



13 October 2020
ASX/Media Release (ASX: KNM)

Quarterly Activities Report & Appendix 4C

- **First Receipts from Customers of ~\$A355,000¹ banked from maiden ‘Connect All Kids’ deployment**
- **Second ‘Connect All Kids’ deployment secured in the quarter – adds another ~\$A355,000 of recurring revenue**
- **New York State is a large market opportunity for KNeoMedia, NAACP and Dell Technologies with 2.4m students; ‘Connect All Kids’ deployments to date service only 3,400 of these students**
- **Approved Supplier status secured with New York Department of Education – facilitates faster payment from sales and is a key building block in rolling out ‘Connect All Kids’ across New York State**
- **KNM is well funded with sufficient cash at bank, growing sales and a greatly reduced monthly cash burn**

Online education publisher KNeoMedia Limited (“KNeoMedia” or the “Company”) (ASX: KNM) is pleased to provide this update on performance for the quarter ended 30 September 2020. As discussed, the Company’s focus during the period has been on the roll-out of the ‘Connect All Kids’ education initiative into New York City public schools in association with the National Association Of Coloured People (NAACP), and Dell Technologies.

Receipts from customers and pending sales

Receipts from Customers for the quarter was ~A\$355,000 which is KNM’s share of the first \$US1 million deployment of ‘Connect All Kids’ education initiative.

As reported in August, a second ‘Connect All Kids’ enforceable contract was secured, also valued at \$US1 million, with KNM’s share of this being a further ~A\$355,000 and taking the total value of these first sales to ~A\$710,000 for KNM. As advised, securing these funds will be significantly quicker than the first sale as considerable work was undertaken to secure Approved Supplier status with the New York City Department of Education (‘NYC DOE’). The Company and its US subsidiary KneoWorld is now embedded in the NY DOE procurement and payments system so many of the processes to secure future payments do not need to be repeated.

KNeoMedia ended the quarter with cash at bank of \$840,000 and no debt. With growing sales and much lower quarterly net cash used in operating activities of (\$168,000), which reduced from (\$813,000) for the previous quarter. As stated in the 4C, the Company is funded well beyond the next two quarters.

A focus on growing sales in New York State

With the first two ‘Connect All Kids’ deployments secured, KNeoWorld’s US team, together with NAACP and Dell Technologies, are working on the roll out of ‘Connect All Kids’ more widely across New York State with inequality in education now being a major driver of support from government.

As reported, the market opportunity in New York State is significant with 2.4 million students that are candidates for KNeoWorld content. ‘Connect All Kids’ deployments to date delivers KNeoWorld to just 3,400 of these students. With successful deployments now materialising, KNeoWorld, NAACP and Dell Technologies are now collectively working with the government representatives to pursue a broader roll-out of ‘Connect All Kids’ here.

NAACP have also been waiting for the first successful deployment so it can expand the initiative into other US States through its extensive network of 2,200 units and branches across the nation. As well, Dell Technologies and their

¹ Based on official exchange rate as at 30 September 2020



education division are instrumental in these growth initiatives and providing considerable input to rolling out the program to many more schools and community centres.

Operations update

Operations during the quarter have focused on the first ‘Connect All Kids’ deployment and ensuring hardware and software is delivered into schools. All hardware provided by Dell Technologies is delivered to the New York DOE’s IT Distribution Centre in New York which then manages distribution to the respective schools.

KNeoWorld’s technical team has been working with the DOE’s Facilitation Centre to integrate KNeoWorld into the DOE’s secure intranet so teachers and students can access the content in a safe and secure environment.

During the quarter, the Company made related party payments of \$63,000 representing fees and salaries paid to Directors for performance of their required duties.

Update on other international markets

While the Company is now focused on advanced sales opportunities in the United States first and foremost, some progress has been made in other markets. Our JV partner in the Philippines has recently identified 150 students that have internet connectivity at home and KNeoWorld content is being deployed to them with each Seat Licence there being sold to Government schools by our joint venture partner for US\$100. An indication activities are resuming in the region after a total School shutdown due to COVID.

Comment

Chief Executive Officer James Kellett said: *“We are pleased to have booked first revenue from the ‘Connect All Kids’ education initiative in New York. However, this is only just the start and we now have the Approved Supplier status in place with the New York DOE to secure and facilitate sales much more quickly in the future.*

“It is also important to note that NAACP and Dell Technologies and now actively working with us to achieve broad roll out across New York State in the first instance. The first successful deployment and booked sale was a big litmus test for them, and they now have the confidence in our content to pursue the bigger opportunity that the New York State education market presents. As we have flagged, the student numbers are significant and our short term focus is on achieving much greater scale here. We are confident that we can achieve this.”

“As well, NAACP now have a successful and workable Edutech solution to address a huge concern of theirs – inequality in education. They can take the successful ‘Connect All Kids’ blueprint to their 2,200 branches nationally which becomes another growth channel for KNeoWorld. We can confidently say that we have now turned the corner in the US and sales will build from here.”

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.

Authorised for release by James Kellett, CEO

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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 SEPTEMBER 2020

| 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 | 355 | 355 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (11) | (11) |
| (c) advertising and marketing | (110) | (110) |
| (d) leased assets | - | - |
| (e) staff costs | (235) | (235) |
| (f) administration and corporate costs | (191) | (191) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 25 | 25 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (168) | (168) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (1) | (1) |
| (d) investments | - | - |
| (e) intellectual property | (108) | (108) |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 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 | (109) | (109) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 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 | - | - |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,114 | 1,114 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (168) | (168) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (109) | (109) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 3 | 3 |
| 4.6 | Cash and cash equivalents at end of period | 840 | 840 |

| 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 | 840 | 1,114 |
| 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) | 840 | 1,114 |

| 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 | (63) |
| 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. | | |
| Access to a \$2m facility provided by Stratford Capital valid to 31 December 2020. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (168) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 840 |
| 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) | 2,840 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 16 |
| <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: 13 October 2020

Authorised by: James Kellett, CEO
(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.