



Publishers of
KNEOWORLD
Google Education Partner

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022



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CORPORATE INFORMATION

DIRECTORS

Mr James Kellett	- Executive Chairman and Chief Executive Officer
Mr Jeffrey Bennett	- Non-Executive Chairman
Mr Franklin B. Lieberman	- Executive Director

COMPANY SECRETARY

Ms Eryl Baron
Boardroom Pty Limited

AUDITORS

William Buck
Level 20, 181 William Street
Melbourne Vic 3000

BANKERS

Westpac
150 Collins Street
Melbourne Vic 3000

REGISTERED OFFICE

Level 7, 411 Collins Street
Melbourne Vic 3000

SHARE REGISTRY

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Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

WEBSITE ADDRESS

www.kneomedia.com

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CHAIRMAN'S LETTER

Dear Shareholders

Year in review

Financial Year 2022 is best characterized as the period where KneoMedia established the foundation for a major scale up of activities and deployment of KneoWorld in New York City in close collaboration with the New York City Department of Education ('NYC DOE').

The Company's strategy has been to ensure the best use of available resources for the best sales outcome in the United States in preparation for the 2022-2023 return to school year following two years of closures. This has been undertaken by continued collaboration with the National Association for the Advancement of Colored People (NAACP) and Dell Technologies for greater deployment and penetration of the core KneoWorld platform in the New York public school system initially, and other markets throughout the United States, primarily through the 'Connect All Kids' educational initiative.

'Connect All Kids' deployment with New York's Department of Education

We committed substantial funds to expanding our content and enhancing the technology platform which was done in consultation with the NYC DOE in readiness for the future scale-up and roll-out. The KneoWorld content, which underpins the 'Connect All Kids' education initiative, has been extensively tested and verified in New York City and we believe we are well positioned to secure a major contract in the near-term. Our confidence is reinforced by the engagement with the New York DOE's technical team on larger scale integration processes. New York City and New York State comprise 2.5 million students and NYC DOE is recognized as a bellwether for other US States and Cities.

We are also pleased and encouraged by the ongoing commitment from the New York City Councillors to the 'Connect All Kids' program with a further US\$1m grant secured during the period. KneoMedia's share of this grant is ~A\$380,000. Since August 2020, a total of US\$6 million has been committed by the Councillors to the program, a strong vote of confidence in its effectiveness.

Additional sales and marketing channels

To best utilise the Company's resources and capital during school closures caused by the global pandemic, the Board made the decision to focus on NYC DOE and to pause sales channels that were reliant on intensive labour and advertising investment which delivered small-scale sales outcomes. This included a reduction in B2C sales efforts and greater emphasis on B2B channels.

In line with this strategy, the first commercial sale in Florida was achieved with the KneoWorld platform deployed in a select number of Early Learning Coalitions in Osceola County. These Coalitions are extensive in the public and private sector in Florida Counties with the program funded by the Florida Office of Early Learning providing considerable scope for growth. There are 6,500 ELCs in Florida and our initial deployment in the Florida education market mirrors our initial entry into New York and will likely see a significant scale-up as our technology becomes more embedded within the State education system.

Progress in other international markets

In line with our focus on the NYC DOE, we paused our early sales initiatives in the United Kingdom with a view to renewing the opportunity to co-design with UK education departments at an appropriate time post pandemic. These major UK cities have a very similar demographic to New York City, and by working with them in co-design, the end sale is a mutually expected outcome.

With the commencement of the new school year in the Philippines after a two-year hiatus, our joint venture partner is engaging in both paused and new sales opportunities and we look forward to reporting on the progress here as they work closely with education departments and district Governors and Councillors.

Funding and capital structure

During the year, AUD\$4 million was raised from existing and new sophisticated investors which has been sufficient to continue developing additional content for the KneoWorld platform in line with the Company's growth strategy and co-design with NYC DOE. The platform has been deployed and the additional content is aimed at increasingly higher scholastic grade levels within the school system.

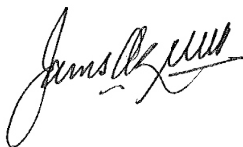
Outlook

As the impact of the global pandemic starts to recede and schools being to operate normally, KneoMedia's strategy to preserve capital and retain key staff so it is well-positioned in the current year to deliver substantial deployments and the greater penetration of our core technology primarily in the New York public education system and additionally Florida. The 'Connect All Kids' program in New York City is very exciting, and we can see the momentum building with the re-opening of in-class learning for the 2022-2023 academic year. We have an opportunity to establish KneoWorld in classrooms throughout the United States starting in New York and collaborating and partnering with prestigious and world class organisations such as NAACP, Dell Technologies and Google Education to broaden and diversify the distribution of our educational content.

Gaining a foothold into New York justifies our focused efforts and follow-on growth strategy. As well as being the largest public education market, New York is the benchmark for the rest of the United States, so the fact that KneoWorld is now being progressively delivered there bodes well for us. Our near-term objective is simple, achieve greater scale in New York, broaden our presence in New York States, and then continue the roll-out across the United States using DOE NYC approval as a benchmark which is well accepted in many States and Cities. We are confident that the sales momentum will gain pace.

I would like to thank you, our supportive shareholders, who understand the time taken to achieve substantial sales in and organisation the magnitude of NYC DOE and also the magnitude of the ongoing sales once deployment milestones are reached. I and the Board would also like to thank our extremely hardworking team who have worked tirelessly in most difficult circumstances across challenging time zones to ensure KneoWorld is of world class standard for the start of the new US academic year and the opportunity it brings. Lastly, I thank my co-directors for their assistance in crafting our focused path forward during the pandemic and their enthusiasm for the year ahead.

Yours faithfully



James Kellett
Executive Chairman

Melbourne, 28 September 2022

DIRECTORS' REPORT

The Directors present their report together with the financial report of KneoMedia Limited (KneoMedia or KNM or the Company) and its controlled entities (the **Group**), for the financial year ended 30 June 2022 and independent auditor's report thereon.

Director details

The following persons were Directors of KneoMedia Limited and held office during the whole of the financial year and since the end of the financial year.

James Kellett, Executive Chairman and Chief Executive Officer

Appointed non-Executive Director on 26 August 2010, Chief Executive Officer on 3 December 2010 and Executive Chairman October 2015. Mr Kellett has over 30 years' experience in global corporate finance and business management and has held senior executive positions in the finance and communications industries, including ASX listed companies. Mr Kellett has been the driving force in establishing KneoWorld Inc. in the game-based education sector in America and other global markets. Mr Kellett's qualifications include a Diploma in Accounting & Finance and Financial Services. He is an Associate Member of Finsia and has not held directorships in other listed companies in the past 3 years.

Franklin B. Lieberman, Executive Director

Mr Lieberman is an American citizen and has over 45 years' experience in media with multi-national companies including Warner Bros., NBC, CBS, ABC and PBS as well as running the Miracle Factory, a strategic marketing company with clients that included AT&T, IBM, PepsiCo, Pfizer, Johnson & Johnson, Coca Cola and Universal Pictures. He has worked with the United Federation of Teachers and the American Federation of Teachers and was instrumental in developing the educational initiatives for KneoWorld Inc. Mr Lieberman has not held directorships in other listed companies in the past 3 years.

Jeffrey Bennett, Non-Executive Director

Mr Bennett is a highly experienced finance executive with extensive experience in all facets of finance and business within IT. Mr Bennett is co-owner of GlassandCo Pty Ltd. He previously spent 15 years at PS&C Limited (ASX:PSZ), DXC Technology, Computer Sciences Corporation, UXC Limited and Ingena Limited in senior finance roles. Following his role as Chairman of the Board at Jameson Resources Ltd (ASX:JAL) between 2007-2012, Mr Bennett undertook a non-executive Directorship of Jameson Resources Ltd between 2012-2017. Mr Bennett has a thorough understanding of the complexities involved with multinationals and companies listed on the ASX. Mr Bennett holds a Bachelor of Commerce and is a Fellow of CPA Australia. Mr Bennett has not held directorships in other listed companies in the past 3 years.

