

30 July 2021

ASX/Media Release (ASX: KNM)

Quarterly Activities Report & Appendix 4C

Highlights

- **New York City Councillors committed a further US\$3m**
- **Total device numbers to increase to 8,400 in over 100 schools**
- **Albany School District in New York State approved CTE program**

Further sales in New York State and some Florida Counties are anticipated for the new school year.

Online education publisher KneoMedia Limited (“KneoMedia” or the “Company”) (ASX: KNM) is pleased to provide this update on activities and performance for the quarter ended 30 June 2021. The strategy for the Company focused on the continued roll-out of the *Connect ALL Kids* education initiative across New York City and expansion into additional key US markets including New York State and Florida to coincide with the return to in-school teaching and learning.

Overview

As expected, being the last quarter of the United States school term revenue was negligible and the Company’s focus was solely on locking in forward sales for the new school year that will be conducted in-class and with substantially increased school budgets. This will build on the 53 schools in New York City that are currently using the KneoWorld platform and hardware deployed to date from the *Connect ALL Kids* KneoWorld, NAACP, Dell initiative. Furthermore, cash levels were well managed during this period with reduced outgoings and the reported low bank balance was supported by a capital raising in July.

Chief Executive Officer James Kellett said: *“The third deployment of the Connect ALL Kids program is a clear indicator of momentum building following the return of in-class-teaching and re-initiation of educational programs in the United States. Its pleasing that students, teachers, and parents alike recognize the value that the KneoWorld platform brings to the classroom, as we have without a doubt developed a dependable sales channel for our technology in New York City and now New York State, collectively the largest public education market in the world.*”

“The expansion into New York State is a big milestone for the Company as it vindicates the hard work and growth strategy developed by the Company to gain a foothold in this market. Earmarked as the next logical space for expansion, whilst small in revenue terms, it’s a great catalyst and reference point to achieve scale and further increase our reach in the 731 public school districts of New York State.”

“Collaborating with EEV provides us with yet another key partner in which we will utilise their expertise and experience in the US educational landscape. With their guidance we will look to accelerate our business development initiatives and continue to lock in sales opportunities across key US markets. With their support and continued support from Dell, the NAACP, and most importantly teachers and students, we believe that the roll-out is just beginning as the demand for access to equal technology will only increase.”

“As some normality returns to the United States education market, our near-term objective is to secure the funds from the third Connect ALL Kids deployment, get our content and hardware into the schools earmarked for this deployment, and achieve greater critical mass in New York State by locking up more direct-to-school deployments – a revenue stream in addition to our Connect ALL Kids program.”

Commitment received for third *Connect ALL Kids* deployment valued at US\$3m

As announced during the quarter, New York City Councillors committed a further US\$3m to the *Connect ALL Kids* education initiative into New York City public schools. This was the third and largest deployment for the program to date, with a total of \$5m of funding deployed for this education initiative which is led by the Company. KneoMedia’s share of this deployment now exceeds US\$780,000 or ~A\$1,000,000¹ in revenue.

Under the deployment, 5,000 Dell Chromebooks and KneoWorld technology, will be provided to a number of New York City public schools and will take the total device numbers to 8,400 in over 100 schools. The success of *Connect ALL Kids* in the classroom is driving the increased support from New York City Councillors and is reflective of the growing commitment to the program given their desire to assist students who have fallen behind as schools closed during the pandemic.

With in-person teaching resuming, funding and the roll-out of previously stalled education programs is now ramping up significantly, with this deployment coinciding with the new school year starting in August. With approved supplier status with the New York City council and Department of Education (DOE), receipt of funds is expected to be seamless.

First seat licences for Albany, New York State approved

Albany School District in New York State approved KneoWorld's Career Technology Education (CTE) program for Phase I deployment of the first 100 Seat Licences in the district. The approval follows a three-month pilot program undertaken across five schools in Florida where the KneoWorld technology was extensively tested and reviewed.

Albany is the capital of New York State and the first deployment here delivers excellent market visibility for the KneoWorld technology in a large market. With 731ⁱⁱ public school districts across the State, this is a logical market where the Company plans to grow its presence and achieve greater sales uptake. The first approval will act as a valuable reference point and catalyst for sales into the State's other schooling districts as well as Phase II direct Seat Licence sales.

This is another example of an approval materializing as schools start to return to in-class teaching and KneoWorld programs are re-initiated. Further sales in New York State as well as a number of Florida Counties are anticipated for the new school year.

Additional sales and marketing channels

The Company secured a partnership with proven EdTech business development brand accelerator EEV. The partnership will aim to grow sales of KneoMedia's SaaS-based KneoWorld software across key US markets. EEV will provide KneoMedia with strategies to elevate brand messaging to a market-leading position within the K12 and early childhood verticals. KneoMedia and EEV will work together to leverage EEV's network of key connectors and influencers within the US education market.

Additional direct-to-school sales of KneoWorld are advancing and importantly represent a second sales channel in the United States alongside *Connect ALL Kids*.

Financial overview

Cash balance at the end of the quarter was supplemented with a capital raising in July and no debt facilities have been utilised. As stated in the Appendix 4C attached, the Company is funded well beyond the next two quarters.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C includes Directors' fees and salaries (including superannuation).

Events subsequent to the end of the quarter

On 12 July 2021, the Company completed a capital raising of \$650,600 through a non-brokered placement of 108,433,335 fully paid ordinary shares at \$0.006 per share to new and existing investors. The placement was done at market and no fee was paid.

In July and August, which is just prior to the beginning of the new school year in the United States, budgets are allocated and subsequently made available through the Departments of Education (DOEs) for new programs. Aside from the previously announced US\$3m *Connect ALL Kids* deployment, which is funded through political channels, budget is provided directly from DOEs as well as other political channels.

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 and more recently business to consumer.

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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i Based on exchange rate of \$A1.00 buying \$US0.75

ii <https://data.nysed.gov/>

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")

30 JUNE 2021

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	2	674
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(18)	(50)
(c) advertising and marketing	(195)	(724)
(d) leased assets	-	-
(e) staff costs	(94)	(712)
(f) administration and corporate costs	(21)	(648)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	50
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(326)	(1,412)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(2)
(d) investments	-	-
(e) intellectual property	(169)	(691)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(169)	(693)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	510	1,114
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(326)	(1,412)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(169)	(693)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,000
4.5	Effect of movement in exchange rates on cash held	(8)	(2)
4.6	Cash and cash equivalents at end of period	7*	7

*Capital raising totalling \$651K was completed in July 2021, these receipts will be recognised in the Sept 2021 quarter

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	7	510
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)	7	510

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	(49)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	2,000	-
7.3 Other (please specify)	651	-
7.4 Total financing facilities	2,651	-
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.		
7.2 Access to a \$2m facility provided by Stratford Capital valid to 31 January 2022.		
7.3 Capital raising of \$651K was completed during July 2021.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(326)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7
8.3 Unused finance facilities available at quarter end (item 7.5)	2,651
8.4 Total available funding (item 8.2 + item 8.3)	2,332
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7
<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: ...30 July 2021.....

Authorised by:James Kellett, Chief Executive Officer.....
(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.