JV partner in the Philippines has recently deployed KNeoWorld content into opportunities that have been paused for nearly 12 months with each Seat Licence there being sold to Government schools by our joint venture partner for US\$100. Our licensing agreement in India with Augustya is currently on hold given the impact of COVID-19. We see considerable scope for growth here and India remains a focus for KNeoMedia.

Establishing a presence in new international markets with respected partners is also advancing very favourably.

Comment

Chief Executive Officer James Kellett said: *“Our focus this quarter has been to broaden sales channels and ensure our content can be sold and distributed, online, offline, in the classroom and in the home given the fluid situation created by the COVID-19 pandemic. To date, KNeoWorld’s success has largely relied upon a classroom-based teaching and learning environment and our team has spent a great deal of time broadening the channels to market and ensuring content can be easily sourced. This positions us well for the coming year to build sales in both the school and home school sectors as normality returns.”*

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



For further information, please contact:

James Kellett
Chief Executive Officer
T: +61 1300 155 606 M: +61 439 805 070
E: jkellett@kneomedia.com

Eryl Baron
Company Secretary
T: +61 1300 155 606
E: Eryl.baron@boardroomlimited.com.au

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



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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 DECEMBER 2020

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	3	358
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10)	(21)
(c) advertising and marketing	(153)	(263)
(d) leased assets	-	-
(e) staff costs	(229)	(464)
(f) administration and corporate costs	(307)	(498)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	12	37
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(685)	(853)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	(188)	(296)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(188)	(297)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	1,000
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	-	-
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	1,000	1,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	840	1,114
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(685)	(853)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(188)	(297)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	1,000
4.5	Effect of movement in exchange rates on cash held	2	5
4.6	Cash and cash equivalents at end of period	969	969

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	969	1,114
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)	969	1,114

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(93)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	2,000	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,000	-
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.		
Access to a \$2m facility provided by Stratford Capital extended to 31 January 2022.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(685)
8.2 Cash and cash equivalents at quarter end (item 4.6)	969
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)	2,969
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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: n/a	
8.6.2 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: n/a	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: n/a	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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:29 January..2021.....

Authorised by: ..James Kellett, Executive Chairman.....

(Name of body or officer authorising release – see note 4)

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.