Company Secretary

Eryl Baron

Ms Baron is an employee of Boardroom Pty Limited (the Company's Corporate Secretarial and Share Registry Services provider) and has extensive experience in providing company secretarial and corporate governance services to listed companies across a wide range of industries.

Principal activities

The principal activity of the Group during the financial year was the further development of its online SaaS education publishing business principally the US that delivers world-class education assessment products and story-based learning to educational markets. The Group publishes and markets from its US-based subsidiary, KneoWorld Inc., and sells on an annual Seat Licence basis through the 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 curriculum standards including numeracy and literacy. 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.

Review of operations and financial results

KneoMedia recognised revenue from ordinary activities increased 47.2% to \$344,346 (2021: \$234,006)

The New York city 'Connect All Kids' program again provided the majority of the Group's sales for the year. These contracts are for a period of three years. The revenue is recognised on a straight-line basis over the term of the contract resulting in a deferred revenue balance of \$557,290 to be recognised over the contract life and accordingly booked as a liability until the contract term and related performance obligations have been fulfilled.

The statement of financial position reports a deficiency of net assets of \$549,520 (2021: \$344,007) resulting from the inclusion of the deferred revenue of \$557,290 (2021: \$476,187) at year end.

KneoMedia recorded an increased total comprehensive loss for the year \$3,894,589 (2021: \$3,147,444) contributing to the loss were non-cash items:

- Depreciation and amortisation expenses of \$737,464
- Loss on convertible notes fair value of embedded derivative of \$330,000
- Impairment of joint venture assets and unrecoverable deposits of \$176,316

This impairment is the write off a non-refundable deposit and a loan receivable related to the operations in the Philippines. The Company's joint venture operator in the Philippines, KneoWorld Philippines Inc, was severely impacted by COVID over the last 2 years, and the deposit and the receivable both deemed uncollectible.

Net cash outflows from operating activities totalled \$2,464,073 (2021: \$1,405,474). The increase in outflows can be attributed to the payment of outstanding payables along with an increase in the payments to suppliers and employees is related to the marketing and support of the KneoWorld SaaS platform and the engagement of specific purpose consultants.

Cash outflows from investing activities totalled \$934,600 (2021: \$701,471), a continued focus on product and content development is integral to the successful rollout of the Company's KneoWorld education platform.

Net cash provided by financial activities totalled \$3,971,192 (2021: \$992,520), as outlined above these funds were deployed in continuing and expanding the main and focused activities of the Company with expenditure remaining largely in line with previous years.

The sales achieved in New York City highlights our focus on the US education market, an addressable market of 2.5 million students in New York City and New York State alone – all of which are potential candidates for the KneoWorld content. This renewed emphasis on New York is due to the significant time, effort, and resources invested in building a more established presence in New York City where the Company has strong and established networks. These key relationships supported the rapid scale-up of operations and the successful deployment of the 'Connect All Kids' program into over 100 schools to date.

The Chairman's report contains further information on the detailed operations of the Group during the year.

The attached financial statements detail the performance and financial position of the Group for the year ended 30 June 2022.

Dividends paid or recommended

No dividends have been paid or declared since the commencement of the financial year. The Directors do not recommend that a dividend be paid for the year ended 30 June 2022.

Directors' interests in equity Instruments of the Group

The relevant interest of each Director in the shares and quoted options over shares of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report are:

	Ordinary Shares		Options	Performance rights Unquoted
	Direct	Indirect		
James Kellett	-	17,665,714	-	5,255,590
Jeffrey Bennett	-	13,836,954	-	2,627,795
Franklin B. Lieberman	2,000,000	166,666	-	2,627,795

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 27 July 2021 KneoMedia announced it had raised AUD\$0.65m by share placement to further develop its KneoWorld education content and platform
- On 3 November 2021 KneoMedia announced that it had secured AUD\$1.3m in convertible note funding.
- On 22 February 2022 KneoMedia announced it had raised AUD\$2m by share placement to further develop its KneoWorld education content and platform.

Significant events after the balance date

On 30 July 2022, 18 convertible notes with a face value of \$450,000 had their maturity date extended to 30 September 2022. It is expected that the remaining note holders will convert their notes into shares on or before the extended maturity date.

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

On 27 September 2022, the Company announced \$1 million option funding agreement with New York based Lind Global Fund II, LP to advance KneoWorld Deployment.

Future developments, prospects and business strategies

Likely developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Chairman's Letter.

Directors' meetings

While the Directors attend regular management meetings, the number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors' Meetings	
	Number Attended	Number eligible to attend
James Kellett	6	6
Jeffrey Bennett	6	6
Franklin Lieberman	3	6

Given the size of the Company and composition of the Board, the Company does not have separate Audit, Risk, Nomination or Remuneration Committees however these matters are addressed regularly at each Board Meeting.

Shares issued during or since the end of the year as a result of exercise of options

There were no shares issued during the year as a result of exercised options. No share options have been exercised since 30 June 2022.

Options and performance rights

Performance Rights

In accordance with approval from shareholders obtained at the 2019 AGM, performance rights were issued to Directors in the 2020 financial year.

In April 2022 performance rights were issued to a Senior Executive in accordance with the Long-Term Incentive Plan (LTIP).

The unissued ordinary shares of KneoMedia under performance rights at the date of this report are as follows:

	Grant date	No.	Fair Value (\$)	Expiry date	Conditions	Number of Performance Rights
Performance Rights	23 Dec 2019	10,511,180	0.0025	31 Dec 2022	Continuation as a Director and until the revenue hurdle of A\$5mil gross revenue is achieved during any 12 consecutive months	10,511,180
Performance Rights	1 April 22	2,500,000	0.0024	31 Dec 2022	Continuation as a Senior Executive and until the revenue hurdle of A\$5mil gross revenue is achieved during any 12 consecutive months	2,500,000

Options

No options were granted during the year to Key Management Personnel (KMP). No options or rights have been granted to KMP since the end of the financial year. No options to KMP were exercised during the financial year. The unissued ordinary shares of KneoMedia under option outstanding at the date of the report are as follows:

	Grant date	No.	Exercise Price (\$)	Expiry date	Conditions	Number of Options
Options	23 Oct 2020	12,000,000	0.015	23 Oct 2023	-	12,000,000
Options	11 Dec 2020	31,250,000	0.030	11 Dec 2023	-	31,250,000
Options	2 Sep 2021*	34,543,222	0.025	31 Dec 2023	-	34,543,222
Options	11 Mar 2022*	5,000,000	0.050	31 Dec 2023	-	5,000,000
Options	11 Mar 2022*	7,400,000	0.025	31 Dec 2023	-	7,400,000

*Options issued during the year were to non-KMPs for the raising of capital during the year, in addition to options attached to convertible notes that were converted during the year.

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Indemnification and insurance of directors and officers

The Group agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy. During the year, the total amount of insurance contract premiums paid was \$33,873.

Proceedings on behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

The Group was not a party to any such proceedings during the year.

REMUNERATION REPORT (audited)

The Directors of the Group present the Remuneration Report for Non-Executive Directors, Executive Directors of the Group and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following sections:

1. Key Management Personnel (KMP) disclosed in this report
2. Remuneration Governance
3. Directors and Executive remuneration arrangements
4. Details of Key Management Personnel remuneration
5. Additional disclosures relating to options and shares
6. Additional information

1. Key management personnel (KMP) disclosed in this report

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Company.

