



31 August 2018: ASX/Media Release (ASX: KNM)

Appendix 4E – Preliminary Final Results

KNeoMedia Limited (**KNeoMedia** or the **Company**) (**ASX: KNM**) is pleased to report its preliminary final results for the Company and its controlled entities (the **Group**) for the financial year ended 30 June 2018 (**FY2018** or the **year**), and to provide a review of operations and the outlook for the Company as outlined below.

Preliminary FY2018 results

The Group has continued to build sales over the year of \$533,404 (2017: \$133,760), of which \$217,049 represented revenue that had previously been deferred at 30 June 2017 and was released during the year through monthly revenue recognition, and the balance was all in relation to seat licences sold in FY2018 with revenue recognised on a monthly basis. The net loss for the year was \$2,349,082 (2017: Loss \$1,285,911) with the increase primarily due to the non-cash share-based payment expenses of \$660,833 from the issue of shares under the Company's Long-Term Incentive Plan (LTIP) for nil cash consideration (as reported in the December 31st 2017 accounts) and funds deployed for planned expansion of the Company into new markets.

The Group's net assets increased to \$3,706,185 (30 June 2017: net liabilities \$121,463) due to increased sales and revenue recognition, recent placements of \$3,895,000, and the further reduction of convertible note debt to zero.

Year in review

The Company's primary focus during the year was the refinement of its operating platform to deliver sustainable sales through four key pillars:

- **Partnerships** that deliver access to multiple funding channels from government and private enterprise;
- **Leading technology** to ensure we maintain a commanding position in Special Needs education;
- **Validated content** by globally recognised and credible health and education bodies;
- **Recruitment of top talent in Special Needs** learning and development to deliver scale in the markets where we deploy content.

Based on these four key pillars the Company continues to broaden its market since refining its product offering to Software as a Service (SaaS) platform under a Business-to-School sales model during 2018. The (SaaS) Business-to-School model, while initially creating a longer sales cycle, will deliver a much more robust and predictable revenue model compared to direct-to-consumer marketing which is dependent on high promotional costs.

To this end, the Company has worked with UK production house Dubit to ensure reliable global distribution and adherence to education curriculum standards in each of the operating jurisdictions. The curriculum standards compliance and analytical reporting across six subject categories provides further differentiation and leadership to other single subject products generally available in education, let alone special education.

Funding & capital structure

During the year, the Company raised \$3,895,000 through the placement of new shares, predominantly to institutional and sophisticated investors. As well, existing convertible note holders converted \$175,000 of notes to shares thus extinguishing all Company debt. Furthermore, existing option holders elected to exercise options which raised a further \$548,704.

This substantially strengthen the Group's balance sheet as at 30 June 2018 with net assets of \$3,706,185 versus net liabilities of \$121,463 at 30 June 2017.

The Company remains focused on collection of outstanding debtors and will be doing so in conjunction with commencement of the school year in New York City. Given the past delay in debtor collections, the Company has been ensuring all sales are only recognised in conjunction with satisfactory payment identification. Further commentary is provided under "United States". As a result of the ageing of the outstanding debtors, the Company acknowledges that its Auditors have not been able to obtain sufficient appropriate audit evidence in relation to the occurrence of revenue or recoverability of trade receivables as a result of the confidential nature of the New York City Department of education payment process, and in consequence qualification of the audit in this regard is anticipated.

The year in review by geography

United States

As reported in July, KNeoMedia's US team has been establishing broader sales channels in New York and other US markets with the most important development being an Alliance Partnership ("the Alliance") with the USA's oldest, largest and most widely recognised not-for-profit lobby organisations, the National Association for the Advancement of Colored People (NAACP) secured in June.

The Alliance Partnership gives KNeoMedia an established and wide-reaching infrastructure across the United States via the NAACP 2,200 chapters, and the not-for-profit accreditation, to fast-track sales and roll-out KNeoWorld content across the US. The Alliance Partnership can deliver diversified funding sources and ensure the Company is not impacted by DOE budget allocation delays that have occurred in the past.

