



31 October 2016

ASX/Media Release  
(ASX:KNM)

## KNeoMedia operations update and Appendix 4C for Sept 2016

- Revenue increased by 100% over previous quarter.
- Further progress in US with schools returning from 2 month vacation.
- iOS Apple App nears completion.
- Revenue expected to increase again in current quarter.

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 30 September 2016, along with the attached Appendix 4C - Quarterly Report.

Revenue for the quarter was \$114,000, a 100% increase on the previous quarter of \$55,000. Marketing activities in the US educational markets have again resumed post the two-month summer vacation period and sales resulting from these activities are expected to reflect a further revenue increase in the current quarter. As previously reported, interest for KNeoWORLD is growing strongly with over 25 sales enquiries at an advanced stage from public schools in the greater New York area.

As well, KNM expects increasing uptake of edutainment offerings in the US, Australia, the UK Norway, Sweden and additional regions in the current quarter.

As previously announced, the Company is near to completion of its sophisticated iOS Apple App that will be the catalyst to increased marketing activities and we expect to announce the product launch in the coming days.

Direct operating costs for the quarter substantially decreased to \$344,000 from \$474,000 for the previous quarter indicative of the maturing development cycle of the Company's products.

Post end of quarter KNM was also pleased to announce completion of a capital raising of \$320,000 together with a \$200,000 loan facility, which subject to shareholder approval, may be converted to equity after the AGM. The funds will be used to support the marketing and sales of the suite of products that have now been developed. The Company looks forward to providing and update on these activities over the next few weeks.

– 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.**

KNeoMedia Limited ASX:KNM

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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 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 September 2016**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	114	114
1.2 Payments for		
(a) research and development	(94)	(94)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(76)	(76)
(d) leased assets	-	-
(e) staff costs	(63)	(63)
(f) administration and corporate costs	(55)	(55)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (Net)	292	292
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>115</b>	<b>115</b>

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

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(53)	(53)
(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>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(53)</b>	<b>(53)</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	-	-
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 (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</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	100	100
4.2 Net cash from / (used in) operating activities (item 1.9 above)	115	115
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(53)	(53)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	1	1
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>163</b>	<b>163</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	163	100
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>163</b>	<b>100</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
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
53
-

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

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

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 Loan facilities	200	-
8.2 Credit standby arrangements	-	-
8.3 Other (Placement)	320	-
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.		

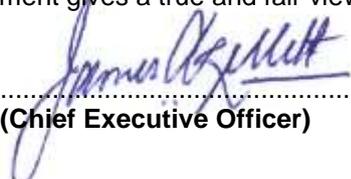
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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	60
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	105
9.4 Leased assets	-
9.5 Staff costs	65
9.6 Administration and corporate costs	70
9.7 Other (Intellectual property)	50
<b>9.8 Total estimated cash outflows</b>	<b>350</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:   
(Chief Executive Officer)

Date: 31 October 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 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.

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