Key Management Personnel during the financial year are as follows:

Name	Title
Non-executive Directors (NEDs)	
Jeffrey Bennett	Non-Executive Director
Executive Directors	
James Kellett	Executive Chairman & Chief Executive Officer (CEO)
Franklin B. Lieberman	Executive Director
Senior Executive	
Damian O'Sullivan	Chief Operating Officer (COO)

2. Remuneration governance

Remuneration policy

The remuneration policy of the Group has been designed to align Director and executive obligations with shareholder and business objectives by providing a fixed remuneration and options. The Board considers the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and other KMP of the Group is as follows:

The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Group. All executives receive a base salary only. The Board, which performs the function of a remuneration committee, reviews executives' packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Board may exercise its discretion in relation to approving bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and other KMP is valued at the cost to the Group and expensed. Performance rights granted to Directors and KMP are valued using the share price at grant date.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate fee cap for fees payable to Non-Executive Directors per annum is \$300,000, as approved by shareholders. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, all Directors are encouraged to hold shares in the Group.

Use of remuneration consultants

No remuneration consultants were used during the year.

REMUNERATION REPORT CONTINUED (audited)

Voting and comments made at the Group's 2021 annual general meeting (AGM)

KneoMedia shareholders passed a resolution to adopt the Group's remuneration report for the financial year ended 30 June 2021 at the 2021 AGM. The Group did not receive any specific feedback at the AGM on its remuneration report.

Group performance, shareholder wealth and directors and other key management personnel remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and other KMP. One of the main methods to achieve this aim will be the issue of options to executives to encourage the alignment of personal and shareholder interests, which the Board is currently considering. The Group believes this policy will be effective in increasing shareholder wealth in future years.

3. Directors and executive remuneration arrangements

Employment contracts of directors and executives

The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Group. The contracts for service between the Group and specified Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specified Directors and executives are paid employee benefit entitlements accrued to the date of their retirement. In the event of termination, payment of entitlements accrued including any notice period will be made in accordance with the applicable laws.

The employment terms and conditions of KMP and Group executives are formalised in contracts of employment.

Directors/Executive	Term of agreement	Notice Period
James Kellett	Unspecified	Six months
Jeffrey Bennett	Unspecified	Unspecified
Franklin B. Lieberman	Unspecified	Unspecified
Damian O'Sullivan	Unspecified	12 weeks

4. Details of key management personnel remuneration

Details of the nature and amount of each major element of the remuneration of each Director and other Key Management Personnel of the Group are:

For the year ended 30 June 2022	Short-term benefits Salary & fees \$	Post- employment Superannuation \$	Share based payments expenses \$	Total \$
James Kellett	287,658	23,568	-	311,226
Franklin B. Lieberman	44,644	-	-	44,644
Jeffrey Bennett*	42,000	-	-	42,000
Damian O'Sullivan	176,641	17,664	-	194,305
Total KMP	550,943	41,232	-	592,175

*No shares were paid as remuneration for FY22.

For the year ended 30 June 2021	Short-term benefits Salary & fees \$	Post- employment Superannuation \$	Share based payments expenses \$	Total \$
James Kellett	290,323	23,026	-	313,349
Franklin B. Lieberman	43,401	-	-	43,401
Jeffrey Bennett	42,000	-	-	42,000
Damian O'Sullivan	176,640	16,781	-	193,421
Total KMP	552,364	39,807	-	592,171

*Payables and accruals at 30 June 2022 includes \$42,000 of Directors Fees payable to Mr Bennett.

No remuneration during the year was a result of any short-term or long-term incentive plan.

REMUNERATION REPORT CONTINUED (audited)**5. Additional disclosures relating to options and shares****a. Performance rights holdings of key management personnel**

Performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (**LTIP**). The performance rights will vest subject to a number of vesting conditions (revenue targets and continued directorship and employment).

The table below discloses the number of performance rights granted to KMP as LTIP remuneration. The performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The rights are conditional upon continuation as a Director or Senior Executive until the revenue hurdle of AUD\$5m gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2022.

	Grant date	No. granted (^{'000})	Fair value at grant date (\$)	Expiry date	Number lapsed	Balance at 30/6/2022 (^{'000})	Vested (^{'000})	Unvested (^{'000})
James Kellett	23 Dec 2019	5,256	0.0025	31 Dec 2022	-	5,256	-	5,256
Franklin B. Lieberman	23 Dec 2019	2,628	0.0025	31 Dec 2022	-	2,628	-	2,628
Jeffrey Bennett	23 Dec 2019	2,628	0.0025	31 Dec 2022	-	2,628	-	2,628
Damian O'Sullivan	1 Apr 2022	2,500	0.0024	31 Dec 2022	-	2,500	-	2,500

There were no rights issued to other KMP in the Group.

As at the reporting date, the Group did not recognise any performance rights expense to the 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.

b. Shareholdings of key management personnel

	Balance at 1 July 2021 No.	Granted as remuneration No.	On exercise of options No.	Acquired and/or disposed on market No.	Balance at 30 June 2022 No.
James Kellett	17,665,714	-	-	-	17,665,714
Franklin B. Lieberman	2,166,666	-	-	-	2,166,666
Jeffrey Bennett	13,836,954	4,019,271*	-	-	17,856,225
Damian O'Sullivan	658,426	-	-	133,928	792,354
Total	34,327,760	4,019,271	-	133,928	38,480,959

*These shares were issued to settle Directors fees invoiced to the Company.

c. Unlisted options held by key management personnel

	Balance at 1 July 2021 No.	Granted as remuneration No.	Exercise of options No.	Lapsed options No.	Balance at 30 June 2022 No.
James Kellett	-	-	-	-	-
Franklin B. Lieberman	-	-	-	-	-
Jeffrey Bennett	-	-	-	-	-
Damian O'Sullivan	-	-	-	-	-
Total	-	-	-	-	-

REMUNERATION REPORT CONTINUED (audited)

d. Loans to key management personnel and their related parties

There were no loans made to KMP and their related parties during the financial year and none are outstanding as at the date of this report.

e. Other transactions and balances with key management personnel and their related parties

	2022 \$	2021 \$
Furneaux Project Marketing	11,000	27,500
Hixon Pty Ltd	46,200	46,200
FBL Holdings	2,764	20,838
Fees Payable to related parties of the directors of the Company on arm's length terms	59,964	94,538

f. Other transactions with key management personnel-related entities

	2022 \$	2021 \$
Furneaux Project Marketing	60,000	60,000
FBL Holdings	162,107	144,191
Amounts paid to related parties of the directors of the Company on arm's length terms	222,107	204,191

6. Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
Sales Revenue	344	234	162	14	533
Profit/(Loss) after income tax	(3,844)	(3,154)	(3,647)	(3,967)	(2,349)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Share price at financial year end (\$)	0.026	0.005	0.015	0.044	0.041
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.27)	(0.29)	(0.42)	(0.54)	(0.39)

End of audited remuneration report**Non-audit services**

The auditor, William Buck, did not provide any non-audit services to the Group during the financial year ended 30 June 2022.

Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2022 has been received and can be found on page 15, which forms part of this report.

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to read 'James Kellett', with a stylized flourish at the end.

**James Kellett,
Executive Chairman**

28 September 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF KNEOMEDIA LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow

N. S. Benbow

Director

Melbourne, 28th September 2022

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the business of KneoMedia Limited and its controlled entities (the **Group**) in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Group, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement is available for review on KneoMedia's website (www.KneoMedia.com) (the **Website**) and lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G identifies each Recommendation and provides shareholders with information as to where relevant governance disclosures can be found.

