

KNEOMEDIA LIMITED

(formerly Entellect Limited)

(ASX:KNM)

ASX and Media Release

28 August 2015

Appendix 4E – Preliminary Final Results

KNeoMedia Limited (formerly Entellect Limited) (**KNeoMedia** or the **Company**) advises shareholders of its preliminary final results for the Company and its controlled entities (the **Group**) in respect of the financial year ended 30 June 2015 (**FY15** or the **year**) as follows:

Preliminary FY15 results

The Group's results for the year ended 30 June 2015 reflect the continued investment by the Group in developing and commercialising its KNeoWORLD Games Portal and in expanding its sales and marketing activities. During the year, the Group continued to raise funds from existing and new shareholders to fund these activities.

The Group incurred a loss for the year of \$1,630,948 (2014: Loss \$1,764,265) primarily attributable to the receipt of other income \$607,456 under the Australian Government's Research and Development Tax Incentive Program and the containment of employee benefits cost and operating cost. Included in the result was a non-cash loss on movement in the fair value of embedded derivatives option of \$221,665.

Whilst the Group did not have any revenue for FY15, during the year, the Company took steps to improve its cash flow position by streamlining corporate costs, raising further equity capital, and successfully applying for Government grants for its research and development activities.

In FY15, KNeoMedia received significant support from existing shareholders and new investors for its capital raising activities, and raised a total of \$1,250,000 via share placement and issue of convertible notes which allowed the Group to fund its business development objectives.

During the year, the Company continued as a participant in the Australian Government's Research and Development Tax Incentive Program and as a result a tax refund of \$483,000 is expected to be received from ATO by end of August 2015 for the research and development activities undertaken in FY15.

Year in review

Operational

During the year, the Company continued to expand its product offering within its KNeoWORLD Games Portal in both broader regions and platforms including web, iOS, Android and direct carrier billing in multiple languages. As a result of the geographical expansion, the Company now has a footprint in China, SE Asia and Australia.

In addition, the Company continues to focus on strengthening its management team with technical resources to better position the Group to achieve its business objectives. In February 2015, Mr Frank Lieberman was appointed an Executive Director of KNeoMedia. Mr Lieberman had been providing consulting services to the Company's US subsidiary, KNeoWORLD Inc., and he and his team are the driving force behind Parent Teacher Association (**PTA**) fund-raising revenue model as well as the Foundation funded revenue model. The Foundation funded revenue model involves corporate, government and private Foundations providing funds for students of less affluent schools to adopt education programs including KNeoWORLD's Games Based Learning program.

Mr Carlo Spicola was appointed Senior Producer of KNeoWORLD in March 2015. Mr. Spicola has had a distinguished career in digital media technologies and application development, and has held roles which include Multi-media manager and content producer for Nickelodeon's Nick Online group. Since his appointment in March 2015, Mr. Spicola has, with the benefit of his expertise, furthered KNeoWORLD's

development and commercialisation, and continues to actively harness and pursue the potential commercial opportunity available to the Company to achieve revenue across a broad number of sales.

As a result of these New York based senior appointments, and to better position itself to interact with its New York educational marketing initiatives, the Company relocated its US operations from San Francisco to New York in May 2015.

A further major operational initiative undertaken by the Group during the year was the March out-sourcing of web and application product development to Blastoff of Goa, India, a company that specialises in cross-platform mobile applications. Mr. Indrajit Chowdhury, the founder of Blastoff, has had many years' experience in web application development, first at Nickelodeon and then in New York and India. He has spent more than 10 years architecting and building software-as-a-service ecommerce and content management systems. Mr. Chowdhury has worked with Mr. Spicola over a number of years to successfully commercialise web and Apps based products. A Blastoff partner, Mr. Rakesh Kamat, will co-ordinate the centralized development activities. Mr. Kamat has 15 years' of experience in enterprise software development and has worked with some of the leading information technology companies in devising and delivering IT strategies. Mr. Kamat will act as Chief Technology Officer at KNeoWORLD and will drive KNeoWORLD's technology strategy to continue to deliver innovative products.

