



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

QUARTERLY UPDATE AND APPENDIX 4C FOR MARCH 2019

Online education publisher **KNeoMedia Limited** ("**KNeoMedia**" or the "**Company**") (ASX: KNM) provides this update for shareholders and Appendix 4C for the quarter ended 31 March 2019.

Summary

The Company continues to take advantage of its strengthened sales team and regionalised sales strategy which has expanded the Company's sales pipeline in four key markets: the United States (predominantly), the United Kingdom, the Philippines and Australia. Key progress during the quarter and at the start of this current quarter includes:

- **The appointment of an experienced US West Coast sales team member to build out the sales pipeline;**
- **Securing sales in April in three US states– Arizona, and recently Ohio and Pennsylvania;**
- **Initial sales revenue booked in the UK;**
- **Business development initiatives implemented to broaden awareness of KneoWorld content in all markets.**

There is excellent momentum in the Company with further building and enhancing of the four key growth 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, and the implementation of the new District, State or County-wide 'top down' sales methodology, the sales pipeline across all regions continues to steadily 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 the sales team and platform in the current and previous quarters will lead to sustainable and large value sales in the very near term.



KNeoMedia continues its efforts to secure the A\$500,000 of receivables payable from New York City Department of Education (DOE) from previous sales. Significant effort is going into collecting these outstanding receivables as well as securing pre-paid repeat orders for an expanded school network within the New York DOE.

US Market Progress

The Company has continued to bolster the sales and business development team with experienced sales personnel appointed. An experienced education sales executive was appointed to drive sales on the US West Coast. These greatly stepped up sales initiatives have produced individual initial school sales in April.

As reported, sales were secured early in April in Arizona, and as April has progressed, further sales have been made to schools in Pennsylvania and Ohio.

Also in April, the State of Florida approved KNeoWorld for US federal funding and the Company can now pursue sales to Districts in Florida. KNeoMedia now has a very solid sales pipeline based on opportunities, at various stages of maturity, with schools, districts and education departments in Florida, California, New Jersey, Illinois, Georgia, Virginia, Michigan, Wisconsin and New York State separately from the New York City Dept. of Education.

As reported last quarter, 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 with a very large number of teachers engaged with and interacting with Kneoworld. Considerable investment has been made in the New York market and securing, sustainable, repeat sales here is a key objective. Our New York and Pittsburgh based sales executives are collaborating on a number of opportunities.

As previously reported, aligning KNeoWorld to the general education assessments standards, as well to the existing Special Needs assessment standard, has substantially increased the size of the market for KNeoWorld, and thus the sales pipeline. The potential student market from the original 2 million Special Needs students now includes 4 million Academic Intervention Services students and generally, a large percentage of the K-8 student population of 20 million. In summary, KNeoMedia estimates that this equates to a target market of 8 million students alone throughout the US.

United Kingdom

During the quarter, the first sales proceeds were received in the UK. Although modest, the first school is influential in paving the way for more school sales funded by the Foundation, which has committed to providing financing for 10 schools over three years. As with previous jurisdictions, the acquisition of 10 ambassador schools with paid Seat Licences assists in validating the KNeoWorld content for the UK Government. The UK Government recently announced Stg6 billion funding for Special Needs education and the Company is actively assessing opportunities to broaden content deployment through more proactive government engagement.

As with other regions www.kneoworld.co.uk is now live with localised content and UK voice-over.

Philippines

As announced, the Company has established a solid 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.

The Philippines is currently in a state of caretaker government preceding the May elections together with annual April and May annual school holidays. With the previous establishment of ambassador schools in Vizcaya Province, Manila and Davao City, the Company expects sales by the Joint Venture KneoWorld PH to progress well at the commencement of the new school year in early June.

As with other regions <https://www.kneoworld.ph/> is now live with localised content and voice-over.

Australia

As previously reported, the Company has successfully deployed test Seat Licences in Australia and has now increased the number of schools under this program. This, together with university research validation, continues to position KNM well to formally submit proposals to education departments and institutions.

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, Australia and the U.S.

KneoMedia to Seek Listing on the U.S. OTCQB Venture Market

As previously announced, the proposed listing on the US OTCQB securities exchange proceeds well and approval is imminent.

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

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

KNeoMedia's CEO, James Kellett, commented:

"We are pleased with the progress made in the quarter, but more so the momentum we have achieved in April with maiden Seat Licence sales delivered in Arizona, Pennsylvania and Ohio.

"The product distribution partnership with the Florida Department of Education reported in early April was also a highlight and provides a great platform for content deployment at scale in this state. We look forward to reporting on more progress very soon as our team starts to realise sales from our well-established pipeline, mainly in the United States."

-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. 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.

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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 2019

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	17	18
1.2 Payments for		
(a) research and development	-	(148)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(207)	(606)
(d) leased assets	-	-
(e) staff costs	(243)	(712)
(f) administration and corporate costs	(285)	(897)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	15
1.5 Interest and other costs of finance paid	(1)	(19)
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	(719)	(2,349)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(8)
(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	(144)	(472)
	(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	(28)	(83)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(175)	(563)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	89	383
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)
3.10	Net cash from / (used in) financing activities	89	380

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	967	2,714
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(719)	(2,349)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(175)	(563)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	89	380

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	7	(13)
4.6	Cash and cash equivalents at end of quarter	169	169

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	169	967
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)	169	967

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	116
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-

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

	Current quarter \$A'000
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	-

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	715	-
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.		

\$715,000 placement completed 11 April 2019

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	10
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	150
9.4 Leased assets	-
9.5 Staff costs	240
9.6 Administration and corporate costs	220
9.7 Other (Capitalised product development cost)	120
9.8 Total estimated cash outflows	740

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 April 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.