



29 April 2016

ASX/Media Release
(ASX: KNM)

KNeoMedia operations update and Appendix 4C for Q3 2016

- **Post end of quarter April revenue of \$50,000 marks the start of new chapter for KNM with rapid uptake of edutainment products in key regions**
- **Company well placed to drive further growth following recently completed \$812,000 Capital Raising**

Online education publisher **KNeoMedia Limited** ("**KNeoMedia**" or the "**Company**") (ASX: KNM) is pleased to provide shareholders with this update on its business operations and activities for the period ended 31 March 2016, along with the attached Appendix 4C - Quarterly Report. The Company continues to make excellent progress with the rollout and further development of its edutainment channels in Australia, China, the US and now the UK.

While KNeoMedia acknowledges that revenue booked for this period and the previous quarter has been modest, the Company is pleased to report sales booked to date of AUD equivalent \$50,000 for the month of April alone (see chart below), and anticipates that this trend will continue.

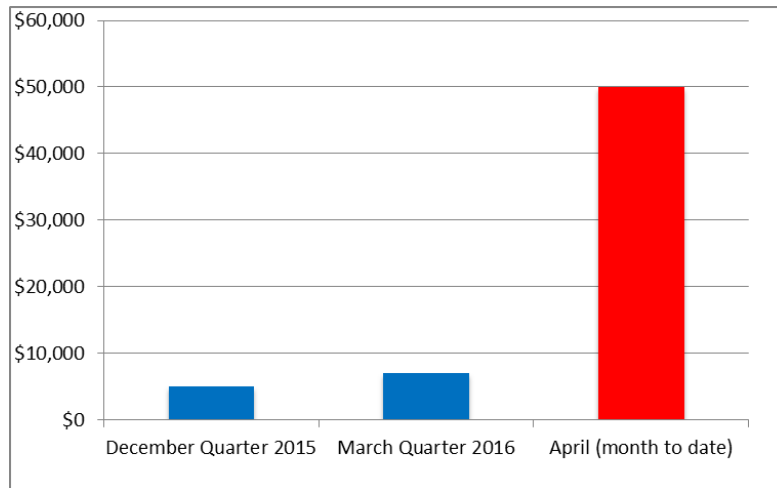


Chart showing KNM's sales revenue from Dec 2015 to April 2016

The Company is greatly encouraged by this result, which is a direct reflection of the rapidly growing uptake of its edutainment products in key regions, due to a combination of ongoing refinement and a sustained and strategic channel marketing program.

Following the announcement of KNeoMedia's recently completed Capital Raising to raise funds of \$812,000 (ASX 27 April 2016), the Board and management are confident that the Company is now well placed with the funding certainty and financial flexibility it requires to drive further revenue growth.

KNeoMedia's Chief Executive Officer, James Kellett commented: "While revenue to the end of the March quarter has been modest, the \$50,000 revenue booked to date for the month of April is extremely pleasing, and demonstrates the uptake that we are now achieving for our educational products in a number of key regions."

"As previously communicated to shareholders, through the ongoing roll out and continuing channel marketing strategy that we are undertaking for our edutainment products in major markets, we are confident that KNeoMedia will create meaningful and recurring revenue streams across a variety of platforms."

"The capital injection of \$812,000 from the recently completed Capital Raising, together with the \$200,000 loan I have provided and with shareholder approval to be converted to equity on the same terms, leaves the Company well placed to reduce convertible note debt and drive further growth. I look forward to updating shareholders on our progress across the business in the near future."

– ENDS –

About KNeoMedia Limited:

KNeoMedia Limited is an online games publishing company that delivers world-class edutainment games to global educational and consumer markets (education + entertainment = edutainment).

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWORLD Inc., and sells on a micro-subscription and Apps basis through the KNeoWORLD.com games portal, Apps Stores and via distribution agreements and education departments.

Games Based Learning is an integral part of childhood education. Growth in educational markets, combined with advances in mobile devices and connectivity, will continue to accelerate innovation, adoption, and affordability of our products around the world.

KNeoWORLD is a fun education games portal where young students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science and arts. KNeoWORLD Apps comply with child online protection and the parent approved simple subscription model provides KNeoWORLD with a global opportunity to quickly deploy in a product vacuum and become a market leader.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

KNeoMedia Limited

ABN

41 009 221 783

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	7	11
Receipts from Grant for Research & Development	-	435
1.2 Payments for (a)staff costs	(101)	(301)
(b)marketing cost	(49)	(181)
(c)one off marketing development	-	(40)
(d)research and development	(98)	(261)
(e)leased assets	-	-
(f)other working capital	(57)	(453)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	2
1.5 Interest and other costs of finance paid	(10)	(53)
1.6 Income taxes paid	-	-
1.7 Other (please specify details)	-	-
Net operating cash flows	(308)	(841)

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	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(308)	(841)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(54)	(193)
(d) physical non-current assets	-	(9)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(54)	(202)
1.14 Total operating and investing cash flows	(362)	(1,043)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	114	620
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(50)	(350)
1.19 Dividends paid	-	-
1.20 Capital raising cost	(17)	(72)
Net financing cash flows	47	198
Net increase (decrease) in cash held	(315)	(845)
1.21 Cash at beginning of quarter/year to date	436	979
1.22 Exchange rate adjustments to item 1.20	(17)	(30)
1.23 Cash at end of quarter	104	104

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	53
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors fees which include amounts paid to entities associated with the Directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Share placement completed in April 2016	812	-
3.2	Private equity placement commitments	-	-
3.3	Others (Further approved Research & Development Grant FY 2015)	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	104	386
4.2 Deposits	-	50
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	104	436

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Chief Executive Officer)

Date: **29 April 2016**

Print name: **James Kellett**

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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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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