Marketing

In September 2014 the Company announced it had executed a Distribution Agreement with SmartTrans Holdings Limited (ASX:SMA) for distribution of KNeoWORLD Apps throughout China via SmartTrans direct carrier billing platform. In July 2015 a consumer-based trial of the Company's first Mandarin language product, KNeoJUNIOR was successfully completed. The Edutainment (education + entertainment) product trial was carried out in Guangdong Province and received strong initial uptake with over 14,000 individual downloads occurring over three days. The trial was conducted to determine consumer interest levels and assess acceptable product pricing points prior to the official product launch. As a result of the strong consumer demand, KNeoMedia has since been working with SmartTrans and leading Chinese telecommunication provider China Mobile and has finalised the pricing structure thereby enabling national product distribution across China in the coming weeks.

In addition, KNeoMedia plans to continue building multiple revenue streams by replicating its Chinese-focused distribution model more extensively throughout South East Asia. An agreement in this regard is expected to be announced shortly.

During FY15 the Company continued working with the New York educational system conducting a number of product trials in New York City schools. This included a pilot program in elementary schools with 120 children aged 7 to 12 years. The program was implemented under the direction of principals and teachers of the second, fourth and sixth grades. The results showed resounding validation that the KNeoWORLD games-based learning platform is a success with both the students and the educators.

The Pilot program's success facilitates access to 500,000 public, private and catholic school students in the greater New York area via the Department of Education, the Parent Teacher Association (PTA) fund-raising revenue model and also the Foundation funded revenue model.

The Company is also working with District 75, the NYC public school district for special needs children, with over 200,000 students. PS 811X in the Bronx, part of District 75, is presently using KNeoWORLD games to enhance learning for its special needs students and the positive games based learning outcomes have been documented by the school providing further validation of KNeoWORLD's games based learning.

As a result of the product validation KNeoWORLD has been granted a New York City Department of Education vendor's licence to facilitate direct purchase of the KNeoWORLD Portal for schools in District 75 and beyond (**Vendor's Licence**).

The Year Ahead

KNeoMedia believes that the joint appointment of Mr. Spicola and Blastoff have fortified the Group's resources and will position the Group to accelerate product development. Mr. Spicola and Blastoff will work closely with New York based director Frank Lieberman with whom they have previously successfully commercialised online entertainment products.

KNeoMedia is confident that these initiatives spearheaded by CEO James Kellett, will accelerate sales in the USA educational market, a large consumer base; the international direct carrier billing distribution channel in China and other new international regions; as well as the opening of new market channels.

KNeoMedia has spent several years and deployed substantial resources to achieve validation of its games based learning products, which have collectively culminated in the completion of pilot programs, and granting of the Vendor's Licence. The Board is cautiously optimistic that these milestones achieved during the year, combined with the forward strategy to be deployed by management in FY16, will position the Group to achieve commercialisation of its products which will in turn pave the way to attainment of revenue in FY16.

-ENDS

For any other queries please contact:

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**KNEOMEDIA LIMITED
(formerly Entellect Limited)
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

Lodged with ASX under Listing Rule 4.3A

ASX Announcement - Appendix 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

Name of Entity	KNeoMedia Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2014 to 30 June 2015
Previous corresponding reporting period:	1 July 2013 to 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities		-100	to	-
Loss from ordinary activities after tax attributable to members	down	-0.08	to	1,630,948
Net loss for the year attributable to members of parent (after non-controlling interest)	down	-10.5	to	1,437,033
Dividends (distributions)	Amount per share		Franked amount per share	
Final dividend	Nil ¢		Nil ¢	
Interim dividend				
Previous corresponding period	Nil ¢		Nil ¢	
Record date for determining entitlements to the dividends	N/A			

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2015

Review of Operations

The Group incurred a loss for the year of \$1,630,948 (2014: Loss \$1,764,265) primarily attributable to the receipt of other income \$607,456 under the Australian Government's Research and Development Tax Incentive Program and the containment of employee benefits cost and operating cost. Included in the result was a non-cash loss on movement in the fair value of embedded derivatives option of \$221,665.

