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27 February 2020: ASX/Media Release (ASX: KNM)

Appendix 4D and Half-Yearly Report

KNeoMedia Limited ("KNeoMedia" or "the **Company**") (ASX: KNM) is pleased to report its half yearly results for the Company and its controlled entities (the **Group**) for the half-year ended 31 December 2019. The Company wishes to thank shareholders for their continued support.

About KNeoMedia Limited:

KNeoMedia Limited (ASX:KNM OTC:KNEOF) is a SaaS publishing company that delivers world-class education and assessment products to global markets in both special and general education classrooms via its KneoWorld portal. Student seat licences are sold to education departments on an annual basis and via distribution agreements. The KneoWorld platform is a story-based and game assessment learning program that provides engaging and effective ways for students to process and apply academic skills and concepts. Researched and evidence based, programs are mapped and measured to curriculum with student performance data delivered via the educator dashboard. KneoWorld is fully compliant with child online privacy protection including US COPPA and European GDPR. Our proven ability to engage, educate and assess provides a global education market opportunity selling on a business to business strategy.

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Publishers of



KNEOMEDIA LIMITED and Controlled Entities

ABN 41 009 221 783

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Lodged with ASX under Listing Rule 4.2A

This information should be read in conjunction with 30 June 2019 Annual Report and public announcements of the Company made on the ASX for the six months ended 31 December 2019.

KNeoMedia Limited

Appendix 4D

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2019

Name of Entity	KNeoMedia Limited
Australian Business Number	41 009 221 783
Report for Half-Year Ended:	31 December 2019
Previous corresponding Financial Year ended:	30 June 2019
And Half-Year Ended:	31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% Change			\$
Revenues from ordinary activities	Up	214	to	59,032
Loss from ordinary activities after tax attributable to members	down	2	to	1,953,330
Net loss for the period attributable to members of parent (after non-controlling interest)	down	3	to	1,713,485

DIVIDENDS

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend/Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

EXPLANATION OF RESULTS

During the half year the Group continued to expand its sales opportunities in all markets and progress the previously advised sales initiatives through the extended deployment process typical of large-scale sales to education departments. Nevertheless, the Group incurred a slightly reduced loss to the corresponding period of \$1,953,330 (2018: \$1,988,318) after strengthening its staffing requirements and investing further on development of our KneoWorld SaaS platform.

While receipts from customers was \$220,119 (2018: \$1,814), recognized sales revenue for the period was \$58,712 (2018: \$4,129) as revenue is recognized over the term of each seat licence contract, in most cases up to 12 months.

As a consequence of the loss, the Group's net assets decreased to \$679,212 (30 June 2019: \$1,401,660) representing a loss per share of 23 cents (2018: 27 cents). The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

During the half-year ended 31 December 2019, the Company did not acquire any subsidiary entities.

There was no disposal of subsidiary entities in the half-year ended 31 December 2019.

Additional Appendix 4D disclosures can be found in the attached Directors' Report and the 31 December 2019 half-year financial statements.

This report is based on the consolidated 2019 half-year financial statements which have been reviewed by the Company's auditor with the Independent Auditor's Review Report included in the 31 December 2019 half-year financial statements.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019 and public announcements of the Company made on the ASX for the six months ended 31 December 2019.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The Directors present their report together with the financial statements of the consolidated entity consisting of KNeoMedia Limited (**KNeoMedia** or **KNM** or **the Company**) and its controlled entities (the **Group**), for the half-year ended 31 December 2019.

DIRECTORS

The following persons were Directors who held office during or since the end of the half-year:

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

Directors were in office from the start of the period to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

During the financial half-year, the principal activity of the Group was the development and marketing of the Company's online education publishing business across international markets that delivers world-class education assessment products and games-based learning to global educational markets. The Group publishes and markets from its US-based subsidiary, KneoWorld Inc., and sells on a seat licence basis through the KneoWorld games portal and regionally via education departments and distribution agreements.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Group incurred a loss for the period of \$1,953,330 (2018: \$1,988,318) primarily due to the continued expansion of its global presence and product localisation.

Net tangible asset backing per ordinary share at 31 December 2019 was 0.001 cents (30 June 2019: 0.119 cents). There was no gain or loss of control over any entities during the half-year. The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

	31 December 2019	31 December 2018
Earnings per share		
Basic loss per share (cents)	0.23	0.27
Diluted loss per share (cents)	0.23	0.27

FINANCIAL POSITION

Accordingly, the Group's net assets decreased to \$679,212 (30 June 2019: \$1,401,660) due to the continued international expansion activities.