The Group's corporate governance policies and charters and policies are all available on the Website.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Revenue			
Sales revenue from providing online education	2	344,346	234,006
Other income	2	122	50,182
		344,468	284,188
Expenses			
Employee benefits expenses and Directors' fees		(891,610)	(1,018,412)
Depreciation and amortisation expenses		(737,464)	(672,984)
Marketing expenses		(738,721)	(616,699)
Other expenses	3	(1,304,049)	(1,122,618)
Finance costs		(10,740)	(7,662)
Loss on fair value of embedded derivative	9	(330,000)	-
Impairment of assets	5	(176,316)	-
		(3,844,432)	(3,154,187)
Loss before income tax		(3,844,432)	(3,154,187)
Income tax expense		-	-
Loss after income tax		(3,844,432)	(3,154,187)
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)		(50,157)	6,743
Total comprehensive loss for the year		(3,894,589)	(3,147,444)
Loss attributable to:			
Members of the parent entity		(3,168,948)	(2,801,297)
Non-controlling interests		(675,484)	(352,890)
		(3,844,432)	(3,154,187)
Total comprehensive loss attributable to:			
Members of the parent entity		(3,209,074)	(2,795,903)
Non-controlling interests		(685,515)	(351,541)
		(3,894,589)	(3,147,444)
Loss per share (cents per share)			
Basic and diluted loss per share	6	0.27	0.29

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents		552,997	6,579
Trade and other receivables		23,435	24,251
Prepayments and other assets		20,261	75,677
Total Current Assets		596,693	106,507
Non-current Assets			
Property, plant and equipment		7,298	9,919
Intangible assets	7	856,323	656,107
Non-refundable deposit to acquire non-controlling interest		-	50,000
Other non-current assets		3,381	129,697
Total Non-current Assets		867,002	845,723
Total Assets		1,463,695	952,230
Current Liabilities			
Trade and other payables	8	588,168	744,646
Deferred revenue	9	557,290	476,187
Employee benefits		69,798	61,663
Convertible notes	10	780,000	-
Total Current Liabilities		1,995,256	1,282,496
Non-current Liabilities			
Employee benefits		17,959	13,741
Total Non-current Liabilities		17,959	13,741
Total Liabilities		2,013,215	1,296,237
Net Assets / (Deficiency of Net Assets)		(549,520)	(344,007)
Equity			
Issued capital	11	27,675,653	24,074,690
Reserves		(161,662)	(49,649)
Accumulated losses		(24,590,401)	(21,581,453)
Parent Entity Interest		2,923,590	2,443,588
Non-controlling interest		(3,473,110)	(2,787,595)
Total Equity / (Net Deficiency of Equity)		(549,520)	(344,007)

The consolidated statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	24,074,690	(21,581,453)	(313,923)	264,274	(2,787,595)	(344,007)
Net loss for the year	-	(3,168,948)	-	-	(675,484)	(3,844,432)
Other comprehensive loss	-	-	(40,126)	-	(10,031)	(50,157)
Total comprehensive loss	-	(3,168,948)	(40,126)	-	(685,515)	(3,894,589)
Shares issued	2,725,600	-	-	-	-	2,725,600
Conversion of director fees to shares	113,476	-	-	-	-	113,476
Shares issued to corporate advisor	60,000	-	-	-	-	60,000
Exercise of convertible notes	850,000	-	-	-	-	850,000
Expiry of share-based options	-	160,000	-	(160,000)	-	-
Vesting of share-based payments	-	-	-	88,113	-	88,113
Transaction costs on shares issued	(148,113)	-	-	-	-	(148,113)
Balance at 30 June 2022	27,675,653	(24,590,401)	(354,049)	192,387	(3,473,110)	(549,520)

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	22,710,648	(18,780,156)	(319,317)	160,000	(2,436,054)	1,335,121
Net loss for the year	-	(2,801,297)	-	-	(352,890)	(3,154,187)
Other comprehensive loss	-	-	5,394	-	1,349	6,743
Total comprehensive loss	-	(2,801,297)	5,394	-	(351,541)	(3,147,444)
Shares issued	1,000,000	-	-	-	-	1,000,000
Conversion of director fees to shares	159,016	-	-	-	-	159,016
Shares issued to corporate advisor	205,026	-	-	-	-	205,026
Vesting of share based payments	-	-	-	104,274	-	104,274
Balance at 30 June 2021	24,074,690	(21,581,453)	(313,923)	264,274	(2,787,595)	(344,007)

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		400,934	660,337
Receipts from government grants		-	50,000
Payments to suppliers and employees		(2,865,007)	(2,115,811)
Net cash used in operating activities	12	(2,464,073)	(1,405,474)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,777)	(10,308)
Payments for capitalised product development costs		(931,823)	(691,163)
Net cash used in investing activities		(934,600)	(701,471)
Cash flows from financing activities			
Proceeds from issue of shares		2,725,600	1,000,000
Proceeds from the issue of convertible notes		1,250,000	-
Interest received		122	182
Finance costs		(4,530)	(7,662)
Net cash provided by financing activities		3,971,192	992,520
Net increase / decrease in cash and cash equivalents		572,519	(1,114,425)
Cash and cash equivalents at the beginning of the financial year		6,579	1,114,130
Effects of exchange rate changes on cash and cash equivalents		(26,101)	6,874
Cash and cash equivalents at the end of the financial year		552,997	6,579

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

This consolidated financial report and notes of KneoMedia Limited (the **Company**) and controlled entities (the **Group**) for the year ended 30 June 2022 was authorised for issue in accordance with the resolution of the Directors on the date of signing the attached Directors' Declaration.

KneoMedia Limited is a public listed Company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). KneoMedia Limited is a for-profit Group for the purpose of preparing the financial report.

The financial report has been prepared in accordance with the historical cost convention and apply the going concern basis of accounting. The financial report is presented in Australian dollars.

The significant and material accounting policies relevant to the financial statements follow.

a. Going concern basis of accounting

For the year ending 30 June 2022, KneoMedia incurred a loss of \$3,894,589, net cash outflows used in operations totalled \$2,464,073, and had a cash balance as at 30 June 2022 of \$552,997. The Directors have assessed there is a material uncertainty related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the group's cash flow projections and application of a number of judgements and estimates, resulting in the conclusion of a range of reasonably possible scenarios. Included in the Directors going concern cash flow assessment is the execution of the revenue contract and related cash inflows associated to the Connect ALL Kids education program with the New York City Department of Education as has previously been disclosed, the ongoing support of its existing shareholders with respect to future capital raisings, the execution of external funding solutions as required to support cash flow requirements and the settlement of specific convertible note obligations falling due in the forecast 12 month period through the issuance of new equity.

Accordingly, the financial report has been prepared on the basis that the Group can continue normal business activities and meet its commitments as and when they fall due, and the realisation of assets and liabilities in the ordinary course of business.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2022. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests as disclosed in note 13, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

c. Revenue

Sales revenue from providing online education

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step process outlined in AASB 15.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognise the revenue.

The Group has identified its main performance obligations and how it satisfies them as set out below:

- The group's performance obligations is satisfied when the education providers have access to the online education platform by way of licence per student access over a period of time;
- A licence is effective at the point in time when access to the online education platform is available to the student and when contract, corporate authority and payment terms have been affirmed;
- Revenue is recognised on a straight-line basis over the term of contract.

Grant revenue

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Recognition occurs when there is reasonable assurance that conditions will be complied with and grants will be received.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

d. Goods and services tax and sales tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office or US Tax authorities. In these circumstances the GST is recognised as part of an item of the expenses or as part of the cost of acquisition of the asset. Receivables and payables in the statement of the financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, at bank and in transit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

f. Intangible assets

Project development costs

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

An intangible asset arising from development cost is recognised if, and only if, all of the following are demonstrated:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. its intention to complete the intangible asset and use or sell it;
- c. its ability to use or sell the intangible asset;
- d. how the intangible asset will generate probable future economic benefits;
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

The product development cost capitalised are contracted cost attributable to preparing the products for their intended use. The useful life of development costs is estimated at 2 years.

The capitalised intangibles do not include capitalised costs for software purchased from a supplier.

Subsequent measurement

The product development assets are stated at cost less accumulated amortisation and impairment, amortised on a straight-line basis over their useful lives, which is up to a maximum of 2 years. Amortisation shall begin when the asset's future economic benefits are expected to be consumed by the Group, i.e. when revenue is generated in the manner intended by management. The amortisation charge shall be recognised in the statement of profit or loss and other comprehensive income.

