Publishers of

ASX ANNOUNCEMENT - APPENDIX 4E (ASX: KNM)

KNeoMedia Limited **(KNeoMedia** or the **Company**) **(ASX: KNM)** is pleased to report its final results for the Company and its controlled entities (the **Group**) for the financial year ended 30 June 2020 (**FY2020** or the **year**).

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Name of Entity	**KNeoMedia Limited**
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2019 to 30 June 2020
Previous corresponding reporting period:	1 July 2018 to 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results from operations		**% Change**		**$**
Revenues from ordinary activities	Increased	1,060	to	162,308
Loss from ordinary activities after tax attributable to members	Decreased	8	to	3,646,919
Net loss for the year attributable to members of parent (after non-controlling interest)	Decreased	9	to	3,201,773

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

Net Tangible Assets/(Liabilities) per security	
As at 30 June 2020	0.078 cents
As at 30 June 2019	0.119 cents

Additional information supporting this Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors' Report and the 30 June 2020 Financial Statements and accompanying notes.

This report is based on the consolidated financial statements for year ended 30 June 2020 which have been audited by William Buck.

KNeo MEDIA

Publishers of KNEOWORLD

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

ENGAGE EDUCATE ASSESS

TABLE OF CONTENTS

ENGAGE EDUCATE ASSESS

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

Mr Todd Richards
Boardroom Pty Limited

AUDITORS

William Buck
Level 20, 181 William Street
Melbourne Vic 3000

BANKERS

Westpac
360 Collins Street
Melbourne Vic 3000

REGISTERED OFFICE

Level 7, 411 Collins Street
Melbourne Vic 3000

SHARE REGISTRY

Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

WEBSITE ADDRESS

www.kneomedia.com

CHAIRMAN'S LETTER

Dear Shareholders

Year in review

At the start of the year I outlined our focus of building three distinct revenue streams – 'Connect all Kids' with the NAACP and Dell Technologies, selling directly to Departments of Education more broadly throughout the United States, and broadening the uptake of our core KNeoWorld technology in other international markets via distribution partners.

The second half of the year proved most challenging in all regions as schools closed early in response to COVID-19 including early adoption of the Northern Hemisphere annual summer vacation, particularly in the UK and Philippines. In response, we focused our sales efforts on New York City where we have invested much time and where we have a more established presence an network compared to other markets. This culminated in the recently announced Approved Supplier status that was achieved nine months after the House Speaker of New York City Council publicly announced the first "Connect All Kids" funding approval. The Approved Supplier status, which has been secured in the FY2021 year, saw the Company, together with the NAACP, completing an all-encompassing probity and validation checking process with various New York City government departments which now pre-qualifies "Connect All Kids" for future sales. This is a very noteworthy development for KneoMedia as demonstrated by the second US$1 million "Connect All Kids" funding approval of which KneoMedia again receives US$260,000 or 26% of every deployment. It is these status and transaction approvals that the Company can now reference to work with the NAACP and Dell Technologies to deliver "Connect All Kids" through all 66 Counties of New York State.

During the year the Company continued to invest in the enhancement of the KneoWorld SaaS platform using its internal resources and proprietary content management system to ensure curriculum alignment in the various States of the US. As most schools are still determining how they deliver their curriculum as the new school year in the Northern Hemisphere commences, the Company has moved quickly to direct its KneoWorld eLearning SaaS platform into the home environment under remote teacher instruction and assessment on resumption of school. While home access has always been available, many teachers have had difficulty providing meaningful support. In this unpredictable education environment, KneoWorld has assured its adaptable online format, including its competitive six subject advantage, is effective in all education settings:

1. **IN-CLASS** blended learning resource
    a. Whole groups, small groups and individually
    b. Student-centred, teacher-directed
2. **DISTANCE eLEARNING** Program
    a. Student-centred, teacher-directed
3. **HOMESCHOOLS** Core Curriculum Program
    a. Student-centered, education qualified parent–directed

While our focus remains on achieving greater critical mass in New York City and more broadly in New York State, with the start of the new school in all States we anticipate many of the activities we commenced earlier in the year including Florida and Illinois will come off "pause" leading to completion of pilots and sales.

We will also resume our business development activities in the UK and continue to work closely with our JV partner in the Philippines. During the year we also appointed a Licencee in India which is pursuing opportunities of the very large private education market there. After a trial with students at home on vacation, the American school of Bombay is undertaking a formal pilot which our Licencee will reference to scale further sales.

Funding & Capital Structure

During the year, the Company raised $3,763,800 through the placement of new shares, predominantly to institutional and sophisticated investors.

In line with its largely US centric business and substantial interest within the US investment community, the Company successfully gained approval to trade its existing shares on the OTCQB Markets in New York. And in July 2020 achieved eligibility for electronic clearing and settlement through the Depository Trust & Clearing Corporation ("DTCC") in the United States. While no new shares in the Company are being issued as a result of the approval and US retail investors can now trade through online brokers there. DTC eligibility is expected to simplify the process of trading and enhancing liquidity of the Company's ordinary shares by broadening the pool of US investors and brokerage firms.

Outlook

In Financial Year 2021 the Company's primary focus is building the recurring revenue base and primarily capitalising on the recent achievements in New York City. We are gaining some solid sales traction with the "Connect All Kids" initiative and we intend to build on this first and foremost. New York is a very large education market in its own right and we have considerable scope for growth here. I am confident of delivering more sales beyond what we have reported so far in 2021, and also collecting funds from previously reported sales.

Our go-to-market strategy is underpinned by four key pillars:

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

The expectation of this strategy will help us build more predictable and sustainable revenue streams in our core markets.

Yours faithfully

James Kellett
Executive Chairman
Melbourne, 28 August 2020

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 2020 and independent auditor's report thereon.

