

31 July 2023

ASX/Media Release (ASX: KNM)

## Quarterly Activities Report & Appendix 4C

KneoMedia Limited (“KneoMedia”, “KNM” or the “Company”), a SaaS publishing company delivering world-class education and assessment products, is pleased to provide an update on activities and performance for the quarter ended 30 June 2023 (“Q4 FY23” or “June quarter”).

### OPERATIONAL REVIEW

#### Connect All Kids Initiative

KneoMedia continued to work with the New York City Department of Education (‘NYC DOE’) during the June quarter to finalise terms of the Company’s largest deployment to date as part of the ‘Connect All Kids’ education initiative (announced Q2 FY23) – an educational collaboration with Dell Technologies and National Association for the Advancement of Coloured People (NAACP). This will enable payment that had been subject to completion of contractual documentation – a process consistent with previously deployed contracts with the NYC DOE.

As announced to the ASX on 27 April 2023, KneoWorld has remained fully engaged with the NYC DOE, finalising and documenting multiple staged purchase orders and contracts to facilitate payment of the first US\$1 million tranche for the NAACP (“Tranche 1”) of which KNM’s share is A\$700,000 for KneoWorld licences, and two additional tranches (“Tranches 2 and 3”) valued at an additional US\$2 million of which KNM’s share is A\$1.4 million.

Current status of KneoMedia’s share of tranche payments:

- **Tranche 1:** A\$700,000 payment for FY23 licences, to be banked before the end of August;
- **Tranche 2:** A\$700,000 has been provided and approved by the NYC Council and currently being finalised for processing and payment by the Mayor’s Office of Contract Services (MOCS);
- **Tranche 3:** A\$700,000 payment has been documented by the DOE for an extension of the initial FY23 contract into FY24. This contract extension is documented in the FY23 contract.

Payment of further tranches for additional licences, beyond Tranches 1-3 referenced above, is anticipated as the NYC DOE progressively pursues broader roll-out of KneoWorld and the NAACP Initiative more widely across the New York public school system.



### **Production and Productivity**

During the quarter, the Company successfully migrated its product development vendor from Dubit in the UK to the well-respected US-headquartered Qualitest. This has enabled KneoWorld to work in the same time zone with its developer and with a development company that has direct involvement and understanding of the US education market. As a result of this migration, more rapid enhancements to the KneoWorld content have created opportunities to provide further services to the NYC DOE beyond the deployment of educational content. The Company will provide a comprehensive update on these new services in the September quarter.

As the Company continues to build out additional education content for existing grades and higher grades, the adoption of Artificial Intelligence (AI) has enabled a substantial reduction in production time and costs, with prompt engineering now being managed by existing staff. As an example, each grade unit of educational content requires the production of a 120-page teacher's guide inclusive of lesson plans. The traditional time for production of these was 126 hours (approximately 3 weeks) which has now been reduced by over 85% to 18 hours (approximately 2.5 days) inclusive of human verification. This rapid adoption of AI ensures the KneoWorld platform remains competitive and content continues to be produced in advantageous timeframes.

### **FINANCIALS**

The Company reduced operating costs to better manage its cash flow in anticipation of receiving A\$2.1 million in receipts within a short timeframe, commencing with the imminent payment of A\$700,000 for Tranche 1. In anticipation of these inflows and to avoid external financing, the Company was supported by Furneaux Management, an entity of the Executive Chairman, which provided a A\$450,000 unsecured loan facility set out in the accompanying Appendix 4C. This short-term funding commitment by the Executive Chairman demonstrates confidence that funds from the NYC DOE will be banked in the very near term, with additional Tranches from the largest KneoWorld deployment following progressively thereafter.

### **RELATED PARTY PAYMENTS**

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C includes Directors' fees and salaries (including superannuation).



**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 general and special education classrooms via its KneoWorld. 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 the Board.

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## Appendix 4C

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

**Name of entity**

KNEOMEDIA LIMITED

**ABN**

41 009 221 783

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

30 June 23

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	362
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(16)	(36)
(c) advertising and marketing	(182)	(684)
(d) leased assets	-	-
(e) staff costs	(199)	(871)
(f) administration and corporate costs	(103)	(714)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
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>(500)</b>	<b>(1,941)</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	-	-
(d) investments	-	-
(e) intellectual property	(256)	(964)
(f) other non-current assets	-	-

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>(256)</b>	<b>(964)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,600
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	(29)	(64)
3.5	Proceeds from borrowings	255	1,255
3.6	Repayment of borrowings	-	(300)
3.7	Transaction costs related to loans and borrowings	-	(45)
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>226</b>	<b>2,446</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	601	553
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(500)	(1,941)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(256)	(964)

<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)	226	2,446
4.5	Effect of movement in exchange rates on cash held	(17)	(40)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>54</b>	<b>54</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	54	601
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) cash in transit	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>54</b>	<b>601</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	60
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

<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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	450	255
7.2 Credit standby arrangements	2,000	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>2,450</b>	<b>-</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>2,195</b>
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.		
7.1 Unsecured loan provided by Furneaux Management Pty Ltd, a related party entity, in support of receivables due to the company.		
7.2 Access to a \$2m facility provided by Stratford Capital valid to 31 January 2024.		

<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)	(500)
8.2 Cash and cash equivalents at quarter end (item 4.6)	54
8.3 Unused finance facilities available at quarter end (item 7.5)	2,195
8.4 Total available funding (item 8.2 + item 8.3)	2,249
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>4</b>
<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: n/a	
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: n/a	
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: n/a	
<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 2023.....

Authorised by: .....James Kellett, Executive Chairman.....  
(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.