



12 December 2016

ASX/Media Release
(ASX: KNM)

Shareholder Update on KNeoWorld Roll-out

- **Confirmed 150 seats licenced from two new schools signed up on 17 November – more licences from these schools are pending**
- **Licences ordered now in excess of 2,000 across seven schools since April sales commencement of updated version of KNeoWorld was released- more sales pending**
- **Conversion of now 50-strong pipeline of advanced sales enquiries for KNeoWorld with New York schools is progressing – KNM very confident of additional sales**
- **New York has around 2,300 public elementary schools teaching more than 1.25 million students, including 220,000 special needs students**
- **Sales enquiries for KNeoWorld now being received from US Federal channels - 63,000 elementary schools in total across the US with over 30 million students and 6.5 million special needs students**
- **Minor delay in iOS Apple App launch due to App settings impacted by recent iOS update and iPhone 7 – now resolved**

Online education content publisher **KNeoMedia Limited (ASX: KNM) (KNeoMedia or the Company)** provides this update on the progress of sales of its games-based KNeoWorld learning portal to New York Public Schools, and the pending launch of iOS Apple KNeoWorld App.

New York Public Schools sales update

On 17 November, KNeoMedia advised that two additional New York Public Schools had ordered the special education version of KNeoWorld's games-based learning portal for their students with the number of seat licences to be finalised. An initial 150 licences have been sold with more sales from the two schools pending. KNeoMedia receives \$USD50.00 per licence annually and in excess of 2,000 seat licences have been ordered this year alone. Given the updated version of KNeoWorld has only been live since April, this represents impressive early uptake given that US schools have their summer break through August and September.

The Company also reported that its pipeline of advanced sales inquiry from New York City Public Schools now exceeded 50, with sales expected to grow beyond the current seven schools already signed up. KNeoMedia confirms that it is satisfied with the progress being made on sales, and that a number of key initiatives and presentations now underway will lead to increased conversions. The Company remains very confident of this market opportunity.

Now that product validation has occurred through the sign up of the first seven schools, KNeoMedia is focused on delivering much greater take up and penetration rates among the New York Public School system given the size of the opportunity. With approximately 2,300 public elementary schools teaching more than 1.25 million students, including 220,000 special needs students, the scale of the opportunity in New York alone is very compelling.

KNeoMedia is also pleased to report that product inquiries are also materialising from Federal US education channels – a first for the Company, and a validation of our strategy to target New York schools first. It should be acknowledged that the New York school system is one of the hardest in the US in which to get a foothold in for online education

KNeoMedia Limited ASX:KNM

Level 1, 61 Spring Street, Melbourne VIC 3000 Australia ABN 41 009 221 783

Email info@KNeoMedia.com Tel +61 (0)3 9286 7500 Fax +61 (0)3 9262 1472

For personal use only

content providers. KNeoMedia is now gaining much greater visibility in the US education market and is well placed to tap the much larger US public school network of 63,000 elementary schools with over 30 million students and 6.5 million special needs students.

Launch of the iOS Apple KNeoWorld App

KNM confirms the official launch of the KNeoWorld iOS App on Apple's App Store has experienced a minor delay due to the impact of a recent iOS upgrade and setting changes to accommodate the iPhone 7. The Company believes that these App development issues have now been resolved and it is in submission for Apple approval.

KNM has invested significantly in this App, both in terms product development and designing a large-scale global market release campaign incorporating extensive social media and digital marketing elements. As such, the Company is intent on ensuring the product launch is a success, and free of technology 'bugs'. The App is very content rich and complex allowing up to three individual players, per purchased download, to play offline 24 episodes incorporating 120+ games with multiple levels and deliver real time progress scores and analytics in 6 categories. Its launch represents a significant milestone for KNM and an important future revenue driver. The success of its launch is therefore very important.

The Apple App is also key to delivering the sales channel through US Parent Teacher Associations (PTA) where KNeoMedia has received excellent recognition and access. As well as direct-to-consumer sales globally, the validation of the App through PTA endorsements will be a critical future revenue driver. The collaboration with the PTA assists the Company's access to approximately 50,000 elementary and middle schools and 23 million students in our target market. Under the collaboration, each school that registers receives a digital fund raising kit for their school community and 50% of net revenue from each subscription taken out by parents and community members for family access, is paid to their individual school PTA. This provides both a simple and effective fund raising platform for the schools and a very substantial distribution opportunity for the Company.

KNeoMedia's Board and management, while frustrated by the protracted App development time, continues to progress the roll-out of its KNeoWorld products through multiple channels. The Company is working hard to ensure sales materialise more rapidly. Notwithstanding, the validation of the underlying technology and appeal of the product remain well intact.

Establishing a presence across the highly vetted New York City Public School system is a priority that will lead eventually to the wider US education market and create a platform not just for KNeoWorld, but position KNeoMedia as the gateway to the US Public Schools system for other edutainment products.

Analytical capability of KNeoWorld Products

KNeoEd and KNeoESP provide teachers and schools with valuable data and analytics on the learning and assessment of students using the games portals. The analytical capabilities include student, class and school dashboards which track and report on progress in each educational category (Arts, Maths, Science, Literacy, Memory and Reasoning). Greater accountability of teachers is a global trend, and the growing need to improve the quality of student assessment means there is strong demand for this kind of functionality.

KNeoESP is an ideal tool for educators of special needs students, given the high levels of engagement that these students require when learning online and with computers. Teachers can monitor student progress in the six key areas (as above) from a dashboard, an extremely useful assessment aid especially where the student is non-verbal.

These analytical tools give KNeoMedia a significant advantage over other online edutainment games portals. Teachers and schools are always seeking additional assessment and data analytical tools to get an accurate picture of student development, and this platform gives KNM a key sales advantage.

The Company looks forward to updating shareholders on progress on the above very shortly.

For personal use only

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.

For further information, please contact:

James Kellett

Chief Executive Officer

T: (03) 9286 7500 M: 0439 805 070

E: jkellett@kneomedia.com

Sophie Karzis

Company Secretary

T: (03) 9286 7500

E: sk@ccounsel.com.au

Released through: Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448



Follow KNeoMedia on Twitter: <http://twitter.com/KNeoMedia>

For personal use only