Following on from the June collaboration agreement Company representatives attended and presented at the NAACP National Convention in San Antonio in July 14th to 18th just prior to the commencement of the annual summer Northern Hemisphere vacation.

After the upcoming September 2018 commencement of the school year, it is expected that the first schools will be deployed in NYC under NAACP instruction and guidance including controlled research data collection for further validation. These will be the foundation for the larger NAACP roll out collaboration thereafter. Further; the collaboration with the NAACP and their internal education resources, the resulting research, the inclusion in the platform of alignment with curriculum standards by highly qualified curriculum experts and the Monash research that will have global standing negates the need to expedite other white papers in the US thus avoiding unnecessary and substantial expense.

Asia

As reported in July, following successful trials in six Special Needs schools, the Superintendent of the regional Department of Education in the Philippines has approved deployment of the content into Vizcaya Province and an application has been made to the Governor for Seat Licence funding.

Subsequently a submission has been made to a further province and the Company awaits the outcome of those submissions. The Company continues to meet government officials to establish a sound business network.

Also, previously announced, the Company has retained Singapore based Wee Woon Wong, the past President of global publishing and education company Pearson Asia, who has joined the KNeoMedia Advisory Board and is currently implementing a growth strategy for the initial target market of Malaysia. This follows successful trialling in the small but key benchmark market of Singapore. Of further assistance will be the delivery of the university study being headed in Melbourne but inclusive of a Singaporean school.

Australia

The Company continues to work with Monash University which is undertaking an in-depth study of KNeoWorld across several schools and remain on target for completion November. This research study, together with trials to date will be the key catalyst for expansion in Australia and other markets. The Company did obtain NDIS registration during the year however after extensive consideration the Board is of the view that the cost of undertaking a consumer model and delivering individual consumer support, solely

for Australia, is currently not viable and its focus will remain SaaS business to schools. Any change to these circumstances will be advised.

United Kingdom

Similar to the US, the UK school year begins early September after a 6-week close down and the Company will then be able to continue with the identification and recruitment of appropriately skilled and trained business development personnel to undertake school trial deployment.

Outlook

Using its four key pillars strategy of partnerships, leading technology, product validation and the continued recruitment of key sales personal, the Company will continue to remain fully focused on its **Software as a Service (SaaS) platform under a Business-to-School sales model** in its now defined markets.

The investment to date in both the SaaS strategy and the opening of those markets together with the extensive work of curriculum alignment within those markets, will, the Company believes, provide long term sustainable income.

– ENDS –

About KNeoMedia Limited:

KNeoMedia Limited (ASX:KNM) is an education publishing company that delivers world-class education assessment products and games-based learning to global educational markets, particularly to Special Needs education facilities. The Company sells on an annual Seat Licence basis through its KNeoWorld.com portal via education departments and distribution agreements. KNeoWorld is an education games portal where students play their way through a futuristic and epic world with the games mapped to validated educational content including numeracy, literacy, science, arts, reasoning and memory. The content delivers extensive analytical performance data to educators and complies with child online privacy protection including US COPPA and European GDPR. Our SaaS model provides KNeoWorld with a global education market opportunity selling on a business to business strategy.

For further information, please contact:

James Kellett
Chief Executive Officer
T: +61 3 8622 3354
E: jkellett@kneomedia.com

Sophie Karzis
Company Secretary
T: +61 3 8622 3351
E: sk@ccounsel.com.au

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



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**KNEOMEDIA LIMITED
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

Lodged with ASX under Listing Rule 4.3A

ASX Announcement - Appendix 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

| | |
|--|-----------------------------|
| Name of Entity | KNeoMedia Limited |
| Australian Business Number | 41 009 221 783 |
| Current reporting period: | 1 July 2017 to 30 June 2018 |
| Previous corresponding reporting period: | 1 July 2016 to 30 June 2017 |

