



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

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR JUNE 2020

Online education publisher **KNeoMedia Limited** (“**KNeoMedia**” or the “**Company**”) (**ASX:KNM OTC:KNEOF**) provides this update for shareholders and Appendix 4C for the quarter ended 30 June 2020.

The attached Appendix 4C also includes FY 2020 financial information showing cash receipts for the year of \$252,000 (2019 \$27,000). A further \$400,000 payment from New York City is imminent for provision of KneoWorld seat licences delivered during the year as is payment to Dell Technologies for Chromebooks delivered to NYC Dept of Education under the Company’s KneoWorld/Dell/NAACP ‘*Connect All Kids*’ collaboration. The delay in payment post completing pre-requisite formalities, which have been extensive, can be attributed solely to the obvious disruptions that have occurred in New York City and its Department of Education in the last quarter. Regardless, KNeoMedia’s US team have navigated the challenge well with this payment due for processing very shortly. However, and as advised, the process has allowed the Company to put in place a defined process to expedite future payments from the New York Department of Education much more rapidly. More detail will be provided on this shortly.

Net cash used in operations over the year was \$2.79m (2019 \$3.024m) and the Company continues to monitor expenses carefully, including the Board accepting a voluntary salary reduction by the CEO and the expensing of all accrued annual leave against his salary in the current environment. Average net cash used in the March and June quarters was \$639,000, a reduction on previous quarters.

### **US Schools and Remote-Learning**

With US schools closed for much of the quarter due to government initiated COVID-19 restrictions followed by a limited ability to embrace remote learning due to the lack of devices and teacher training, many of the education initiatives were paused including KneoWorld sales and pilots. The Company has moved quickly to direct its KneoWorld eLearning SaaS platform into the home environment under remote teacher instruction and assessment on resumption of school. While home access has always been available in the platform, many teachers have had difficulty in providing meaningful support.

While most States in the US are yet to determine the format of school resumption in this unpredictable education environment, KneoWorld has assured its adaptable online format is effective in all education settings:

1. **IN-CLASS** blended learning resource
  - a. Whole groups, small groups and individually
  - b. Student-centred, teacher-directed
2. **DISTANCE eLEARNING** Program
  - a. Student-centred, teacher-directed
3. **HOMESCHOOLS** Core Curriculum Program
  - a. Student-centered, education qualified parent-directed



As Departments of Education are now beginning to address school resumption post the summer vacations in the northern hemisphere, the Company is encouraged that much of its activities paused during the last quarter are again being re-evaluated. KNeoMedia has used this time to further enhance and build out the platform using internal resources and is confident further revenues will be generated from the general education sector outside of the **'Connect All Kids'** program.

Also, the NAACP, having now satisfactorily delivered the first initiative under the **'Connect All Kids'** Program in NYC, is expanding the program to include all of New York State and beyond. Working with the NAACP and Dell through this expanded territory provides a substantial opportunity and more will be reported on this with confirmation that the first payment has been banked.

### **Other Markets**

While the US remains the Company's major focus, including converting the previously announced sales into paying deployments, the company continues to work in its other primary and new markets directly, or with its regional partners.

The UK environment mirrors that of the US and the initiatives and agile delivery capability prepared for the US new school year is directly transferable to the UK market as it also commences the new year.

The Philippines have also recommenced activities for the new school year and our JV partner is currently deploying to new schools in Vizcaya province. Strict internal travel restrictions have created a difficult demonstration and sales environment however we are told that previously pursued and agreed opportunities are re-emerging.

In India, our Mumbai-based licensee Augustya has conducted its first in-home summer school trials with a respected and well-regarded international school there. The Company will advise on further outcomes as they occur in India and we have every confidence that we can achieve scale in this market.

### **Operations**

The Company continues to maintain 100% operational capability and product delivery via its cloud-based SaaS platform under its total work from home policy and also continues to maintain sales initiatives online. As previously announced, during the quarter the Company also completed a capital raise of \$2.5 million with Peloton Capital as lead broker.

During the quarter, the Company made related party payments of \$117,000 representing fees and salaries paid to Directors for performance of their required duties.

### **Significant Post quarter Events**

As previously announced, the Company obtained DTC eligibility for its OTCQB-listed common shares for electronic clearing and settlement through the Depository Trust & Clearing Corporation ("DTCC") in the United States. KNM confirms that no new shares in the Company are being issued as a result.

Online brokers such as Ameritrade, Fidelity Investments, Charles Schwab, Interactive Brokers, TradeStation and ETrade all offer DTC eligible OTCQB trades. Consequently, modest trading has commenced on OTC Markets and the Company will be presenting at the SNN Network Virtual Investor Conference on Tuesday, August 4, 2020.



**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 0009 221 783

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

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4	252
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15)	(52)
(c) advertising and marketing	(146)	(752)
(d) leased assets	-	-
(e) staff costs	(373)	(1,075)
(f) administration and corporate costs	(253)	(1,071)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(30)	(93)
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>(813)</b>	<b>(2,791)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	(143)	(704)
(f) other non-current assets	-	(25)

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)	-	
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(143)</b>	<b>(730)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,500	3,764
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	(150)	(255)
3.5	Proceeds from borrowings	-	420
3.6	Repayment of borrowings	(420)	(420)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,930</b>	<b>3,509</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 period	84	1,168
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(813)	(2,791)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(143)	(730)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,930	3,509
4.5	Effect of movement in exchange rates on cash held	56	(42)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>(1,114)</b>	<b>(1,114)</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	1,114	84
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>1,114</b>	<b>84</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	117
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>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 <b>Total financing facilities</b>	2,000	-
7.5 <b>Unused financing facilities available at quarter end</b>		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.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(813)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,114
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)	3,114
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.8
<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: -
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: -
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: -
<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: 31 July 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.