

28 April 2023

ASX/Media Release (ASX: KNM)

Quarterly Activities Report & Appendix 4C

KneoMedia Limited (“KneoMedia”, “KNM” or the “Company”), a SaaS publishing company delivering world-class education and assessment products, is pleased to provide an update on activities and performance for the quarter ended 31 March 2023 (“Q3 FY23” or “March quarter”). All figures are in AUD unless stated otherwise.

OPERATIONAL REVIEW

Connect All Kids initiative

In Q2 FY23, the Company announced the largest deployment to date as part of the ‘Connect All Kids’ education initiative – its educational collaboration with Dell Technologies and National Association for the Advancement of Coloured People (NAACP) to increase resource equity and improve teaching in underserved communities. This particular deployment resulted in 40,000 Dell Chromebooks being deployed into 11 school districts located in the Boroughs of Manhattan (Harlem), Queens, Brooklyn and The Bronx in New York City.

During the March quarter, the Company continued to work with the New York City Department of Education (‘NYC DOE’) to finalise terms, enabling payment that had been subject to completion of contractual documentation – a process consistent with previously deployed contracts. As announced to the ASX on 27 April 2023, KneoWorld has remained fully engaged with the DOE, finalising and documenting the purchase order to facilitate payment of the first US\$1 million tranche (“Tranche 1”) for KneoWorld licences to be accessed on the 40,000 Dell Chromebooks. The Company has recognised this in the accompanying Appendix 4C as a receivable of approximately A\$700,000, being KNM’s share.

As outlined, this significant deployment, in which 40,000 Dell Chromebooks will be progressively loaded with KneoWorld content as tranche payments are made, comes after an extended period of collaboration and cooperation between the Company, Dell Technologies and the National Association for the Advancement of Colored People (NAACP), to build a software solution that provides broader access to technology and world-class education products in New York City and other US markets.

Importantly, this payment will mark the largest single contract payment received to date for the world-class KneoWorld education and assessment platform. Encouragingly, the Company also believes this documentation confirmation progress for Tranche 1 essentially paves the way for future licence payments for KneoWorld.

Further business development progress

Building on the success of the 'Connect All Kids' initiative, KneoWorld's New York team continues to scale up existing channels while pursuing adjacent opportunities. Adding content and classes for these markets has also been a key focus for the development team during the March quarter. Currently, additional sales are being pursued in New York State and with the New York City Council, which continues to separately fund and support KneoWorld deployments.

Pleasingly, select Florida Early Learning Centres ('ELCs') have also recently renewed their licences for another year. While this is a standalone KneoWorld transaction – outside the 'Connect All Kids' initiative – it represents a significant opportunity for the Company, over time. Furthermore, they have pre-ordered an additional 1,000 licences for the next school year (valued at A\$70,000), which will add to the Company's small, albeit growing, recurring revenue base. Other ELCs in Florida are also expressing further interest in purchasing licences based on the successful outcome in Osceola County.

KneoMedia Chief Executive Officer James Kellett said: *"Our primary focus in the quarter has been to work with the NYC DOE to finalise contractual terms and supportive documentation that facilitates payment for the KneoWorld education content. As reported, this is being paid in tranches and we have established a framework so that future tranche payments, beyond the first US\$1 million reported, are more seamless. 'Negotiated Services' have now been established for KneoWorld with the NYC DOE, meaning that the technology is recognised within their procurement guidelines. Beyond New York, we are pleased to be increasing our presence in Florida in our own right, and the growing revenue streams from the NYC DOE means we will have additional funds to more aggressively scale up in the state with more consistent sales and marketing initiatives."*

FINANCIALS

During the quarter, the Company raised \$1.6m from existing and new sophisticated investors to enable further content development to meet sales opportunities and customer needs and retire \$300,000 borrowings. Cash outflows for the quarter remained modest and in line with previous quarters, with corporate expenses decreasing during the period. Maintaining a low-cost base continues to be a focus.

KneoMedia continued to invest in the KneoWorld technology platform with \$246k invested during the quarter, which positions the Company strongly to capture large deployments of the 'Connect All Kids' education initiative in New York City and other US markets for both initiative and standalone KneoWorld sales.

As at 31 March 2023, KneoMedia had cash and receivables of \$1.3m.

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 general and special 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 business to business.

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 Larsen, NWR Communications: +61 439 789 842



Follow 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")

31 March 2023

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 <i>*refer to 8.6.2 for commentary on additional \$700,000 receivable</i>	4	401
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8)	(21)
(c) advertising and marketing	(162)	(501)
(d) leased assets	-	-
(e) staff costs	(240)	(671)
(f) administration and corporate costs	(171)	(610)
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	(577)	(1,402)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(246)	(708)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
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	(246)	(708)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,600	1,600
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	(35)	(35)
3.5 Proceeds from borrowings	-	1,000
3.6 Repayment of borrowings	(300)	(300)
3.7 Transaction costs related to loans and borrowings	-	(45)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,265	2,220

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	170	553
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(577)	(1,402)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(246)	(708)

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)	1,265	2,220
4.5	Effect of movement in exchange rates on cash held	(11)	(62)
4.6	Cash and cash equivalents at end of period	601	601

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	601	170
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) cash in transit	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	601	170

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	124
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. 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.		
7.2 Access to a \$2m facility provided by Stratford Capital valid to 31 January 2024.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(577)
8.2 Cash and cash equivalents at quarter end (item 4.6)	601
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)	2,601
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: A \$700K invoice has been issued to the US Department of Education. Receipt of funds is expected within 30 days.	
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 April 2023.....

Authorised by: ... James Kellett, Managing Director.....
(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.