CASH FLOWS

During the six months to 31 December 2019, the Group incurred net operating cash outflows of \$1,592,484 (2018: \$1,625,046).

The Group had cash of \$278,425 as at 31 December 2019 (30 June 2019: \$1,167,913).

KNEOWORLD'S OPERATIONS

During the half, the Company successfully secured orders in the United States and the United Kingdom. Like investors, the Company's Board and Management are disappointed with the time it has taken for the processing and regulatory approvals to occur in order for announced sales to be converted into cash receipts. The Company is confident that now that these initial approvals and obligations have been satisfied, the conversion of further international sales will not take as long to convert into cash receipts.

As the online education market continues to grow, so too does the level of sophistication and integration required by participants and KneoWorld remains at the forefront of student engagement, education and assessment. KneoWorld's many key points of data collection enable the Company to deliver a personalised and highly relevant educational experience for each student in six curriculum segments under the guidance of educators, a factor that will become increasingly important over time. Further, KneoWorld data collection now includes pre and post assessment of each student thereby delivering definitive educational outcome improvement.

In all instances, there is a need to integrate our sophisticated platform into the respective school or district learning management systems (LMS) and while this can cause a delay in final live status, it is also one of the KneoWorld advantages and differentiators as digital educational product and its management becomes more sophisticated across the global markets.

United States

The United States is the Company's primary focus. It is a large and deep market and considerable investment in validation and investment has been made to establish the Company's presence there. The building blocks have been put into place to deliver a steady stream of seat licence sales.

Deployment of the KneoWorld technology into schools under the 'Connect all Kids' program in conjunction with the NAACP and Dell Technologies has been a priority for the Company. With all approval and delivery processes now in place the Company looks forward to the continuing deployment of the sales orders previously announced under the program.

This initial deployment, which includes integration of the Chromebooks with NYC DOE IT and Google Chrome Education Management Licenses, sets the standard and methodology and paves the way for faster cash collection as it will validate and accelerate further sales for the program with each sale invoiced at time of deployment.

The successful deployment in New York also paves the way for expansion of the 'Connect all Kids' program into more states via the NAACP's national coverage of 2,200 chapters.

All licences sold through this program are for a period of 3 years. The advantage of those licences paid in advance for three years removes the burden of securing annual renewals and ensures the content becomes better entrenched in the respective schools. This will in turn deliver very high retention rates.

Pursuing new sales from School Districts and other educators is also a continuing priority with test deployments now active across 13 States. Typical of these and as reported, the commencement of sales with Florida DOE represents a second revenue stream for the Company in the United States where KNM receives all revenue (US\$50.00 per Seat Licence). These sales are Federal and State funded and are distinct from the 'Connect all Kids' program between NAACP, Dell and KneoMedia.

United Kingdom

During the half year, the Company deployed the 1,000 seat licences sold to Leeds Education UK, together with the deployment of other licence sales previously announced to schools in the greater London area. Each deployment creates further validation and a sales reference point with Leeds now acting as an ambassador City to other large cities in their area, including Manchester. Having now appointed a key staff member the Company has capability to service the opportunities that are arising.

Philippines

The Company's joint venture in the Philippines continues to gain regional sales particularly in the northern province of Vizcaya. It is anticipated the KneoWorld Philippines will achieve more substantial sales, particularly in the southern major city of Davao and that sale will lead to broader opportunities nationally. The Company is confident its modest investment in the joint venture will prove worthy as it has navigated the education sales and local validation cycle.

US OTCQB Markets

Admission to the OTCQB Markets is intended to take advantage of investment in what is a US centric and ethical business now demonstrating substantial growth in their own US market.

As previously explained the admission provides US investors with an easy mechanism to locally invest in KNM under which no new shares will be issued but rather, where existing shares are traded across both registries.

Currently the Company is waiting on final DTC approval and all matters and materials relating to the DTC trading eligibility have been lodged and the approval is forthcoming. DTC eligibility can be best described as parallel to the AU CHES system and enables online trading and electronic clearing. Original estimates provided to the Company of a 3-4 months process have proven to be incorrect and the time has paralleled that of a typical US IPO.

OUTLOOK

Second half outlook and focus

While prioritising the US market the Company will leverage the sales infrastructure it has established to build sales in other international markets. We emphasise however that the US is our major focus and has the largest sales pipeline and the most opportunity.

As the online education market continues to grow, so too does the level of sophistication required by participants and KneoWorld remains at the forefront of student engagement, education and assessment. KneoWorld's many key points of data collection enable the Company to deliver a personalised and highly relevant educational experience for each student thereby delivering definitive educational outcome improvement. With proven outcomes for educators and students comes retention of programs, renewal of licences, reputation of results and trust in KneoWorld.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Kellett
Executive Chairman
27 February 2020

**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 half year ended 31
December 2019 there have been:

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

William Buck

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

A handwritten signature in black ink, appearing to read 'N.S. Benbow'.