Impairment

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

g. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the financial instrument and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Valuation of the variable conversion option included in convertible notes

The Group issued convertible notes with variable equity conversion features. Upon initial recognition, this variable conversion feature met the accounting definition of an embedded derivative; this was measured at its fair value using a Monte-Carlo simulation valuation model, with subsequent changes in fair value of this derivative taken to the profit or loss. The remaining underlying host contract at initial recognition was accordingly measured at amortised cost and will amortise back to its face value over the expected term of the loan applying the effective interest method. The key judgments applied in the valuation of the embedded derivative, aside from those inputs arising directly from the conversion clause entitlement and the Group's spot price applied at each remeasurement date included the following:

- a) an expected expiry date being the date of the maturity of the convertible note at 30 September 2022;
- b) an expected volatility of 100%; and
- c) a risk-free rate of 2.73%.

h. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

i Share-based payments

Share-based compensation benefits are provided to employees in accordance with the Company's long term incentive plan.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the expected vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options/performance rights reserve. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

j. Foreign Currency Transactions and Balances

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Transaction and balances

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are to be reclassified to profit or loss and recognised as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

k. Segment reporting

No operating segment disclosure is required as there is only one operating segment. The reporting is consistent with the internal reporting provided to the chief operating decision makers (CODM). The chief operating decision makers, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

l. Significant management judgement and estimation uncertainty in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition and amortisation of intangible assets

Development costs have been assessed and considered whether they will derive a future economic benefit. The useful life of development costs recognised as an intangible asset has been estimated at 2 years given the constant evolvement of technology.

Recognition of performance rights

The vesting of performance rights has been assessed against the performance hurdles. Based on the view that the probability of achieving the performance conditions in order to exercise the performance rights is uncertain, the Group did not recognise any performance rights expense to the statement of profit or loss and other comprehensive income.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has \$7,633,140 (2021: \$7,537,730) of accumulated tax losses which have not been recorded on the balance sheet due to the uncertainty of the timing of future assessable income. Unused revenue and capital losses will be available in future to offset against income to the extent permitted by the relevant tax authorities.

m. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of KneoMedia, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

n Short-term and other long-term employee benefits

A liability is recognised for accrued annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

o New and revised standards that are effective for these financial statements

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: REVENUE AND OTHER INCOME

	2022 \$	2021 \$
Sales revenue from providing online education	344,346	234,006
Covid 19 ATO Relief	-	50,000
Interest income	122	182
	344,468	284,188

NOTE 3: CORPORATE & ADMINISTRATION EXPENSES

	2022 \$	2021 \$
Corporate costs	(434,928)	(626,601)
Consulting fees	(475,761)	(337,666)
Occupancy costs	(94,972)	(87,194)
Administration costs	(102,212)	(66,730)
Other expenses	(196,176)	(4,427)
	(1,304,049)	(1,122,618)

NOTE 4: AUDITORS' REMUNERATION

	2022 \$	2021 \$
Amounts received or due and receivable by William Buck for:		
An audit or review of the financial report of the Group and any entity in the Group	40,500	36,825

William Buck did not provide any non-audit services.

NOTE 5: IMPAIRMENT OF ASSETS

	2022 \$	2021 \$
Write-off of deposit	(50,000)	-
Write-off of other receivable	(126,316)	-
	(176,316)	-

This impairment is the write off a non-refundable deposit and a loan receivable related to the operations in the Philippines. The Company's joint venture operator in the Philippines, KneoWorld Philippines Inc, was severely impacted by COVID-19 over the last 2 years, and the deposit and the other receivable both deemed impaired and provided for in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 6: LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2022 \$	2021 \$
Basic and diluted loss to profit or loss	0.27 cents	0.29 cents
Reconciliation of earnings to profit or loss		
Loss for the year	3,844,432	3,154,187
Loss attributable to non-controlling interest	(675,484)	(352,890)
Earnings used to calculate basic and dilutive EPS	3,168,948	2,801,297
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	1,176,086,567	953,092,998

Options (163,722,634) and performance rights (13,011,180) have not been included in the calculation of diluted EPS because they are anti-dilutive.

NOTE 7: INTANGIBLE ASSETS

	2022 \$	2021 \$
Gross carrying amount		
Balance as at 1 July	2,863,473	2,172,310
Additions	931,823	691,163
Balance at 30 June	3,795,296	2,863,473
Accumulated amortisation and impairment		
Balance as at 1 July	(2,207,366)	(1,539,871)
Amortisation expense	(731,607)	(667,495)
Balance at 30 June	(2,938,973)	(2,207,366)
Net book value at 30 June	856,323	656,107

The intangible assets recognised by the Group is product development costs. This accounting policy required (refer Note 1(f)) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8: TRADE AND OTHER PAYABLES

	2022 \$	2021 \$
CURRENT (unsecured)		
Trade payables	439,106	408,049
Other creditors and accruals	89,098	242,059
Amounts payable to related parties	59,964	94,538
	588,168	744,646

Payables for superannuation and PAYG withholding are classified as other creditors and accruals.

NOTE 9: DEFERRED REVENUE

	2022 \$	2021 \$
Balance as at July 1	476,187	49,857
Receipts from customers	398,246	662,066
Revenue recognised	(317,143)	(235,736)
Balance at 30 June	557,290	476,187

Deferred revenue represents revenue paid at the commencement of the contract for access to the online education platform. Revenue is then recognised on a straight-line basis over the contract term.

NOTE 10: CONVERTIBLE NOTES

52 convertible notes with a face value of \$1,300,000 were issued on 24 November 2021, after receiving shareholder approval at the Annual General Meeting.

The convertible note has a mechanism for the note holder to convert the loan into a varying number of shares in the Company at a 20% discount to the preceding 15-day VWAP, but not greater than \$0.015 per share. The maturity date of the notes was 31 May 2022.

For every two conversion share entitlements under the convertible loan will entitle the lender to receive one free attaching unlisted option to acquire a further ordinary share in the Company. The options have an expiry date of 31 December 2023.

At the maturity date of 31 May 2022 convertible notes with a face value of \$850,000 were converted into fully paid ordinary shares. The maturity date for the remaining 18 convertible notes with a face value of \$450,000 was extended to 30 September 2022 all other terms remained the same.

The table below demonstrates the movement in the convertible note liability since inception.

	2022 \$	2021 \$
Reconciliation		
Opening convertible notes at face value:	-	-
Addition of convertible notes at face value:	1,300,000	-
Add: Change in FV of embedded derivative	48,000	-
Add: Amortisation of convertible notes fair value	282,000	-
Conversion of convertible notes to shares	(850,000)	-
Balance at 30 June	780,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10: CONVERTIBLE NOTES (CONTINUED)

The Directors of the Group appointed an external valuation expert to perform a fair value valuation on the convertible notes and the related embedded derivatives at inception and 30 June 2022. The table below demonstrates the value of the embedded derivative and host liability.

	2022 \$	2021 \$
Convertible note – host (face) liability at amortised cost	450,000	-
Convertible note – fair value of embedded derivative	330,000	-
Balance at 30 June	780,000	-
Actual value payable on conversion of notes	450,000	

The fair value of the convertible notes is valued using the Black Scholes option pricing model. Significant unobservable inputs in applying this technique include the Company's share price used to calculate the 15-day VWAP.

The convertible notes are unsecured, non-interest bearing and no related parties participated.

NOTE 11: ISSUED CAPITAL

	2022 \$	2021 \$
1,345,877,673 (2021: 988,246,660) fully paid ordinary shares	27,675,653	24,074,690

	2022		2021	
	\$	No.	\$	No.
a. Ordinary Shares				
At the beginning of reporting period	24,074,690	988,246,660	22,710,648	906,444,065
Shares issued during the year:				
Conversion of director fees to shares	113,476	9,311,239	159,016	7,302,595
Shares issued (capital raising)	2,725,600	274,433,335	1,000,000	62,500,000
Shares issued to corporate advisor	60,000	4,800,000	205,026	12,000,000
Exercise of convertible notes	850,000	69,086,439	-	-
Transaction costs on shares issued	(148,113)	-	-	-
At reporting date	27,675,653	1,345,877,673	24,074,690	988,246,660

The share capital of KneoMedia Limited consists only of fully paid ordinary shares. The shares do not have a par value. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, aims to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Under ASX Listing Rule 7.1 the Group has the ability to issue 15% of its issued capital in a 12 month period. An additional 10% is permitted if approved by shareholders by special resolution at the AGM.

