



31 January 2020: ASX/Media Release (ASX: KNM)

## QUARTERLY UPDATE AND APPENDIX 4C FOR DECEMBER 2019

Online education publisher **KNeoMedia Limited** ("**KNeoMedia**" or the "**Company**") (ASX: KNM) provides this update for shareholders and Appendix 4C for the quarter ended 31 December 2019.

### Progress for the quarter

#### 'Connect all Kids' deployments

Deployment of the KneoWorld technology into schools from previous sales announced under the 'Connect all Kids' program was a priority for the Company in the quarter. KNM is pleased to report all regulatory and education department processes have been completed to enable the deployment and payment. Furthermore, the initial order under the KneoWorld/NAACP/Dell 'Connect all Kids' program has been increased, with KNM's revenue on this first transaction increasing from the previously announced ~A\$300,000 to ~A\$400,000.

With all approval and delivery processes now in place the Company looks forward to the continuing deployment of the sales previously announced under the program. Pursuing new sales from School Districts and other educators is also a priority.

While initial deployment has taken longer than expected, this first deployment, which includes integration of the Chromebooks with NYC DOE IT and Google Chrome Education Management Licenses, sets the standard and methodology and paves the way for faster cash collection as it will validate and accelerate further sales for the program with each sale invoiced at time of deployment.

The successful deployment in New York also paves the way for expansion of the 'Connect all Kids' program into more states via the NAACP's national coverage of 2,200 chapters. All licences sold through this program are for a period of 3 years.

### Other sales channels

In other US states, KNM continues to increase its presence by joint validation programs and anticipates growing sales from these activities on a seat licence basis. This includes Florida where, as previously announced, KNM was successful in securing its first order with Florida A&M University's Development School awarding the Company with an initial 500 seat order. While deployment was delayed for reasons beyond the Company's control, further progress is being made with more sales pending. As reported, the commencement of sales in Florida represents a second revenue stream for the Company in the United States where KNM receives all revenue (US\$50.00 per Seat Licence) from sales. This is distinct from the 'Connect all Kids' program where revenue is split between NAACP, Dell and KneoMedia.

Also during the quarter, the Company deployed the 1,000 seat licences sold in the previous quarter to Leeds Education UK, together with the deployment of other licence sales previously announced to schools in the greater London area. Each deployment creates further validation and a sales reference point with Leeds offering to act as an ambassador City to other large cities in their area such as Manchester.

In all instances, there is a need to integrate our sophisticated platform into the respective school or district learning management systems (LMS) and while this can cause a delay in final live status, it is also just one of our advantages that we can integrate into LMS systems as digital educational product management becomes more sophisticated.



### **Data Collection**

The online education market continues to grow, so too does the level of sophistication and integration required by participants and KneoWorld remains at the forefront of student engagement, education and assessment. KneoWorld's many key points of data collection enable the Company to deliver a personalised and highly relevant educational experience for each student in 6 curriculum segments under the guidance of educators, a factor that will become increasingly important over time.

Further, KneoWorld data collection now includes pre and post assessment of each student thereby delivering definitive educational outcome improvement.

### **OTCQB Markets approval**

As previously reported the Company has been frustrated by the regulatory delays in achieving the intended full OTCQB Markets approval together with DTC eligibility that allows retail US investors to trade online.

KNM has received approval to trade on the OTC Markets and since the last update, the Australian and US share registries have been aligned and synchronized thereby clearing the path to the final step of DTC approval. This approval will allow US shareholders to freely buy KNEOF shares online to taking advantage of investment in what is a US centric ethical business now demonstrating substantial growth in their own US market.

As previously explained the listing provides US investors with an easy mechanism to invest in KNM as under which no new shares will be issued but rather, are traded across both registries.

### **March quarter objectives will continue on from December quarter being:**

- Deliver more sales under the KneoWorld/NAACP/Dell 'Connect all Kids' initiative
- Deliver sales directly from other US states schools and districts, namely Florida;
- Achieve cash collections from the Connect the Kids Program and New York City DOE;
- Further sales in the United Kingdom;
- Further sales in Philippines with JV partners with 2 substantial sales in final stages of approval;
- Commence OTCQB - DTC Market trading.

-Ends

*Authorised by the Chairman and Chief Executive Officer*

### **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.

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

**KNeoMedia Limited**

**ABN**

**41 009 221 783**

**Quarter ended ("current quarter")**

**31 December 2019**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	49	220
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(17)	(27)
(c) advertising and marketing	(206)	(469)
(d) leased assets	-	-
(e) staff costs	(245)	(492)
(f) administration and corporate costs	(388)	(739)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(810)</b>	<b>(1,512)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1)	(1)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(195)	(413)
	(e) other non-current assets	-	(25)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(196)</b>	<b>(439)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,244	1,264
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(105)
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	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,244</b>	<b>1,159</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	103	1,168
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(810)	(1,512)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(196)	(439)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,244	1,159
4.5	Effect of movement in exchange rates on cash held	(63)	(98)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>278</b>	<b>278</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	278	103
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>278</b>	<b>103</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	123
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Placement	2,000	-
8.2 Credit standby arrangements	-	-
8.3 Other	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has access to a A\$2 million Equity Placement Facility provided by Stratford Capital valid to 31 December 2020 whereby the Company may place shares at minimum value of A\$150,000 and up to A\$500,000 per placement at a price of 95% to VWAP over a pricing period.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	10
9.3 Advertising and marketing	150
9.4 Leased assets	-
9.5 Staff costs	240
9.6 Administration and corporate costs	250
9.7 Other (Capitalised product development cost)	150
<b>9.8 Total estimated cash outflows</b>	<b>800</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### 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.



James Kellett  
Chief Executive Officer  
31 January 2020

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.