N.S. Benbow
Director

Dated this 27th day of February, 2020

ACCOUNTANTS & ADVISORS

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KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
Revenue		
Sales revenue	58,712	4,129
Other income	320	14,656
	59,032	18,785
Employee benefits expense	(492,477)	(553,531)
Corporate and professional expenses	(487,190)	(273,954)
Marketing expenses	(495,356)	(397,366)
Depreciation and amortisation expense	(303,332)	(172,043)
Other expenses	(229,165)	(591,542)
Finance costs	(4,842)	(18,667)
Loss before income tax	(1,953,330)	(1,988,318)
Income tax expense	-	-
Loss for the period attributable to members	(1,953,330)	(1,988,318)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	(35,650)	(24,901)
Total comprehensive loss for the period	(1,988,980)	(2,013,219)
Loss attributable to:		
Members of the parent entity	(1,713,485)	(1,760,252)
Non-controlling interests	(239,845)	(228,066)
	(1,953,330)	(1,988,318)
Total comprehensive loss attributable to:		
Members of the parent entity	(1,742,005)	(1,780,173)
Non-controlling interests	(246,975)	(233,046)
	(1,988,980)	(2,013,219)
Loss per share (cents per share)		
Basic and diluted loss per share	0.23	0.27
Weighted average no of shares	730,981,422	641,613,870

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 Dec 2019	30 Jun 2019
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		278,425	1,167,913
Trade and other receivables	2	286,418	252,219
Prepayments & other current assets		264,058	60,233
Total Current Assets		828,901	1,480,365
Non-current Assets			
Property, plant and equipment		8,900	13,948
Intangible assets		670,247	553,163
Non-refundable deposit to acquire non-controlling interest		50,000	50,000
Non-current financial asset		129,697	104,697
Total Non-current Assets		858,844	721,808
Total Assets		1,687,745	2,202,173
Liabilities			
Current Liabilities			
Trade and other payables		744,571	738,456
Deferred revenue		140,629	20,495
Employee benefits		123,333	41,562
Total Current Liabilities		1,008,533	800,513
Total Liabilities		1,008,533	800,513
Net Assets		679,212	1,401,660
Equity			
Issued capital	3	20,520,648	19,254,116
Reserves		(318,713)	(290,193)
Accumulated losses		(17,291,868)	(15,578,383)
Parent Entity Interest		2,910,067	3,385,540
Non-controlling Interest		(2,230,855)	(1,983,880)
Total Equity		679,212	1,401,660

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	19,254,116	(15,578,383)	(290,193)	(1,983,880)	1,401,660
Net loss for the period	-	(1,713,485)	-	(239,845)	(1,953,330)
Other comprehensive income	-	-	(28,520)	(7,130)	(35,650)
Total comprehensive income	-	(1,713,485)	(28,520)	(246,975)	(1,988,980)
Shares issued	1,263,800	-	-	-	1,263,800
Conversion of director fees to shares	107,357	-	-	-	107,357
Transaction costs on shares issued	(104,625)	-	-	-	(104,625)
Balance at 31 December 2019	20,520,648	(17,291,868)	(318,713)	(2,230,855)	679,212

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	80,013,462	(74,717,298)	(181,443)	(1,408,536)	3,706,185
Adjustment for change in accounting policy	-	(363,355)	-	(90,839)	(454,194)
Adjusted opening balance	80,013,462	(75,080,653)	(181,443)	(1,499,375)	3,251,991
Net loss for the period	-	(1,760,252)	-	(228,066)	(1,988,318)
Other comprehensive income	-	-	(19,921)	(4,980)	(24,901)
Total comprehensive income	-	(1,760,252)	(19,921)	(233,046)	(2,013,219)
Conversion of director fees to shares	15,400	-	-	-	15,400
Exercise of share options	383,924	-	-	-	383,924
Accumulated losses reduction	(63,011,864)	63,011,864	-	-	-
Transaction costs on shares issued	(3,495)	-	-	-	(3,495)
Balance at 31 December 2018	17,397,427	(13,829,041)	(201,364)	(1,732,421)	1,634,601