As at 30 June 2022, the Group has 105,353,413 remaining in its placement capacity under ASX Listing Rule 7.1 and 5,216,005 under ASX Listing Rule 7.1A

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The Group has no borrowings as at 30 June 2022 (2021: nil).

NOTE 12: CASH FLOW INFORMATION

	2022 \$	2021 \$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,844,432)	(3,154,187)
Non-cash flows in profit:		
Depreciation & amortisation	737,464	672,984
Foreign exchange	(24,515)	(26)
Shares issued in lieu of directors fees	113,476	159,016
Shares issued in lieu of corporate fees	-	309,300
Cost of borrowing in financing activities	4,408	7,480
Convertible notes received in lieu of fees	50,000	-
Fair value of movement in conversion rights	48,000	-
Amortisation of convertible notes fair value	282,000	-
Impairment of assets	176,316	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and term receivables	816	220,784
(Increase)/decrease in other assets	55,416	(57,905)
Increase/(decrease) in deferred revenue	81,103	426,330
Increase/(decrease) in trade payables and accruals	(156,478)	(38,324)
Increase/(decrease) in current provisions	8,135	35,333
Increase/(decrease) in non-current provisions	4,218	13,741
Net cash flow outflow from operations	(2,464,073)	(1,405,474)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2022 \$	2021 \$
STATEMENT OF FINANCIAL POSITION		
Assets		
Current Assets	1,134,720	147,700
Non-current Assets	16,995,829	14,140,324
Total Assets	18,130,549	14,288,024
Liabilities		
Current Liabilities	1,211,071	595,104
Non-current Liabilities	17,959	13,741
Total Liabilities	1,229,030	608,845
Equity		
Issued Capital	27,675,653	24,074,690
Reserves	192,387	264,274
Retained Earnings	(10,966,521)	(10,659,785)
Total Equity	16,901,519	13,679,179
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Total loss	(466,736)	(1,389,463)
Total comprehensive loss	(466,736)	(1,389,463)

Impairment assessment

KneoMedia Limited had a market capitalisation of \$34,992,819 as at 30 June 2022.

Guarantees

KneoMedia Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent assets and liabilities

KneoMedia Limited has no contingent assets and liabilities as at 30 June 2022

Contractual commitments

At 30 June 2022 KneoMedia Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14: CONTROLLED ENTITIES

Subsidiaries

The consolidated financial statements include the financial statements of KneoMedia Limited and the subsidiaries listed in the following tables:

	Country of Incorporation	Percentage Owned	
		2022 %	2021 %
Virtual Communications International Pty Ltd	Australia	100	100
KneoWorld Pty Ltd	Australia	80	80
KneoWorld Inc.	United States	100	100
KneoWorld UK Limited	United Kingdom	100	100

Virtual Communications International Pty Ltd is a dormant entity with no operational activity.

KneoWorld Pty Ltd was registered in June 2013 to take over the 100% ownership of KneoWorld Inc, a US company based in New York and incorporated in Delaware. KneoWorld Pty Ltd is 80% owned by KneoMedia and 20% owned by unlisted company Hot Shot Media (Singapore) Proprietary Limited (HSM).

KneoWorld Inc. was incorporated on 15 March 2011 and is 100% owned by KneoWorld Pty Ltd.

KneoWorld UK Limited was registered on 12 June 2018 and is 100% owned by KneoWorld Pty Ltd.

Subsidiary with material non-controlling interests

The Group includes one subsidiary, KneoWorld Pty Ltd and its subsidiary KneoWorld Inc, with material Non-Controlling Interests (NCI):

Name	Proportion of Ownership Interests & Voting Rights Held by the NCI		Loss Allocated to NCI		Accumulated NCI	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
KneoWorld Pty Ltd	20%	20%	675,484	352,890	3,473,110	2,787,595

No dividends were paid to the NCI during the years 2022 and 2021.

Summarised financial information for KneoWorld Pty Ltd, before intragroup eliminations, is set out below:

	2022 \$	2021 \$
Assets		
Current assets	77,688	8,806
Non-current assets	863,382	793,713
Total Assets	941,070	802,519
Liabilities		
Current liabilities	(1,398,890)	(686,382)
Non-current liabilities	(16,907,730)	(14,054,113)
Total Liabilities	(18,306,620)	(14,740,495)
Net Assets (Liabilities)	(17,365,550)	(13,937,976)
Equity attributable to owners of the Parent	(13,892,440)	(11,150,381)
Non-controlling Interests	(3,473,110)	(2,787,595)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14: CONTROLLED ENTITIES (CONTINUED)

	2022 \$	2021 \$
Loss for the year attributable to owners of the Parent	(2,701,935)	(1,411,562)
Loss for the year attributable to NCI	(675,484)	(352,890)
Loss for the year	(3,377,419)	(1,764,452)
Cash Flows		
Net cash used in operating activities	(1,827,521)	(691,184)
Net cash used in investing activities	(931,823)	(699,793)
Net cash provided by financing activities	2,853,617	1,370,733
Net increase (decrease) in cash	94,273	(20,244)

Other non-controlling interests

KneoWorld Pty Ltd has a 40% shareholding in KneoWorld Philippines of which Mr James Kellett is a director.

NOTE 15: CONTINGENT ASSETS AND LIABILITIES

The Group had no material contingent assets and liabilities as at 30 June 2022 (2021: nil).

NOTE 16: RELATED PARTY TRANSACTIONS

Related parties of the Group include all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over). The Group's key management personnel are disclosed in Note 19.

Amounts payable to related parties as at 30 June 2022 was \$59,964 (2021: \$94,538) as disclosed in Note 8. This includes outstanding director fees of \$46,200 (2021: \$46,200). In lieu of payment the 2021 outstanding balance was settled by share capital.

Marketing expenses includes \$222,107 (2021: \$204,191) paid to related parties of directors.

All related party transactions have been entered into on an arm's length basis.

NOTE 17: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable and set out in the statement of financial position. Each of these had a carrying value that approximated fair value at reporting date.

The Group is exposed to various risks in relation to financial instruments

The Group's overall financial risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risk the Group is exposed to through its financial instruments is liquidity and foreign currency risk.

The risk management policies of KneoMedia Limited seek to mitigate the above risks and reduce volatility on the financial performance of the Group. Financial risk management is carried out centrally by the Finance Department of KneoMedia Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

At the end of the reporting period all financial assets and liabilities had maturity terms within 60 days (2021: 60 days).

b) Foreign Currency Risk

The group is exposed to foreign currency risk mainly through its operating activities including the selling of services to overseas customers (Assets: Trade Receivables) and payables relating to purchase of supplies and consumables from overseas suppliers (Liabilities: Trade and Other Payables), which are non-material.

The Group's exposure is mainly against the US dollar (USD) and Pound Sterling (GBP) and is managed through continuous monitoring of movements in exchange rates and by ensuring availability of funds through cash flow planning and monitoring.

NOTE 18: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 July 2022, 18 convertible notes with a face value of \$450,000 had their maturity date extended to 30 September 2022. It is expected that the remaining note holders will convert their notes into shares on or before the extended maturity date.

