



30 April 2018: ASX/Media Release (ASX: KNM)

Quarterly Update and Appendix 4C Period Ended 31 March 2018

- Sales receipts up from \$8,000 to \$94,000 with further pending
- Strong balance sheet with \$3 million cash and no debt
- New funding channels in the US being pursued with good progress being made
- Aggressive expansion underway in all regions

Online education publisher KNeoMedia Limited ("**KNeoMedia**" or the "**Company**") (ASX: KNM) is pleased to provide this update for shareholders and Appendix 4C for the quarter ended 31 March 2018.

Financial summary

Receipts from customers increased from A\$8,000 last quarter to A\$94,000 this quarter as a result of cash collections for previous Seat Licence sales from the New York City Department of Education (**DOE**).

Cash collections will continue to build in the current quarter and beyond via three sources: further budget allocation from the NY DOE that has been earmarked for the Company's US subsidiary; additional budget allocation that is pending from other DOE channels; and thirdly, a new partnership being pursued that will facilitate greater sales traction in New York and aid in the national roll-out of the KNeoWorld Special Needs content.

Net cash used in operating activities of A\$507,000 was in line with last quarter apart from some increased ASX and Registry option conversion expenses. The low cash burn again reflects the Company's conservative cost base which has not grown despite a larger investment to grow sales. This is due in part to KNeoMedia's ability to attract and retain advisory board members and 'content advocates' across multiple jurisdictions that are committed to improving Special Needs education and recognise the unique teaching and learning properties of KNeoMedia's content.

The Company extinguished all remaining debt in the quarter with the conversion of the last A\$50,000 worth of notes requested prior to the 30 April maturity date. KNeoMedia is debt free with ~A\$3 million cash that is being invested to establish sustainable and dependable sales channels in the United States, Asia, Australia and the United Kingdom.

Quarterly Operational Progress

United States

As well as improving cash collections, KNeoMedia's US team has been establishing several sales channels in New York and other US markets.

The main focus for the quarter has been identifying and engaging with credible and recognised Not-For-Profit organisations that can channel the large Foundation and Government funding lines the Company has identified to schools in New York City, New York State and New Jersey in the first instance.

These channels are being pursued to diversify funding sources, but to also ensure the Company is not impacted by DOE budget allocation delays that occur from time to time. Terms of engagement have been agreed with one group and an agreement is now being finalised prior to any announcement to shareholders.



Trials of the Special Needs content were successfully concluded in Newark and Buffalo. Given their success, the Mayors of both cities are reviewing KNeoWorld ESP for City-wide deployment. This is consistent with KNeoMedia's strategy of securing more large-scale and larger value deployments into multiple schools as opposed to pursuing a school-by-school sales model. Timelines to sales conversions are typically longer but will be higher value.

Consistent with this strategy, appropriately skilled and trained business development personnel were recruited with new team members now active in the New York office and Pennsylvania. Recruitment has also commenced in California.

Dialogue with Federal education channels was also maintained and the completion of independent White Papers by several US universities will support more active engagement.

Asia

A Joint Venture company, KNeoWorld Philippines Inc, was incorporated in the quarter and the new Board chaired by Ms. Isabelita Perez, also Chair of the Vizcaya Bank, has been established.

Six initial Special Needs schools of combined 600 students have confirmed successful trials and product approval applications have been made to the regional Department of Education in Vizcaya.

At the invitation of the Philippines President's Education Liaison Officer, an application has been made to Davao City Mayor, Ms. Sara Duterte-Carpio, for deployment approval and Seat Licence funding for Special Needs students in Davao. The Special Needs population in Davao is estimated to be ~50,000 students and KNeoMedia will advise when approval is secured and the Company can then determine the quantum of the first Seat Licence sales.

The first trial in Singapore was a successful outcome for 100 students and funding requisition has been made. Although the initial order is small, it provides a benchmark for other Asian markets. Other trials underway in Singapore are leading to interest from more Special Needs schools there.

Australia

Trials continue in schools in Australia, and as previously announced, two have had a successful outcome. The Company is also working with Monash University which is undertaking an in-depth study of KNeoWorld and will publish findings by November. The Head Psychologist of Iribina Specialist Autism School in Victoria has commenced a Research Study and those findings will also be published.

United Kingdom

Excellent progress has been made in the United Kingdom and this has continued in the current quarter. The Company is in the final stages of formalising its ownership structure, board composition and operating model and is most encouraged by the connections that have been established at government level and in bureaucracy.

Commentary

Chief Executive James Kellett said: "A great deal of progress has been made in the quarter and we are investing our capital effectively to scale-up in the US and expand internationally. The feedback in all markets on our content has been remarkable and we are rapidly establishing a sound framework for large-scale deployment.

"Securing more sales in the United States market is our first priority and we plan to lock up multiple sales channels to complement our strong relationship with the NYC DOE. This is happening now and sales momentum will continue. We are well advanced with several Not-for-Profit organisations and look forward to updating shareholders when the first formal agreement is signed."

– ENDS –



About KNeoMedia Limited:

KNeoMedia Limited (ASX:KNM) is an education publishing company that delivers world-class education assessment products and games-based learning to global educational markets, particularly to Special Needs education facilities. sells on an annual Seat Licence basis through its KNeoWorld.com portal via education departments and distribution agreements. KNeoWorld is an education games portal where students play their way through a futuristic and epic world with the games subtly infused with validated educational content including numeracy, literacy, science, arts, reasoning and memory. The content delivers extensive analytical performance data to educators and comply with child online privacy protection. Our SaaS model provides KNeoWorld with 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 March 2018

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	94	102
1.2 Payments for		
(a) research and development	-	(74)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(82)	(203)
(d) leased assets	-	-
(e) staff costs	(63)	(189)
(f) administration and corporate costs	(461)	(1,178)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	11
1.5 Interest and other costs of finance paid	(3)	(8)
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	(507)	(1,531)
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 (9 months) \$A'000
(d) intellectual property	(82)	(191)
(e) other non-current assets	-	-
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	(82)	(191)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,895
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	266	814
3.4 Transaction costs related to issues of shares, convertible notes or options	(8)	(280)
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	258	4,429

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	3,429	403
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(519)	(1,543)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(82)	(191)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	258	4,429

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(24)	(36)
4.6	Cash and cash equivalents at end of quarter	3,062	3,062

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	3,062	3,429
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)	3,062	3,429

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|-----|------------------------------------|
| 6.1 | 63 |
| 6.2 | - |

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

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

- | | Current quarter
\$A'000 |
|-----|------------------------------------|
| 7.1 | - |
| 7.2 | - |

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

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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	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (Exercise of Options)	-	-
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.		

On 26 October 2017 a placement of \$2.099M was settled net of 6% fees to predominantly institutional and sophisticated investors. It is anticipated that Tranche 2 of the placement for \$1.506M will be completed after the Company's 2017 Annual General Meeting, bringing the total placement funds raised to \$3.62M net of placement fees.

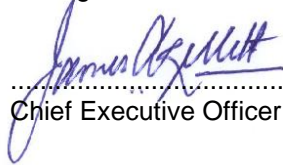
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	50
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	125
9.4 Leased assets	-
9.5 Staff costs	75
9.6 Administration and corporate costs	200
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	450

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:


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Chief Executive Officer

Date: 30 April 2018

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.