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	220,119	1,814
Payments to suppliers and employees	(1,812,603)	(1,626,860)
Net cash used in operating activities	(1,592,484)	(1,625,046)
Cash flows from investing activities		
Payment for property, plant and equipment	(1,089)	(4,789)
Payment for capitalised product development costs	(413,190)	(327,913)
Loan to joint venture	(25,000)	(55,342)
Net cash used in investing activities	(439,279)	(388,044)
Cash flows from financing activities		
Proceeds from issue of shares	1,263,800	-
Payment for share issue costs	(104,625)	(3,495)
Proceeds from exercise of options	-	294,638
Interest received	320	14,656
Finance costs	(4,842)	(18,667)
Net cash provided by financing activities	1,154,653	287,132
Net (decrease)/increase in cash held	(877,110)	(1,725,958)
Cash at the beginning of the period	1,167,913	2,713,642
Effects of exchange rate changes on cash and cash equivalents	(12,378)	(20,282)
Cash at the end of the period	278,425	967,402

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL STATEMENTS

(a) BASIS OF PREPARATION

The interim consolidated financial report of the Group is for the six months ended 31 December 2019 and is presented in Australian dollars (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on the date of signing the attached Directors' declaration.

(b) CHANGES IN ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

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

AASB 16: Leases

AASB 16 replaces AASB 117 Leases and for lessees will eliminate the classifications of operating leases and finance leases. This standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. This standard requires the calculation and recognition of a right-of-use asset and corresponding liability based on the discounted value of committed lease payments. These payments, currently expensed to profit or loss as incurred will be replaced by the straight-line amortisation of the right-of-use asset and reduce the lease liability. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 is higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group adopted this standard from 1 July 2019 which will result in the removal of operating lease costs and recognising interest expense and amortisation of leases on balance sheet. With the only lease commitments of the Group being short term, the Group's operating commitments continue to be expensed through the profit & loss.

(c) ESTIMATES

When preparing the interim consolidated financial statements, management has made a number of judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the Group's last annual financial statements for the year ended 30 June 2019.

(d) GOING CONCERN BASIS OF ACCOUNTING

For the half-year ended 31 December 2019 the Group incurred a loss of \$1,953,330 and as at that date its available working capital (net current liabilities adjusted for prepayments and unearned revenues) was a deficiency of \$57,014.

Notwithstanding this, the Directors continue to apply the going concern basis of accounting in these financial statements based upon forecast cash flow projections that incorporate the following assumptions:

- A continuation of the Company's strong track record of raising capital when and as needed. During the year the Company successfully raised \$1,263,800 in new capital from its shareholders;
- Controlling costs, particularly those that may be deferred as they represent investments in the Company's research and development activities; and
- Deriving revenues from new contracts entered into for delivering its global education services.

Accordingly, the Directors have concluded that the Company can continue to pay its debts as and when they fall due for the foreseeable future. In the event that all or some of these assumptions do not eventuate, the Group may be required to adjust the carrying values of its assets and liabilities as stated in the financial report.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

2. TRADE AND OTHER RECEIVABLES

	31-Dec-19	30-Jun-19
	\$	\$
CURRENT		
Trade receivables	26,875	6,819
Amounts receivable from investors for previous capital raising	200,000	200,000
Other receivables	9,185	9,170
	<u>236,060</u>	<u>215,989</u>
GST recoverable	50,358	36,230
	<u>286,418</u>	<u>252,219</u>

3. ISSUED CAPITAL

	31-Dec-19	30-Jun-19
	\$	\$
759,385,241 (2018: 654,574,564) fully paid ordinary shares	20,520,648	19,254,116
	<u>20,520,648</u>	<u>19,254,116</u>
	No.	No.
a. Ordinary Shares		
At the beginning of reporting period	713,884,564	638,987,847
Shares issued during the year		
— Conversion of accrued fees to shares	4,041,347	229,774
— Shares issued (capital raising)	41,459,330	59,310,000
— Exercise of options	-	15,356,943
At reporting date	<u>759,385,241</u>	<u>713,884,564</u>

4. CONTINGENT LIABILITIES

There are no outstanding contingent liabilities as at 31 December 2019 (30 June 2019: Nil).

5. SUBSEQUENT EVENTS

In the opinion of the Directors, no other matters or circumstances have arisen since 31 December 2019 which have material effects on the operation of the consolidated entity which have not been outlined in this report.

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

In the opinion of the Directors of KneoMedia Limited:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



James Kellett
Executive Chairman

27 February 2020

KNEO MEDIA LIMITED

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of KNeoMedia Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KNeoMedia Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$1,953,330 during the half year ended 31 December 2019 and, as of that date, the consolidated entity had current liabilities that exceeded its current assets by \$179,632. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have

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become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of KNeoMedia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136



N.S. Benbow

Director

Melbourne, 27th February 2020