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

On 27 September 2022, the Company announced \$1 million option funding agreement with New York based Lind Global Fund II, LP to advance KneoWorld Deployment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION

Details of the nature and amount of each major element of the remuneration of each Director and other Key Management Personnel of the Group are:

For the year ended 30 June 2022	Short-term benefits Salary & fees \$	Post- employment Superannuation \$	Share based payments expenses \$	Total \$
James Kellett	287,658	23,568	-	311,226
Franklin B. Lieberman	44,644	-	-	44,644
Jeffrey Bennett*	42,000	-	-	42,000
Damian O'Sullivan	176,641	17,664	-	194,305
Total KMP	550,943	41,232	-	592,175

For the year ended 30 June 2021	Short-term benefits Salary & fees \$	Post- employment Superannuation \$	Share based payments expenses \$	Total \$
James Kellett	290,323	23,026	-	313,349
Franklin B. Lieberman	43,401	-	-	43,401
Jeffrey Bennett	42,000	-	-	42,000
Damian O'Sullivan	176,640	16,781	-	193,421
Total KMP	552,364	39,807	-	592,171

*Payables and accruals at 30 June 2022 includes \$42,000 of Directors Fees payable to Mr Bennett.

No remuneration during the year was a result of any short-term or long-term incentive plan.

Performance Rights

Performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (LTIP). The performance rights will vest subject to a number of vesting conditions (revenue targets and continued directorship and employment).

The table below discloses the number of performance rights granted to Directors and Senior Executives as LTIP remuneration. The performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The rights are conditional upon continuation as a Director or Senior Executive until the revenue hurdle of AUD\$5m gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2022.

	Grant date	No.	Fair value at granted grant date (\$) ('000)	Expiry date	Number lapsed	Balance at 30/6/2022 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0025	31 Dec 2022	-	5,256	-	5,256
Franklin B. Lieberman	23 Dec 2019	2,628	0.0025	31 Dec 2022	-	2,628	-	2,628
Jeffrey Bennett	23 Dec 2019	2,628	0.0025	31 Dec 2022	-	2,628	-	2,628
Damian O'Sullivan	1 Apr 2022	2,500	0.0024	31 Dec 2022	-	2,500	-	2,500
Total		13,011			-	13,011	-	13,011

As at the reporting date, the Group did not recognise any performance rights expense to the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

The fair value of the Performance Rights was determined using the share price at grant date.

Performance Rights issued 23 Dec 2019

Share Price at grant date	\$0.025
Valuation	\$262,780

Performance Rights issued 1 April 22

Share Price at grant date	\$0.024
Valuation	\$60,000

NOTE 20: SHARE OPTIONS

Set out below are summaries of options granted to corporate advisors during the year and outstanding at the end of the year.

Grant date	Expiry Date	Exercise Price (\$)	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
23 Oct 2020	23 Oct 2023	0.015	12,000,000	-	-	12,000,000
11 Mar 2022	31 Dec 2023	0.025	-	7,400,000	-	7,400,000
11 Mar 2022	31 Dec 2023	0.050	-	5,000,000	-	5,000,000
Weighted average exercise price			\$0.015	\$0.035	\$0.000	\$0.025

Set out below are the options exercisable at the end of the financial year.

Grant date	Expiry Date	30 June 2022 No	30 June 2021 No
23 Oct 2020	23 Oct 2023	12,000,000	12,000,000
11 Mar 2022	31 Dec 2023	7,400,000	-
11 Mar 2022	31 Dec 2023	5,000,000	-
Total		24,400,000	12,000,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.4 years (30 June 2021: 1.2 years)

For options granted during the current financial year, the valuation model inputs used to determine the value at the grant date, are as follows:

Grant date	Expiry Date	Share price at grant date (\$)	Share price at measurement date (\$)	Exercise Price (\$)	Expected Volatility	Risk-free interest rate	Fair value at grant date (\$)
11 Mar 2022	31 Dec 2023	0.019	0.019	0.025	100%	2.73%	0.008
11 Mar 2022	31 Dec 2023	0.019	0.019	0.050	100%	2.73%	0.005

The fair value of options granted to corporate advisors expensed during the year totalled \$88,113.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as attached are in accordance with the Corporations Act 2001 and:
 - a) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Group; and
 - b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - c) in the director's opinion, further to the matters included in Note 1(a), there are reasonable grounds to believe that KneoMedia Limited will be able to pay its debts as and when they become due and payable; and
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer (or equivalent) for the financial year ended 30 June 2022; and
3. The consolidated financial statements comply with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.



**James Kellett,
Executive Chairman**

28 September 2022

KneoMedia Limited
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of KneoMedia Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of \$3,894,589 and net cash outflows from operating activities of \$2,464,073 for the year ended 30 June 2022. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

RECOGNITION OF REVENUE FROM CUSTOMERS	
Area of focus	How our audit addressed it
As required by AASB 15 <i>Revenue from Contracts with Customers</i> ('AASB 15'), revenue is disclosed in Note 8. The Group's revenue is derived primarily from the sale of subscription services to the eLearning SaaS platform with revenue being recognised over time as the performance obligation is fulfilled. This area is a key audit matter due to the judgement required in determining the allocation of revenue to performance obligations and whether revenue is appropriately recognised in the correct accounting period.	Our audit procedures included the following: — Reviewed and assessed a sample of customer contracts to identify customer arrangements including pricing, service performance requirements and customer fulfilment obligations; — Tested on a sample basis management's assessment of achieving performance obligations relevant to revenue contracts; — Performed revenue cut-off testing to assess if revenue is recognised appropriately in the correct financial period; — Assessed the appropriateness of the group's financial statement disclosure including its revenue recognition policy with respect to the customer arrangements;
CAPITALISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	
Area of focus	How our audit addressed it
As disclosed in Note 6, the Group has capitalised a total of \$856,323 to product development costs in its statement of financial position. These product development costs are capitalised in accordance with the requirements of AASB 138 <i>Intangible Assets</i> as they relate to development of a product that can be and is commercialised and are not research activities. For intangible assets with finite useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable, and at least annually review whether there is any change in their expected useful life. Whilst these capitalised costs are being amortised on a straight-line basis over a two-year period, there is a risk that the carrying values may not be recoverable.	Our audit procedures included: — Reconciling movements in product development costs for the year, and tracking those costs against the overall approved budget for the development project; — Vouching additions to either contractor invoices or payroll records to ensure that the Group could substantiate the nexus of those costs to development activities; — Understanding the underlying project to ensure that it had no indicators of impairment; — Recomputing the amortisation charge for the year; and — Evaluation of management's assessment on whether any events or change in circumstances indicate that there may be a change in the expected useful lives of intangible assets. We also assessed the disclosures in the financial statements surrounding the capitalisation and impairment of intangible assets.

CAPITALISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	
Area of focus	How our audit addressed it
The area is considered a key audit matter due to the estimates and judgements applied in assessing appropriateness of capitalised costs and the subsequent recoverability of the capitalised intangible assets.	
VALUATION OF CONVERTIBLE NOTES	
Area of focus	How our audit addressed it
As disclosed in note 9, the Group raised \$1.3 million in September 2021 through the issuance of convertible notes which had an initial settlement of May 2022. The convertible notes by their nature were considered complex financial instruments, through assessing for embedded derivatives under AASB 9 <i>Financial Instruments</i> and measuring of the fair value of the instruments. As at 30 June 2022, \$450,000 of the issued convertible notes were outstanding for settlement at the discretion of the note holder, with a revised fair value being performed for the derivative component as at this date. These notes have in the subsequent event period been extended for settlement as at 30 September 2022. Due to the complexity of assessing the contractual terms of notes and assessing the reasonableness of fair value inputs and technique, this was considered a Key Audit Matter.	Our audit procedures included the following: — Examining the contractual terms of convertible notes including assessment of the conversion terms; — Agreeing to relevant supporting evidence of the cash received from the issue of convertible notes, and the subsequent issuance of shares to note holders; — Obtaining and assessing the reasonableness of the fair value measurement of the embedded derivative contained within the convertible notes at issuance date and subsequently at balance date; — Assessing the competence and qualification of management's expert who performed the fair value; — Assessing the reasonableness of presentation and disclosure in the group financial statements with respect to the convertible notes.
ACCOUNTING FOR SHARE BASED PAYMENTS ARRANGEMENTS	
Area of focus	How our audit addressed it
As disclosed in note 18, 19 and the Remuneration Report, the Group issued shares, share-based options and performance rights to employees and suppliers respectively in the period. The arrangements were considered to meet the definition share-based payment arrangements under AASB 2 Share Based Payments, with management assessing the arrangements as being equity-settled and measured the fair value of each award on grant date.	Our audit procedures included the following: — Understanding the terms of the options being issued including the number of options issued, grant date, expiry date, exercise price and the presence of any market or non-market conditions; — Understanding the terms of the performance rights being issued, including the number of rights issued, grant date, expiry date, exercise price and the presence of any market or non-market conditions; — Assessing the appropriateness of the Black Scholes model inputs used by management to