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| Results from operations | | % Change | \$ |
|--|------------------|--------------------------|--------------|
| Revenues from ordinary activities | Up | 298 | to 533,404 |
| Loss from ordinary activities after tax attributable to members | Up | 82.7 | to 2,349,082 |
| Net loss for the year attributable to members of parent (after non-controlling interest) | Up | 94.9 | to 2,228,001 |
| Dividends (distributions) | Amount per share | Franked amount per share | |
| Final dividend Interim dividend | Nil ¢ | Nil ¢ | |
| Previous corresponding period | Nil ¢ | Nil ¢ | |
| Record date for determining entitlements to the dividends | N/A | | |
| Net Tangible Assets/(Liabilities) per security | | | |
| As at 30 June 2018 | 0.519 cents | | |
| As at 30 June 2017 | (0.075) cents | | |

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2018

Review of operations and financial results

The Group has continued to build sales over the year of \$533,404 (2017: \$133,760), of which \$217,049 represented revenue that had previously been deferred at 30 June 2017 and was released during the year through monthly revenue recognition, and the balance was all in relation to seat licences sold in FY2018 with revenue recognised on a monthly basis. The net loss for the year was \$2,349,082 (2017: Loss \$1,285,911) with the increase primarily due to the non-cash share-based payment expenses of \$660,833 from the issue of shares under the Company's Long-Term Incentive Plan (LTIP) for nil cash consideration (as reported in the December 31st 2017 accounts) and funds deployed for planned expansion of the Company into new markets.

The Group's net assets increased to \$3,706,185 (30 June 2017: net liabilities \$121,463) due to increased sales and revenue recognition, recent placements of \$3,895,000, and the further reduction of convertible note debt to zero.

| | 30 June 2018 | 30 June 2017 |
|--|--------------|--------------|
| Loss per share | | |
| Basic and diluted loss per share (cents) | 0.39 | 0.33 |

Financial position

The Group had net assets of \$3,706,185 as at 30 June 2018 (2017: net liabilities \$121,463).

Cash flows

During the year, the Group incurred net operating cash outflows of \$2,071,870 (2017: outflows \$624,988). The Group had cash of \$2,713,642 at 30 June 2018 (2017: \$403,242).

Net tangible assets per share

| | 30 June 2018 | 30 June 2017 |
|---|-------------------|--------------|
| Net tangible assets/(liabilities) backing per share | 0.52 cents | (0.07) cents |

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|---|------|--------------------|-------------|
| Revenue | | | |
| Sales revenue | 3 | 533,404 | 133,760 |
| Other income | | 27,555 | 325,397 |
| | | 560,959 | 459,157 |
| Employee benefits expenses and directors' fees | | (409,203) | (341,656) |
| Share-based payments expense | | (660,833) | - |
| Corporate expenses | | (477,699) | (354,353) |
| Depreciation and amortisation expenses | | (266,285) | (210,968) |
| Marketing expenses | | (314,372) | (253,664) |
| Other expenses | | (802,166) | (563,259) |
| Finance costs | | (18,271) | (111,827) |
| Performance rights benefit | | - | 3,755 |
| Gain on movement in fair value of embedded derivatives option | | 38,788 | 86,904 |
| Loss before income tax | | (2,349,082) | (1,285,911) |
| Income tax expense | | - | - |
| Loss for the year attributable to members | | (2,349,082) | (1,285,911) |
| 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) | | 4,524 | (10,875) |
| Total comprehensive loss for the year | | (2,344,558) | (1,296,786) |
| Loss attributable to: | | | |
| Members of the parent entity | | (2,228,001) | (1,143,038) |
| Non-controlling interests | | (121,081) | (142,873) |
| | | (2,349,082) | (1,285,911) |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | | (2,224,382) | (1,151,738) |
| Non-controlling interests | | (120,176) | (145,048) |
| | | (2,344,558) | (1,296,786) |
| Loss per share (cents per share) | | | |
| Basic and diluted loss per share | 8 | 0.39 | 0.33 |

