



31 January 2019: ASX/Media Release (ASX: KNM)

## QUARTERLY UPDATE, APPENDIX 4C FOR DECEMBER 2018 AND PROPOSED LISTING ON THE U.S. OTCQB

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 2018.

### Summary

The Company continues to take advantage of its strengthened sales team and regionalised platforms to expand its sales pipeline in four key markets, the United States, the United Kingdom, the Philippines and Australia:

- Experienced and qualified Edtech sales, business development and teaching & learning personnel, previously recruited predominantly in the US and the UK, continue to build out the sales pipeline;
- Product and content in US, UK and Philippines now largely specific to geographies and curriculums with Australia to follow in the coming days;
- Independent research previously undertaken assisting with product validation and sales opportunities;
- More sales & business development initiatives are broadening awareness of the KNeoWorld content across the UK, Philippines and most notably in the United States.

Cash outflows decreased by \$85,000 for the quarter and are consistent with the maturing of product development while KNeoMedia continues building and enhancing its four pillars of:

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

### Sales and Receivables

Since the appointment of US senior Sales Executives in the previous quarter and new District, State or County-wide sales methodology, as opposed to the Company’s previous School-to-School sales approach, the sales pipeline across all regions continues to increase. While the new sales methodology has a more detailed and lengthier sales cycle, it targets larger volume sales. The Company is very confident that the increased investment made in this and previous quarter will lead to sustainable sales in the very near term.

As well, KNeoMedia has strengthened its efforts to secure the \$500,000 of receivables payable from New York City Department of Education from previous sales with cash collections now being pursued by KNeoMedia’s well-connected partners and advisors in New York. Discussions in this regard are proceeding well and the Company is confident of a satisfactory outcome.

### US Market Progress

Since bolstering the US sales team in September and October 2018 with the appointments of Louis Diggs, Senior Sales Director US EDU (1 September) and Dikran Husseindjian, Senior Strategy Director US EDU (1 October) the Company has greatly stepped up sales initiatives across the US in Arizona, California, Pennsylvania, Florida, New Jersey and New York State separately from the New York City Dept. of Education.



These sales initiatives have taken the form of well received presentations to County and District Superintendents and decision makers, rather than single schools. The Company is now showcasing the KneoWorld platform at educational conferences across the US and has further planned in the coming months.

The Company continues to work with New York City at a Chancellor level as well as the substantial and Special Needs-specific District 75 comprising 26,000 students. Currently 650 teachers are interacting with KneoWorld. Also, the other Departments of Education across the US each have Special Needs inclusive with general education that the Company's sales team is working with. Sales executive Traci Eshelman Ramey, based in Pittsburgh, continues to showcase the Company in Pennsylvania and has substantial key note address presentations in the coming months.

Maintaining our long-term strategy, each of the above sales initiatives coincided with the Company's recent aligning of KneoWorld to the general education assessments standards as well the Special Needs assessment standard, alignments carried out by our pedagogical advisors. The result of the 'dual alignment' increased the potential student market and accessibility from the original 2 million Special Needs students to include 4 million Academic Intervention Services students and generally, the majority of the K-8 student population of 20 million. In summary that is a target market of 8 million special need students alone across the US market.

Overall, the new dual standards alignment will greatly reduce the Company's reliance on New York City sales, however we will continue to work with the independent New York City DOE and with District 75 both in terms of new and renewing licences.

In terms of assisting with the Nationwide US rollout of the KneoWorld platform, the NAACP partnership is now taking effect as the Company's sales team connects with various NAACP Chapters. On 2 February 2019 all 35 Chapter Presidents of the NAACP meet in NYC to discuss the advancement of KneoWorld across the 5 boroughs of NYC.

### **United Kingdom Update**

Mike McKenzie MBA, was appointed CEO of KneoWorld UK and Ireland during the previous quarter.

Mike has now secured our first sale in the UK funded by the support of a Foundation committed to provide financing for 10 schools over a 3 year period. As with previous Jurisdictions, the acquisition of 10 ambassador schools with paid licences paves the way to a top down approach from government. The UK government recently announced £6 billion funding for special needs education in the UK.