ACCOUNTING FOR SHARE BASED PAYMENTS ARRANGEMENTS	
Area of focus	How our audit addressed it
There is a financial risk that the Group may not have valued these share options and performance rights appropriately and that the expense recognised from the options and performance rights issued during the year is incorrect. The options issued to suppliers were valued using a Black Scholes model with the options vesting immediately, and an expense of \$88,112 was recognised as a cost of raising capital during the year, which reflected the vesting arrangements. The performance rights were valued at the share price on grant date as a Black Scholes model was not appropriate for determining the fair value. Due to the judgements and estimates required in appropriately valuing the share options and performance rights, this matter was considered to be a Key Audit Matter.	determine the valuation of the options and examining the key inputs used in the model; — Assessing the probability applied based on management's judgement to the achievement of non-market conditions in the performance rights; — Recomputing the share option expense recognised during the year in line with the vesting period of the options and performance rights; and — Assessing the adequacy of the Group's disclosures in the financial report in accordance with the requirements of AASB 2 for the options and performance rights.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of KneoMedia Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



M. J. Donohoe
Director
Melbourne, 29th September 2022

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 19 September 2022 (**Reporting Date**).

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on KneoMedia's website, www.kneomedia.com (**Website**) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will particularise each Recommendation that needs to be reported against by KneoMedia and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on KneoMedia's Website.

Substantial holders

As at the Reporting Date, substantial holders of KneoMedia shares based on substantial holder notices received by the Company are as follows:

Substantial holders	Number of shares held	% of total issued share capital
Lind Global Macro Fund LP	62,500,000	6.320
Barriag Pty Ltd <The Hadley Super Fund A/C>	72,002,474	7.940

Distribution of equity securities

As at the Reporting Date, the number of holders in each class of equity securities on issue in KneoMedia is as follows:

Class of Equity Securities	Number of holders
Ordinary Shares	1,625
Options exercisable at \$0.015 on or before 23 Oct 2023	2
Options exercisable at \$0.030 on or before 11 Dec 2023	1
Options exercisable at \$0.025 on or before 31 Dec 2023	14
Options exercisable at \$0.050 on or before 31 Dec 2023	1
Convertible Notes	18
Performance Rights	4

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	328	32,904	0.000
1,001 – 5,000	54	170,769	0.010
5,001 – 10,000	66	540,112	0.040
10,001 – 100,000	489	23,606,956	1.75
100,001 and above	688	1,32,526,933	98.190
Total	1,625	1,345,877,673	100.00

Distribution of holders of options exercisable by 23 October 2023 at \$0.015 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	12,000,000	100.000
Total	2	12,000,000	100.000

Distribution of holders of options exercisable by 11 December 2023 at \$0.03 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	31,250,000	100.000
Total	1	31,250,000	100.000

Distribution of holders of options exercisable by 31 December 2023 at \$0.025 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	14	41,943,222	100.000
Total	14	41,943,222	100.000

Distribution of holders of options exercisable by 31 December 2023 at \$0.05 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	5,000,000	100.000
Total	1	5,000,000	100.000

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	13,011,180	100.000
Total	4	13,011,180	100.000

Less than marketable parcels of ordinary shares

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Securities	UMP Shares	UMP Holders	% of issued shares held by UMP holders
1,345,877,673	2,188,980	546	0.163

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	Balance as at Reporting Date	% of total shares on issue
LIND GLOBAL MACRO FUND LP	59,870,000	4.448
MR MARK GREGORY KERR & MRS LINDA MARIE KERR <LINDMARK INV STAFF S/F A/C>	38,886,176	2.889
BARRIJAG PTY LIMITED <HADLEY FAMILY A/C>	38,300,000	2.846
BARRIJAG PTY LTD <THE HADLEY SUPER FUND A/C>	33,702,474	2.504
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	31,778,000	2.361
R J & A INVESTMENTS PTY LTD <MULLER MORVAN FAMILY A/C>	30,000,000	2.229
ARMCO BARRIERS PTY LTD	26,000,000	1.932
INVIA CUSTODIAN PTY LIMITED <ANDREW WILLIAM BLACKMAN A/C>	23,922,095	1.777
ACN 644 931 108 PTY LTD	22,350,000	1.661
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	20,330,335	1.511
HIXON PTY LTD	17,722,892	1.317
MR HAMISH GORDON MACKIRDY	17,100,000	1.271
FURNEAUX MANAGEMENT PTY LTD	17,052,381	1.267
PERRIHALL PTY LTD <JAMES RANDALL NO 2 A/C>	14,600,000	1.085
KABILA INVESTMENTS PTY LIMITED	13,083,967	0.972
OAK TRUST (GUERNSEY) LIMITED <ROLLING STONE - R7 A/C>	12,723,633	0.945
COVE STREET PTY LTD <THE COVE STREET A/C>	12,378,144	0.920
MARIE SCODELLA & ASSOCIATES PTY LTD <M SCODELLA & ASS SUPER A/C>	12,323,313	0.916
MR MICHAEL JOHN HYNES	12,225,000	0.908
LIND GLOBAL FUND II LP	11,666,667	0.867
Total number of shares of top 20 holders	466,015,077	34.626
Total remaining holders balance	879,862,596	65.375

Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Options exercisable at \$0.015 on or before 23 Oct 2023	12,000,000	2
Options exercisable at \$0.030 on or before 11 Dec 2023	31,250,000	1
Options exercisable at \$0.025 on or before 31 Dec 2023	41,943,222	14
Options exercisable at \$0.050 on or before 31 Dec 2023	5,000,000	1
Convertible Notes	18	2
Performance Rights	13,011,180	4

The names of the holders of 20% or more of the equity securities in an unquoted class and the number of equity securities held by each of these holders (other than in the case of securities issued or acquired under an employee incentive scheme) are as follows:

Holder Name	Class of unquoted Equity Securities	Number of unquoted Equity Securities held	% of total unquoted Equity Securities in the relevant class
Dyamond Trading and Consulting Pty Ltd	Options exercisable at \$0.015 on or before 23 Oct 2023	10,000,000	83.330
Lind Global Marco Fund	Options exercisable at \$0.030 on or before 11 Dec 2023	31,250,000	100.000
SIX DEGREES GROUP HOLDINGS PTY LTD	Options exercisable at \$0.050 on or before 31 Dec 2023	5,000,000	100.000
John Hancock	Convertible Notes	8	44.000
LIND GLOBAL FUND II LLP	Convertible Notes	10	56.000

Voting rights of equity securities

The only class of equity securities on issue in the Company which carry voting rights are ordinary shares.

As at the Reporting Date, there were 1,609 holders of a total of 1,345,877,673 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds.

Voluntary escrow

There are no securities on issue in KneoMedia that are subject to voluntary escrow.

Stock exchange listing

KneoMedia's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: KNM).

On-market buyback

The Company is not currently conducting an on-market buy-back.

Issues of securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

On-market purchase of securities under employee incentive scheme

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Company secretary

The Company's secretary is Ms Eryl Baron

Registered office

The address and telephone number of the Company's registered office are:

Level 7, 411 Collins Street
Melbourne VIC 3000

Telephone: +61 1300 155 606

Share registry

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Telephone: (02) 9290 9600