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|------------------|------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 2,713,642 | 403,242 |
| Trade and other receivables | | 769,699 | 325,643 |
| Other assets | | 187,566 | 14,698 |
| Total Current Assets | | 3,670,907 | 743,583 |
| Non-current Assets | | | |
| Property, plant and equipment | | 17,486 | 5,045 |
| Intangible assets | 4 | 389,207 | 215,241 |
| Investment accounted for using the equity method | 5 | 3,381 | - |
| Non-current financial asset | | 17,841 | - |
| Total Non-current Assets | | 427,915 | 220,286 |
| Total Assets | | 4,098,822 | 963,869 |
| Current Liabilities | | | |
| Trade and other payables | | 313,087 | 609,027 |
| Deferred revenue | 6 | 57,815 | 255,356 |
| Other financial liabilities | | - | 220,949 |
| Employee benefits | | 21,735 | - |
| Total Current Liabilities | | 392,637 | 1,085,332 |
| Total Liabilities | | 392,637 | 1,085,332 |
| Net Assets / (Liabilities) | | 3,706,185 | (121,463) |
| Equity | | | |
| Issued capital | 7 | 80,013,462 | 73,840,956 |
| Reserves | | (181,443) | (184,762) |
| Accumulated losses | | (74,717,298) | (72,489,297) |
| Parent Entity Interest | | 5,114,721 | 1,166,897 |
| Non-controlling interest | | (1,408,536) | (1,288,360) |
| Total Equity | | 3,706,185 | (121,463) |

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 2018**

| | Issued Capital | Accumulated losses | Foreign Currency Translation Reserve | Options Reserves | Convertible note equity Reserves | Non- controlling Interests | Total |
|---|-------------------|-----------------------|---|---------------------|--|----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 73,840,956 | (72,489,297) | (185,062) | 300 | - | (1,288,360) | (121,463) |
| Net loss for the year | - | (2,228,001) | - | - | - | (121,081) | (2,349,082) |
| Other comprehensive loss | - | - | 3,619 | - | - | 905 | 4,524 |
| Total comprehensive loss | - | (2,228,001) | 3,619 | - | - | (120,176) | (2,344,558) |
| Shares issued | 3,895,000 | - | - | - | - | - | 3,895,000 |
| Conversion of convertible notes to shares | 191,825 | - | - | - | - | - | 191,825 |
| Conversion of director fees to shares | 115,000 | - | - | - | - | - | 115,000 |
| Share issued under Company's LTIP | 827,500 | - | - | - | - | - | 827,500 |
| Transaction costs on shares issued | (286,587) | - | - | - | - | - | (286,587) |
| Exercise of share options | 1,429,768 | - | - | (300) | - | - | 1,429,468 |
| Balance at 30 June 2018 | 80,013,462 | (74,717,298) | (181,443) | - | - | (1,408,536) | 3,706,185 |

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 2018**

| | Issued Capital | Accumulated losses | Foreign Currency Translation Reserve | Options Reserves | Convertible note equity Reserves | Non- controlling Interests | Total |
|---|-------------------|-----------------------|---|---------------------|--|----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 71,167,945 | (71,348,393) | (176,362) | 4,055 | 4,269 | (1,143,312) | (1,491,798) |
| Net loss for the year | - | (1,143,038) | - | - | - | (142,873) | (1,285,911) |
| Other comprehensive loss | - | - | (8,700) | - | - | (2,175) | (10,875) |
| Total comprehensive loss | - | (1,143,038) | (8,700) | - | - | (145,048) | (1,296,786) |
| Shares issued | 520,000 | - | - | - | - | - | 520,000 |
| Conversion of loans to shares | 200,000 | - | - | - | - | - | 200,000 |
| Conversion of convertible notes to shares | 1,110,181 | - | - | - | (2,135) | - | 1,108,046 |
| Conversion of director fees to shares | 57,800 | - | - | - | - | - | 57,800 |
| Share issued under Company's LTIP | 34,000 | - | - | - | - | - | 34,000 |
| Transaction costs on shares issued | (23,970) | - | - | - | - | - | (23,970) |
| Performance rights expense | - | - | - | (3,755) | - | - | (3,755) |
| Exercise of share options | 775,000 | - | - | - | - | - | 775,000 |
| Transfer to accumulated losses | - | 2,134 | - | - | (2,134) | - | - |
| Balance at 30 June 2017 | 73,840,956 | (72,489,297) | (185,062) | 300 | - | (1,288,360) | (121,463) |

