

28 July 2022

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 activities and performance for the quarter ended 30 June 2022 (the ‘quarter’). The Company’s focus was on the roll-out of the *Connect ALL Kids* education initiative in New York and consummating sales in Florida.

HIGHLIGHTS

- Focus for the quarter was ongoing investment (approximately \$360k) in KneoWorld content to strongly position the Company for the expected ramp-up of activities from the planned future and larger scale New York City Department of Education (“NYC DOE”) deployments
- Strong engagement with NYC DOE’s technical team on rapid device integration to support larger deployments planned throughout New York City
- New York City Councillors reinforced their commitment to the ‘Connect All Kids’ program with a further US\$1m grant to the program (KNM’s share ~A\$380k)
- Significant momentum in Florida with our first commercial contract signed with Early Learning Coalitions in Osceola County for approx. A\$50k with another A\$50K deployment in September
- KNM has sufficient cash and receivables at quarter end which provides enough flexibility to continue to progress its engagement with NYC DOE

Chief Executive Officer James Kellett said: *“Our focus this quarter has been on preparing for a major scale up of activities and deployment of KneoWorld in New York City in close collaboration with the New York City Department of Education (‘NYC DOE’). We committed substantial funds to expanding our content and enhancing the technology platform which was done in consultation with the New York DOE. The KneoWorld content, which underpins the ‘Connect ALL Kids’ education initiative, has been extensively tested and verified in New York City and we believe we are well positioned to secure a major contract in the near-term. Our confidence is reinforced by the engagement this month with the New York DOE’s technical team on integration processes.*

“We are also pleased and encouraged by the ongoing commitment from the New York City Councillors to the ‘Connect All Kids’ program with a further US\$1m grant secured during the period. KneoMedia’s share of this grant is ~A\$380,000. Since August 2020, a total of US\$4 million has been committed by the Councillors to the program – a strong vote of confidence in its effectiveness.

“The quarter also saw our first commercial sale in Florida with the KneoWorld platform deployed in a select number of Early Learning Coalitions in Osceola County. These coalitions are extensive in the public and private sector in Florida and there is considerable scope for growth here. Our initial toehold in the Florida education market mirrors our initial entry into New York and will likely see a significant scale-up as our technology becomes more imbedded within the education system.”

OPERATIONAL REVIEW

Our key focus for the quarter was spent putting in place the necessary infrastructure for a larger deployment of ‘Connect ALL Kids’ education initiative. The Initiative members have been working closely with the NYC DOE Chancellor David C. Banks on a larger-scale deployment of ‘Connect ALL Kids’. A recent meeting at the STEM Alliance Leadership Conference held during the quarter saw the NYC DOE reinforce their commitment to the program and plan for a potential large-scale deployment in New York City.

To help facilitate a future larger-scale deployment in New York City, a further A\$360K was invested in content to ensure that it aligns with the requirements of the NYC DOE and the local schooling districts. As well, and following this meeting, members of the *Connect ALL Kids*' education initiative engaged directly with the NYC DOE's senior IT members on rapid device integration to DOE IT systems and future distribution of Dell Chromebooks via their NYC centres.

Also, in the quarter, the New York City Councillors reinforced their commitment to the 'Connect All Kids' program with a further US\$1m grant to the program. KneoMedia's share of this grant is A\$380,000. Since August 2020, a total of US\$4 million has been committed by the Councillors to the program. With this grant, a further 1,700 Dell Chromebooks, pre-loaded with the KneoWorld technology, will be deployed into New York City public schools.

The Company was also pleased to secure its first commercial deployment in Florida during the period with the KneoWorld content to be contracted in the first Early Learning Coalition (ELCs) in Osceola County with the program funded by the Florida Office of Early Learning. Whilst this is a relatively modest contract that will yield \$A100k of revenue between now and the end of September, it provides a unique launching pad to significantly scale up in this market targeting these EPCs initially which focus on pre-Kindergarten (VPK) classrooms within the ELC centres which cater to those 4 years and younger. Most counties have VPK classrooms integrated into their local school districts. Based on 2020 data, 71 percent of 4-year-olds in Florida attended VPK. Approximately 171,000 children were served by 6,501 ELC sites. To put this in context, KneoWorld has been deployed in one single ELC so far.

Financial

Customer receipts for the quarter were A\$66K and net operating cash outflows were A\$605K after accounting for increased product development spend. Together with cash at the end of the quarter and the receipt of the ~A\$380K from the recent 'Connect All Kids' commitment, KNM has at June 30th \$A900K of cash and receivables available.

Related party payments

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).

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 the Board

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



KneoMedia on Twitter: <http://twitter.com/KNeoMedia>

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 22

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	66	401
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	78	(21)
(c) advertising and marketing	(167)	(718)
(d) leased assets	-	-
(e) staff costs	(218)	(977)
(f) administration and corporate costs	(364)	(1,153)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
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	(605)	(2,468)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(3)
(d) investments	-	-
(e) intellectual property	(363)	(932)
(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	(366)	(935)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	13	2,725
3.2	Proceeds from issue of convertible debt securities	-	1,250
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	13	3,975

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,543	7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(605)	(2,468)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(366)	(935)

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)	13	3,975
4.5	Effect of movement in exchange rates on cash held	(32)	(26)
4.6	Cash and cash equivalents at end of period	553	553

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	553	1,543
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)	553	1,543

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	(89)
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 <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)	-	-
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.		
7.2 Access to a \$2m facility provided by Stratford Capital valid to 31 January 2023.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(605)
8.2 Cash and cash equivalents at quarter end (item 4.6)	553
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)	2,553
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:28 July 2022.....

Authorised by:James Kellett, Chairman, 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.