Whilst the Group did not have any revenue for FY15, during the year, the Company took steps to improve its cash flow position by streamlining corporate costs, raising further equity capital, and successfully applying for Government grants for its research and development activities.

During the year, the Company received significant support from existing shareholders and new investors for its capital raising activities, and raised a total of \$1,250,000 via share placement and issue of convertible notes which allowed the Group to fund its business development objectives.

The Company also continued as a participant in the Australian Government's Research and Development Tax Incentive Program and as a result a tax refund of \$483,000 is expected to be received from ATO by end of August 2015 for the research and development activities undertaken in FY2015.

	30 June 2015	30 June 2014
Earnings/(loss) per share		
Basic and diluted (loss)/earnings per share (cents)	(1.23)	(0.08)

Financial position

The Group had net liabilities of \$1,228,877 as at 30 June 2015 (2014: net liabilities \$1,412,868).

Cash flows

During the year, the Group incurred net operating cash outflows of \$1,000,087 (2014: outflows \$1,554,594). The Group had cash of \$979,179 at 30 June 2015 (2014: \$312,553).

Net tangible asset per share

	30 June 2015	30 June 2014
Net tangible asset/(liability) backing per share	<u>(0.71) cents</u>	<u>(0.05) cents</u>

Results of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing the performance of the Group, and determining investment requirements. The operating segments are based on the manner which services are provided to the market.

The Group in the past had two operating segments being the Educational Games Distribution business and the vPublisher eBook Content Delivery Software business, though neither business has achieved revenue. The vPublisher eBook Content Delivery Software business has been dormant for FY 2013 and FY 2014. During this financial year, the Group decided to cease the vPublisher eBook Content Delivery Software business segment, leaving the Group with the Educational Games Distribution business as its only business segment.

Accordingly, no operating segment disclosure is required for FY2015.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
Revenue			
Sales revenue		-	5,547
Other income	3	611,147	242,940
		611,147	248,487
Employee benefits expenses		(491,508)	(481,762)
Corporate expenses		(451,345)	(507,585)
Depreciation and amortisation expenses		(16,533)	(20,798)
Other expenses		(961,882)	(756,716)
Finance costs		(109,545)	(251,568)
Performance rights benefit/(expense)	5	10,383	(17,133)
(Loss)/gain on movement in fair value of embedded derivatives option		(221,665)	22,810
Loss before income tax		(1,630,948)	(1,764,265)
Income tax benefit		-	-
Loss for the year attributable to members		(1,630,948)	(1,764,265)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations (net of tax)		(14,133)	(22,915)
Total comprehensive loss for the year		(1,645,081)	(1,787,180)
Loss attributable to:			
Members of the parent entity		(1,437,033)	(1,606,966)
Non-controlling interests		(193,915)	(157,299)
		(1,630,948)	(1,764,265)
Total comprehensive loss attributable to:			
Members of the parent entity		(1,451,089)	(1,625,298)
Non-controlling interests		(193,992)	(161,882)
		(1,645,081)	(1,787,180)
Earnings/(loss) per share (cents per share)			
Basic and diluted earnings/(loss) per share	7	(1.23)	(0.08)

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents		979,179	312,553
Trade and other receivables		31,413	29,598
Other assets		38,349	76,596
Total Current Assets		1,048,941	418,747
Non-current Assets			
Property, plant and equipment		5,081	20,534
Total Non-current Assets		5,081	20,534
Total Assets		1,054,022	439,281
Current Liabilities			
Trade and other payables		397,597	380,100
Financial liabilities	4	1,885,302	1,472,049
Total Current Liabilities		2,282,899	1,852,149
Total Liabilities		2,282,899	1,852,149
Net (Liabilities)/Assets		(1,228,877)	(1,412,868)
Equity			
Issued capital	6	69,790,759	67,986,375
Reserves		(56,571)	(60,453)
Accumulated losses		(70,024,330)	(68,594,047)
Parent Entity Interest		(290,142)	(668,125)
Non-controlling interest		(938,735)	(744,743)
Total Equity		(1,228,877)	(1,412,868)