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR EDED 30 JUNE 2018

| | 2018 | 2017 |
|---|--------------------|------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 125,972 | 143,522 |
| Net grants from research and development | - | 292,572 |
| Payments to suppliers and employees | (2,197,842) | (1,061,082) |
| Net cash used in operating activities | (2,071,870) | (624,988) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (19,648) | (5,777) |
| Purchase of intangible assets | (455,821) | (193,033) |
| Investment in joint venture | (3,381) | - |
| Loan to joint venture | (17,841) | - |
| Net cash used in investing activities | (496,691) | (198,810) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 3,895,000 | 520,000 |
| Payment for share issue costs | (286,587) | (83,270) |
| Proceeds from exercise of options | 1,229,468 | 775,000 |
| Interest received | 22,388 | 317 |
| Interest paid | (8,608) | (81,894) |
| Net cash provided by financing activities | 4,851,661 | 1,130,153 |
| Net increase in cash and cash equivalents | 2,283,100 | 306,355 |
| Cash and cash equivalents at the beginning of the financial year | 403,242 | 100,362 |
| Effects of exchange rate changes on cash and cash equivalents | 27,300 | (3,475) |
| Cash and cash equivalents at the end of the financial year | 2,713,642 | 403,242 |

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 2018

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 2018 (2017: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

2. Net Tangible Assets Per Share

Net tangible assets backing per ordinary share at 30 June 2018 was 0.52 cents (2017: net tangible liabilities 0.07 cents).

3. Revenue

| | Note | 2018 \$ | 2017 \$ |
|---------------------------------------|------|------------|------------|
| Sales Revenue | | | |
| - KNeoWorld – Wholesale & other | | 12,952 | 48,933 |
| - KNeoWorld Education * | 6 | 520,452 | 84,827 |
| | | 533,404 | 133,760 |
| Other income | | | |
| - Grants for research and development | | - | 325,080 |
| - Interest income | | 27,555 | 317 |
| | | 27,555 | 325,397 |

** Total sales of \$315,578 were derived from seat licences sold to schools for FY 2018. In accordance with AASB 118: Revenue, the revenue will be recognised on a straight-line basis over the life of the seat licences. Accordingly, total revenue recognised for this financial year was \$520,452 which comprised part of previous year sales that recognised in this year, with \$57,815 deferred to FY 2019.*

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

4. Intangible assets

| | 2018 | 2017 |
|--|-------------|-------------|
| | \$ | \$ |
| Gross carrying amount | | |
| Balance as at 1 July | 455,325 | 274,718 |
| Additions | 429,417 | 193,033 |
| Exchange differences | 26,403 | (12,426) |
| Balance at 30 June | 911,145 | 455,325 |
| Accumulated amortisation and impairment | | |
| Balance as at 1 July | 240,084 | 39,997 |
| Amortisation expense | 261,793 | 205,288 |
| Exchange differences | 20,061 | (5,201) |
| Balance at 30 June | 521,938 | 240,084 |
| Net book value at 30 June | 389,207 | 215,241 |

The intangible assets recognised by the Group is product development costs. This accounting policy required the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

The product development costs capitalised are contracted costs attributable to preparing the products for their intended use. The product development assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives of 2 years. The Group commenced the amortisation of intangible assets when the Group started to generate income in March 2016.

