



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

## QUARTERLY UPDATE AND APPENDIX 4C FOR JUNE 2019

Online education publisher **KNeoMedia Limited ("KNeoMedia" or the "Company") (ASX: KNM)** provides this update for shareholders and Appendix 4C for the quarter ended 30 June 2019. The Company's growth strategy is underpinned by four key drivers:

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

### Overview and key deliverables for the quarter

#### **Corporate**

KNM successfully raises \$2.05 million in two placements undertaken in April and June with funds used primarily to strengthen the US sales and business development operations. The Company is deploying these funds efficiently with new experienced sales people appointed across the US.

Preparations for the US OTCQB Venture Market listing, announced in the March quarter, have advanced with all administrative matters necessary for listing now finalised. The listing provides US investors with an easy mechanism to invest in KNM and, as advised, no new shares will be issued under this listing. The Company has engaged with US-based broking houses and investor relations advisors in preparation for listing. KNM's story has been well received and understood.

#### **Florida Department of Education ("Florida DOE")**

In a significant development in April, KNeoMedia reported that the Florida DOE approved the KneoWorld content as a 'partner product' for federal funding for Florida's 67 Districts which house over 2,470 elementary and middle public schools.

This product distribution partnership is different from previous DOE engagements because funding has already been made available (pre-approved) by the Federal government to the Florida State DOE.

The Company continues to actively engage Districts in Florida to lock in Seat Licence sales and this process is advancing very well. Testing and verification of the content has now been completed and first sales are expected in the September quarter.

#### **Individual school sales**

While KNeoMedia is continuing to build sales channels at a State, District and County level, individual school sales remain a priority and an important sales channel.

A 100 Seat Licence sale (USD\$5,000 order) to Crane School District in Yuma County, Arizona was achieved which, whilst modest in monetary terms, provides excellent visibility for the KneoWorld content in Arizona and California. Yuma County schools in Arizona and Monterey County schools in California share many migrant students each year. The plan is to now introduce KneoWorld into more Yuma County schools, and then expand into Monterey County, California, with the purpose of meeting the needs of these students across both areas.

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### **Significant events subsequent to the end of the quarter**

KNeoMedia's progress in the June quarter is now clearly bearing fruit. In June, KNM confirmed that Dell Technologies is supporting the "Connect all Kids" initiative, an education program developed by the National Association for the Advancement of Colored People (NAACP) and KNeoMedia that was first announced under KNM's Alliance Partnership with the NAACP in June 2018.

"Connect all Kids" focuses on providing access to digital tools and cloud-based content to improve the learning and development of disabled, urban and special needs students. Today, KneoWorld content is available on Dell devices under this initiative.

Following Dell Technologies' involvement, a total of 6,500 Seat Licence sales under "Connect all Kids" were reported in July alone, with KNM yielding almost A\$500,000 in sales revenue with all 3 year licences being paid up front.

More sales and receipts under "Connect all Kids" will materialise progressively from the September quarter onwards, one of three sales channels the Company has developed.

### **September quarter objectives and outlook**

Key objectives for the quarter are:

- Report more sales under "Connect all Kids";
- Commence OTCQB Market trading;
- Provide an update on progress in Florida and announce first sales;
- Achieve cash collections from New York City Department of Education;
- Further sales in the United Kingdom and provide an update on progress;
- Further sales in Philippines with JV partners.

### **Comment**

**KNeoMedia's CEO, James Kellett, commented:** *"Our primary focus for the September quarter is to deliver more sales with an emphasis on the United States where we want to achieve much greater critical mass. Shareholders will see sales from all three channels, through Connect all Kids, which is going very well in its early stages, directly with schools, and through 'top down' State, District and County-wide deployments like Florida. We look forward to reporting on this from early August onwards."*

#### **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.

#### **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")**

**30 June 2019**

<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	9	27
1.2 Payments for		
(a) research and development	(6)	(154)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(150)	(756)
(d) leased assets	-	-
(e) staff costs	(255)	(967)
(f) administration and corporate costs	(272)	(1,169)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	15
1.5 Interest and other costs of finance paid	(1)	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1	1
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(675)</b>	<b>(3,024)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(8)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(60)	(532)
	(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	-	(83)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(60)</b>	<b>(623)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	2,036	2,420
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	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)	(180)	(183)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,857</b>	<b>2,237</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 quarter/year to date	169	2,714
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(675)	(3,024)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(60)	(623)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,857	2,237

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(123)	(136)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>1,168</b>	<b>1,168</b>

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	1,168	169
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,168</b>	<b>169</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

Current quarter  
\$A'000

103

-

- 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**

- 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

Current quarter  
\$A'000

-

-

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

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8. <b>Financing facilities available</b> <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	-	-
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.		

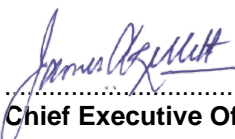
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9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	10
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	150
9.4 Leased assets	-
9.5 Staff costs	240
9.6 Administration and corporate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

10. <b>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

Print name: **James Kellett**

Date: 31 July 2019

### 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.