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Convertible note equity Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	67,986,375	(68,594,047)	(113,395)	17,133	35,809	(744,743)	(1,412,868)
Net loss for the year	-	(1,437,033)	-	-	-	(193,915)	(1,630,948)
Other comprehensive income	-	-	(14,056)	-	-	(77)	(14,133)
Total comprehensive income	-	(1,407,033)	(14,056)	-	-	(193,992)	(1,645,081)
Shares issued	1,250,000	-	-	-	-	-	1,250,000
Conversion of directors fees to share	136,078	-	-	-	-	-	136,078
Conversion of Convertible notes to shares	408,637	-	-	-	-	-	408,637
Shares issued in lieu of fees for services rendered	216,900	-	-	-	-	-	216,900
Transaction costs on shares issued	(207,231)	-	-	-	-	-	(207,231)
Equity component of convertible notes	-	-	-	-	35,071	-	35,071
Transfer to retained earnings	-	6,750	-	(17,133)	-	-	(10,383)
Balance at 30 June 2015	69,790,759	(70,024,330)	(127,451)	-	70,880	(938,735)	(1,228,877)

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Convertib le note equity Reserve	Non- controllin g Interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	66,563,756	(66,987,081)	(95,063)	-	-	(582,861)	(1,101,249)
Net loss for the year	-	(1,606,966)	-	-	-	(157,299)	(1,764,265)
Other comprehensive income	-	-	(18,332)	-	-	(4,583)	(22,915)
Total comprehensive income	-	(1,606,966)	(18,332)	-	-	(161,882)	(1,787,180)
Shares issued	854,000	-	-	-	-	-	854,000
Exercise of options	375,000	-	-	-	-	-	375,000
Conversion of Convertible notes to shares	250,000	-	-	-	-	-	250,000
Transaction costs on shares issued	(56,381)	-	-	-	-	-	(56,381)
Performance rights expense	-	-	-	17,133	-	-	17,133
Equity component of convertible notes	-	-	-	-	35,809	-	35,809
Balance at 30 June 2014	67,986,375	(68,594,047)	(113,395)	17,133	35,809	(744,743)	(1,412,868)

The accompanying notes form part of this preliminary final report

**NEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 \$	2014 \$
Cash flows from operating activities		
Receipts from customers	642	6,102
Grants from research and development	531,007	222,564
Payments to suppliers and employees	(1,531,736)	(1,783,260)
Net cash used in operating activities	(1,000,087)	(1,554,594)
 Cash flows from investing activities		
Purchase of property, plant and equipment	(1,526)	(4,833)
Net cash used in investing activities	(1,526)	(4,833)
 Cash flows from financing activities		
Proceeds from issue of shares	1,250,000	880,381
Exercise of options	-	375,000
Payment for share issue costs	(72,514)	(41,381)
Proceeds from convertible notes	750,000	600,000
Repayments of convertible notes	(200,000)	-
Interest received	3,691	4,904
Interest paid	(49,249)	(40,928)
Net cash provided by financing activities	1,681,928	1,777,976
 Net increase in cash and cash equivalents	680,315	218,549
Cash and cash equivalents at the beginning of the financial year	312,553	117,037
Effects of exchange rate changes on cash and cash equivalents	(13,689)	(23,033)
Cash and cash equivalents at the end of the financial year	979,179	312,553

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

This report is based on accounts that are in the process of being audited.

1. Dividends

The Group does not intend to pay a dividend in respect of the year ended 30 June 2015 (2014: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

2. Net Tangible Assets Per Share

Net tangible (liability)/asset backing per ordinary share at 30 June 2015 was (0.71) cents (2014: (0.05) cents).

