



30 October 2019: ASX/Media Release (ASX: KNM)

QUARTERLY UPDATE AND APPENDIX 4C FOR SEPTEMBER 2019

Online education publisher **KNeoMedia Limited** ("**KNeoMedia**" or the "**Company**") (ASX: **KNM**) provides this update for shareholders and its Appendix 4C for the quarter ended 30 September 2019 (**September Quarter**).

Highlights of the September Quarter include:

- Re-commencement of customer receipts from sales in the United States and the United Kingdom.
- Increase of licence sales and sales pipeline.
- Further progression of DTC eligibility for OTC listing.

Overview and key deliverables for the September Quarter

The Company is pleased to confirm the re-commencement of cash receipts and confirms that these will substantially increase in the current quarter as sales announced are progressively deployed into schools and accordingly paid.

During the September Quarter US annual licence sales were 11,500, comprising 3,600 for three years, and 500 on an annual basis. The advantage of those licences paid in advance for three years removes the burden of securing annual renewals and ensures the content becomes better entrenched in the respective schools. This will in turn deliver very high retention rates. These sales have been largely achieved under the Company's NAACP and Dell Education 'Connect all Kids' alliance.

As these licence sales are implemented in conjunction with the delivery and integration of the Dell devices into the school and districts IT framework, the collection of receivables will increase in parallel.

KNeoMedia was also successful in securing its first order in Florida in the September Quarter with Florida A&M University and its Development School awarding the Company with an initial order of 500 Seat Licences. Further progress is being made in Florida 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 September Quarter, the Company achieved UK sales of 1,280 licences and these are currently being integrated into the respective school systems.

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.



As the online education market continues to grow, so too does the level of sophistication 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 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.

The attached Appendix 4C reflects the income for the September Quarter and operational expenses also include a reduction in creditors from 30th of June rather than an increase in operating costs.

OTC Markets

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 believes that, after substantial delays caused by aligning both its Australian and US registries, that the simplified transfer of shares between the two registries is near complete. With that process complete, the final step will be DTC application and approval thereby allowing 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 trade across both registries.

In the current quarter the Company will continue to deploy its four growth cornerstone pillars of:

1. **Partnerships** that facilitate access to multiple funding channels from both government and private enterprise;
2. **Leading technology** to ensure we maintain a commanding position in Special Needs education;
3. **Validated content** by globally recognised and credible health and education bodies;
4. **Top talent** in Special Needs learning and development to deliver scale in the markets where we deploy content.

December Quarter objectives will continue on from September Quarter being:

- Deliver more sales under the NAACP DELL "Connect all Kids" initiative and directly with other US states with schools and districts, namely Florida;
- Achieve cash collections from New York City Department of Education;
- Further sales in the United Kingdom and provide an update on progress;
- Further sales in Philippines with JV partners;
- Commence OTCQB Market trading.



Comment

KNeoMedia's CEO, James Kellett, commented: *"We have made solid progress in the quarter and the re-commencement of cash receipts is pleasing. These will grow in the current quarter and so too will sales. The sales pipeline continues to build most favourably. Together with funds raised this quarter, we are well placed to deliver on our current growth objectives."*

-Ends

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	171	171
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10)	(10)
(c) advertising and marketing	(263)	(263)
(d) leased assets	-	-
(e) staff costs	(247)	(247)
(f) administration and corporate costs	(351)	(351)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
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	(702)	(702)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(218)	(218)
(e) other non-current assets	(25)	(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)	-	-
2.6 Net cash from / (used in) investing activities	(243)	(243)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	20	20
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	-	-
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 (capital raising cost)	(105)	(105)
3.10 Net cash from / (used in) financing activities	(85)	(85)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,168	1,168
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(702)	(702)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(243)	(243)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(85)	(85)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(35)	(35)
4.6	Cash and cash equivalents at end of quarter	103	103

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	103	1,168
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)	103	1,168

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

(189)

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Placement	1,243	-
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.		

\$1.243m placement was completed in early October 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	10
9.3 Advertising and marketing	200
9.4 Leased assets	-
9.5 Staff costs	240
9.6 Administration and corporate costs	250
9.7 Other (Capitalised product development cost)	50
9.8 Total estimated cash outflows	750

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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.

Sign here: .....
Chief Executive Officer

Date: 30 October 2019

Print name: **James Kellett**

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.