As with other regions [www.kneoworld.co.uk](http://www.kneoworld.co.uk) is now live with localised content and UK voice-over.

### **Philippines**

As announced, the Company has established a strong business joint venture business in the Philippines and a workable sales model has been implemented that will ensure no delays in sales receipts as all payments are in advance.

More recently KNM's CEO and COO attended a meeting in Davao City with Members of their Board of Education with discussions centered on the introduction of KneoWorld to the Davao City Education Department. The City visit also provided the opportunity to meet with Mayor and Chair of the Board of Education, Mayor Sara Duterte.

Under the inbuilt content management system, the localised platform is aligning with the Philippines/ASEAN standards under the regional domain of [www.philippines.com](http://www.philippines.com)

### **Australia**

As previously reported, the Company has successfully deployed test licences in Australia and has now completed research validation. KNeoMedia is now well positioned to formally submit proposals to education departments and institutions coinciding with the start of the academic year.



## **Global Markets Deployment**

As previously reported, KNeoMedia has been working for some time to ensure each market will be accessed by an individual country's web domain, geo-fenced from other country versions and hosted at the nearest Amazon Web Hosting point. These now include the UK, Singapore and Sydney as well as the US.

## **Proposed Listing on the U.S. OTCQB Venture Market**

KNM is also pleased to announce that it is in the process of filing an application to enable its securities to be traded in the United States on the OTCQB Venture Market.

The US OTCQB Venture Market is for early stage and developing international and US companies and offers the benefits of being publicly traded in the US with lower costs and complexity than a US exchange listing. In order to be eligible, international companies must maintain a listing on one or more non-US exchanges as the primary market for the security listed, be current in their local market and undergo an annual verification and management certification process. Also the Company has made the application for listing at the request of US potential investors and interested parties who find share acquisition on the ASX a complex procedure.

**The dual listing when approved will not cause the issue of new shares in the Company but rather, the trading of existing shares across both exchanges.**

## **Quarter 3 Objectives**

The Company has invested significantly in the past two quarters in terms of people and infrastructure to underpin sustainable sales. KNeoMedia is focused on delivering sales progressively in the current quarter across all markets. The key focus is the United States with two regions very advanced, province-wide sales anticipated in one region in the Philippines, further scale up in the UK and Australia. The sales pipeline has matured significantly and the Board and Management is confident about the product and KNeoMedia's sales this quarter and beyond.

## **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. The Company 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 mapped to validated educational content including numeracy, literacy, science, arts, reasoning and memory. The content delivers extensive analytical performance data to educators and complies with child online privacy protection including US COPPA and European GDPR. Our SaaS model provides KneoWorld with a global education market opportunity selling on a business to business strategy.

## **For further information, please contact:**

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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 2018**

<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	0	1
1.2 Payments for		
(a) research and development	(1)	(148)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(278)	(399)
(d) leased assets	-	-
(e) staff costs	(251)	(469)
(f) administration and corporate costs	(192)	(549)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	15
1.5 Interest and other costs of finance paid	(17)	(18)
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>(731)</b>	<b>(1,567)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	0	(5)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(d) intellectual property	(276)	(328)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	<b>(33)</b>	<b>(55)</b>
<b>2.4 Dividends received (see note 3)</b>	<b>-</b>	<b>-</b>
<b>2.5 Other (provide details if material)</b>	<b>-</b>	<b>-</b>
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(309)</b>	<b>(388)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	294	294
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)	(3)	(3)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>291</b>	<b>291</b>

<b>4. 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	1,763	2,714
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(731)	(1,567)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(309)	(388)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	291	291

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(47)	(83)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>967</b>	<b>967</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	967	1,763
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>967</b>	<b>1,763</b>

**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

<b>Current quarter \$A'000</b>
116
-

- 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

<b>Current quarter \$A'000</b>
-
-

- 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	-	-
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.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	10
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	170
9.4 Leased assets	-
9.5 Staff costs	240
9.6 Administration and corporate costs	220
9.7 Other (Capitalised product development cost)	150
<b>9.8 Total estimated cash outflows</b>	<b>790</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.

Sign here: .....  
**Chief Executive Officer**

Date: 31 January 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.