3. Other income

	2015	2014
	\$	\$
Grants for research and development	607,456	238,036
Interest income	3,691	4,904
	<u>611,147</u>	<u>242,940</u>

4. Other Financial Liabilities (Current)

	2015	2014
	\$	\$
<i>Financial liabilities measure at amortised cost:</i>		
- Convertible notes – loan component	1,505,417	1,308,580
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	379,885	163,469
	<u>1,885,302</u>	<u>1,472,049</u>
<i>Movement of the financial liabilities</i>		
Opening balance: Convertible notes – loan component	1,308,580	829,369
Additions during the year	750,000	600,000
Repayment during the year	(200,000)	-
Increase in unpaid interest	147,858	103,152
Equity component transfer to reserve	(35,071)	(35,809)
Imputed interest charge	(121,199)	61,868
Conversion to share	(344,751)	(250,000)
Closing balance: Convertible notes – loan component	<u>1,505,417</u>	<u>1,308,580</u>
Opening balance: Embedded derivatives	163,469	186,279
Additions during the year	-	-
(Gain)/Loss on movement in fair value	216,416	(22,810)
Closing balance: Embedded derivatives	<u>379,885</u>	<u>163,469</u>

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

4. Other Financial Liabilities (Current) (continued)

During the year, the Company and certain holders of 5 existing convertible notes on issue in the Company (each with a face value of \$100,000) entered into an agreement to vary the terms of those convertible notes. The variations were as follows:-

- Each convertible note would be split into two convertible notes, with the result that there would be 10 convertible notes on issue, each having a face value of \$50,000;
- The parties agreed to extend the maturity date of 6 (newly split) convertible notes (with a total face value of \$300,000) from 31 October 2014 to 31 May 2015;
- The parties agreed to vary the terms of the remaining 4 (newly split) convertible notes (with a total face value of \$200,000) to enable the assignment of those notes to other parties; this included a variation to the maturity date from 31 October 2014 to 31 October 2015, a variation to the interest rate payable on those notes, and an adjustment to the calculation basis of the conversion price.

On 22 October 2014, 27 October 2014 and 19 November 2014, the remaining 4 (newly split) convertible notes (with a total face value of \$200,000) referred to above were assigned to 4 new holders. The key terms of the notes were as follows:-

- Maturity date of 31 October 2015;
- Interest rate – 10% per annum or 15% per annum if paid in shares at the election of the convertible loan note holder at the time of payment;
- Interest payment payable on conversion or redemption of the convertible notes;
- Conversion price at \$0.002 per share;
- Free attaching options - each conversion share entitlement under each note entitled the holder to receive one free attaching unlisted option to acquire a further ordinary share. The options, which were issued in December 2014, are exercisable at \$0.002 each, on or before 31 October 2015.

On 30 January 2015 and 17 February 2015, five convertible notes were issued to five new convertible notes holders with a face value of \$50,000 (total face value of \$250,000). The key terms of the notes are as follows:-

- Maturity date of 31 March 2016;
- Interest rate – 10% per annum or 15% per annum if paid in shares at the election of the convertible loan note holder at the time of payment;
- Interest payment payable on conversion or redemption of the convertible notes;
- Conversion price at \$0.002 per share;
- Free attaching options - each conversion share entitlement under each note entitled the holder to receive one free attaching unlisted option to acquire a further ordinary share. The options, which were issued in January and June 2015, are exercisable at \$0.0012 each on or before 31 March 2016.

On 26 June 2015, four convertible notes were issued to four new convertible notes holders, each with a face value of \$25,000 (total face value \$100,000). The term of the notes with the key terms being as follows:-

- Maturity date of 31 March 2016;
- Interest rate – 10% per annum or 15% per annum if paid in shares at the election of the convertible loan note holder at the time of payment;
- Interest payment payable on conversion or redemption of the convertible notes;
- Conversion price at \$0.001 per share;
- Free attaching options - each conversion share entitlement under each note entitled the holder to receive one free attaching unlisted option to acquire a further ordinary share. The options, which were issued in June 2015, are exercisable at \$0.001 per share on or before 31 March 2016.