5. Investment accounted for using the equity method

| | 2018 | 2017 |
|-----------------------------|-------------|-------------|
| | \$ | \$ |
| Investment in Joint Venture | 3,381 | - |
| | | |

On 15 May 2018, the Group invested 40% interest in KNeoWorld Philippines, a joint venture involved to deploy the intellectual property of KNeoWorld in Philippines to sale, marketing and distribute KNeoWorld software and related products.

The investment in KNeoWorld Philippines is accounted for using the equity method in accordance with AASB 128.

No financial information is available as at 30 June 2018 as the business is just in the setup mode and no trading activity at this financial year end.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

6. Deferred Revenue (Current)

| | Note | 2018 \$ | 2017 \$ |
|---|------|------------------|------------|
| CURRENT | | | |
| At 1 July | | 255,356 | - |
| Deferred during the year | | 322,911 | 255,356 |
| Released to the statement of profit or loss | 3 | (520,452) | - |
| At 30 June | | 57,815 | 255,356 |

The deferred revenue refers to the accrual and release of the seat licence revenue that is recognised on a straight-line basis over the life of the seat licence contracts, generally 12 months.

7. Issued Capital

| | 2018 | | 2017 | |
|--|-------------------|--------------------|-------------------|-------------|
| | \$ | | \$ | |
| 638,987,847 (2017: 451,521,629) fully paid ordinary shares | 80,013,462 | | 73,540,956 | |
| Unissued capital | - | | 300,000 | |
| | 80,013,462 | | 73,840,956 | |
| | \$ | No. | \$ | No. |
| a. Ordinary Shares | | | | |
| At the beginning of reporting period | 73,840,956 | 451,521,629 | 71,167,945 | 275,373,878 |
| Shares issued during the year | | | | |
| — Conversion of director fees payable to share | 115,000 | 1,756,867 | 57,800 | 3,192,548 |
| — Conversion of borrowing to share | - | - | 200,000 | 14,285,714 |
| — Capital raising fee in lieu | 250,000 | 2,500,000 | - | - |
| — Shares issued (capital raising) | 3,895,000 | 86,555,556 | 520,000 | 37,142,857 |
| — Shares issued for the Company's LTIP | 577,500 | 5,500,000 | 34,000 | 2,000,000 |
| — Conversion of convertible notes | 191,825 | 8,988,036 | 1,110,181 | 82,047,404 |
| — Exercise of options | 1,429,768 | 82,165,759 | 475,000 | 37,479,228 |
| — Transaction costs on shares issued | (286,587) | | (23,970) | |
| At reporting date | 80,013,462 | 638,987,847 | 73,540,956 | 451,521,629 |

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

8. Loss Per Share

| | 2018 | 2017 |
|--|--------------------|-------------|
| | \$ | \$ |
| Basic and diluted loss to profit or loss | 0.39 cents | 0.33 cents |
| | | |
| a. Reconciliation of earnings to profit or loss | | |
| Loss for the year | 2,349,082 | 1,285,911 |
| Loss attributable to non-controlling interest | (121,081) | (142,873) |
| Earnings used to calculate basic and dilutive EPS | 2,228,001 | 1,143,038 |
| | No. | No. |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS | 562,729,690 | 346,191,556 |

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. There are 22,035,714 options and 10,511,180 rights not included in the calculation.

9. Contingent assets and liabilities

The Group had no contingent assets and liabilities as at 30 June 2018 (2017: Nil).

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

Control gained over entities

The Group established a joint venture entity in Philippines, KNeoWorld Philippines and a wholly owned subsidiary in United Kingdom, KNeoWorld UK Limited during the year ended 30 June 2018. Both entities have yet to commenced trading as at 30 June 2018.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2018.

11. Company announcements

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

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

12. Subsequent events

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years

13. Status of the audit

This Preliminary Financial Report is based on the Group's 2018 annual financial report, the accounts of which are in the process of being audited. It is likely that the independent audit report will contain a qualification in respect of the occurrence of revenue and the recoverability of trade receivables.

On behalf of the board



James Kellett
Executive Chairman

Melbourne, 31 August 2018