**NOTE: On 28 May 2015 the Company undertook a consolidation of its existing securities on the basis of every 30 securities being consolidated into 1. The information set out above, including the exercise price of options and conversion price of convertible notes, have been provided on a PRE-consolidation basis.*

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

5. Performance rights issued to Directors and other key management personnel (KMPs) for the Long Term Incentive Plan (LTIP)

The Company's shareholders approved a Long Term Incentive Plan (LTIP) at KNeoMedia's AGM in November 2013. At the 2013 AGM, shareholders approved an issue of performance rights under the LTIP to Directors James Kellett, Andrew Plympton and Jeffrey Bennett.

During the year, pursuant to shareholder approval received at the Company's 2014 AGM, the Company issued 666,667 (post consolidation) performance rights under the LTIP to Dr Nigel Finch. Dr Finch's performance rights have lapsed, following his resignation as Director of the Company in February 2015.

During the year in April 2015, a further 833,333 (post consolidation) performance rights lapsed upon the resignation of a key management personnel and the previous performance rights in reserve of \$6,750 were reversed to accumulated losses.

The fair value of the performance rights granted to Directors at grant date was \$0.022 based on a Black Scholes option pricing model. The fair value of the performance rights are subject to the achievement of revenue hurdle of \$5mil gross revenue during any given 12 consecutive months and conditional upon continuation as a director of the Company. The fair value is allocated to each reporting period evenly from date of grant to the vesting period. The rights will lapse if the vesting conditions are not achieved by 31 December 2016 (expiry date).

During the year, the Company did not recognise any performance rights expense but to write back the previous expense of \$10,383 (2014: \$17,133) to statement of profit or loss and other comprehensive income in the view that the probability of achieving the performance conditions of the performance rights for exercise are uncertain.

As at the date of this report, there are 2,966,667 performance rights (post consolidation) on issue.

6. Issued Capital

	2015 \$	2014 \$
171,851,370 (2014: 88,770,764) fully paid ordinary shares	69,790,759	67,986,375
	69,790,759	67,986,375
	No.	No.
a. Ordinary Shares		
At the beginning of reporting period	88,770,764	47,537,431
Shares issued during the year		
— Conversion of directors fee payable to share	2,558,142	-
— Conversion of borrowing to share	12,268,519	-
— Capital raising fee in lieu	7,012,271	-
— Share issued	55,555,555	20,400,000
— Exercise of options	-	12,500,000
— Conversion of convertible notes	5,686,119	8,333,333
At reporting date	171,851,370	88,770,764

**NOTE: On 28 May 2015 the Company undertook a consolidation of its existing securities on the basis of every 30 securities being consolidated into 1. The information set out above, including the number of shares on issue during FY2014, have been provided on a POST-consolidation basis.*

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

7. Earnings Per Share

	2015	2014
Basic and diluted earnings/(loss) per share	(1.23) cents	(0.08) cents

Weighted Average Number of Shares

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	116,568,338	71,631,769

Earnings Used in Calculating EPS

		\$
Loss for the year	1,630,948	1,764,265
Loss attributable to non-controlling interest	193,915	157,299
Loss used to calculate basic and diluted EPS	1,437,033	1,606,966

As the Group has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS.

8. Contingent liabilities

There are no outstanding contingent liabilities as at 30 June 2015 (2014: Nil).

9. Details of entities over which control has been gained or lost during the year

Control gained over entities

The Group did not acquire any subsidiary entities in the year ended 30 June 2015.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2015.

10. Company announcements

Refer to the ASX website (ASX: KNM) for details of Company announcements made during the year.

11. Subsequent events

Apart from the matters noted below, no matters have arisen in the interval between the end of the financial year and the date of this report in respect of any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

On 28 July 2015, the Company announced the completion success trial launch of Mandarin language Edutainment product KNeoJUNIOR into China.

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

12. Status of the audit

This Preliminary Financial Report is based on the Group's 2015 annual financial report, the accounts of which are in the process of being audited. No matters have arisen thus far which would result in a dispute or qualification in the current year.

On behalf of the board



Andrew Plympton
Chairman

Melbourne, 28 August 2015