Director details

The following persons were Directors of KNeoMedia Limited during or since the end of the financial year.

Mr 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 and an Associate Member of Finsia and has not held directorships in other listed companies in the past 3 years.

Mr 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 has spent the last 10 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 besides KneoMedia and Jameson Resources Ltd in the past 3 years.

Mr 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.

Mr Todd Richards

Company Secretary

Todd (BBus, Accounting) is a Certified Practicing Accountant and Company Secretary. His background includes experience in completing IPOs, M&A transactions and capital raising for ASX listed companies. He is Company Secretary for a number of listed and private companies and his corporate secretarial experience in the listed space includes roles in fin-tech, digital media, agri-business, e-commerce and building services.

Principal activities

The principal activity of the Group during the financial year was the further development of its online education publishing business across international markets that delivers world-class education assessment products and games-based learning to global educational markets, particularly to Special Needs education facilities. 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 content including numeracy, literacy, science, arts, reasoning and memory. The content delivers extensive analytical performance data to educators and complies with child online privacy protection including US COPPA and European GDPR. Our SaaS model provides KneoWorld with a global education market opportunity selling on a business to business strategy.

Review of operations and financial results

KneoMedia incurred a loss attributable to the members of the parent for the year of $3,201,773 (2019: Loss $3,509,594) and net operating cash outflows of $2,702,057 (2019: outflows $3,098,805). The decrease was due primarily to revenue increase and cost control, particularly in its US operations as well stabilizing product development costs. The Group's net assets decreased to $1,335,121 (30 June 2019: $1,401,660).

Covid-19 did impact the second half year revenue due to the early closure of schools at the end of the Northern Hemisphere school year and the cessation of school Departments' of Education purchasing while administrators grappled with the circumstances. However, these circumstances highlighted the lack of technology, remote eLearning programs and connectivity, all of which have been recognised in the last three months along with the recognition of the KneoWorld/NAACP/Dell "Connect All Kids" program. Accordingly, the Company does not expect to experience the same COVID-19 impediment to sales in the coming year but more likely, increased demand.

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 2020.

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 2020.

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
	Direct	Indirect		Unquoted
James Kellett	-	17,665,714	-	5,255,590
Jeffrey Bennett	-	8,319,190	-	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:

- KNeoMedia changed its registered address on 9 September 2019.
- On 10 September 2019, KNeoMedia reported its maiden order from Florida A&M University Development Research School.
- On 12 September 2019, KNeoMedia announced confirmation of its first Leeds City Council (UK) sale of 1,000 seat licence.
- On 10 October 2019, confirmed the successful placement of 41,458,330 ordinary shares raising $1,243,000.

- KNeoMedia continued to secure sales through its "Connect All Kids" program with Dell Education and the National Association for the Advancement of Colored People (NAACP) including licence sales in New York City and Brooklyn.
- On 28 April 2020, KneoMedia entered the Indian Education sector with an Agreement to deploy KneoWorld into the Indian private education market over the next 10 years.
- On 8 May 2020, KNeoMedia confirmed the successful placement of 147,058,824 ordinary shares raising $2.5m and issuing 73,529,412 attaching options. In addition, KNeoMedia issued a further 40,000,000 options to its corporate advisors as fees for their services in relation to the placement.
- KNeoMedia appointed Mr Todd Richards as Company Secretary, thanking Ms Sophie Karzis for her support over the past 8 years.

Significant events after the balance date

On 3 July 2020, KNeoMedia held an Extraordinary General Meeting of Shareholders to ratify the issue of securities as a result of the latest placement.

On 15 July KneoMedia announced DTC eligibility for its shares to trade online in the US on OTC Markets.

On 21 August KneoMedia announced New York City DOE Approved Supplier status and the securing of a second US$1 million "Connect All Kids" approval.

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

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	5	5
Jeffrey Bennett	5	5
Franklin Lieberman	2	5

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. There has not been any share options exercised since 30 June 2020.

Options and Performance rights

In accordance with approval from shareholders obtained at the 2019 AGM, performance rights were issued to Key Management Personnel (KMP) during the year. No options were granted during the year to 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.

	Grant date	No.	Fair Value ($)	Expiry date	Conditions	Balance at 30 June 2020
Performance Rights	23 Dec 2019	10,511,180	0.0044	31 Dec 2022	Continuation as a Director and until the revenue hurdle of A$5mil gross revenue is achieved during any 12 consecutive months	10,511,180
	Grant date	**No.**	**Exercise Price ($)**	**Expiry date**	**Conditions**	**Balance at 30 June 2020**
Options	20 Nov 2017	5,000,000	0.0585	20 Nov 2020	-	5,000,000
Options	28 Jun 2019	13,405,000	0.100	28 Jun 2021	-	13,405,000
Options	28 Jun 2019	10,000,000	0.075	28 Jun 2021	-	10,000,000
Options	8 May 2020	20,000,000	0.04	8 May 2022	-	20,000,000
Options	8 May 2020	20,000,000	0.04	8 May 2022	-	20,000,000
Options	8 May 2020	73,529,412	0.04	8 May 2022	-	73,529,412

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 Company 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 $24,225.

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 Company present the Remuneration Report for Non-Executive Directors, Executive Directors of the Company 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

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:

Non-executive Directors (NEDs)	
Jeffrey Bennett	Director (Non-Executive)
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 Black Scholes option pricing model.

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.

Voting and comments made at the Group's 2019 Annual General Meeting (AGM)

KNeoMedia shareholders passed a resolution on a unanimous show of hands to adopt the Group's remuneration report for the financial year ended 30 June 2019 at the 2019 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:

		Short-term benefits		Post- employment	Share based payments	
Executive Director		Salary & fees $	Leave Entitlement $	Superannuation $	In lieu of fees $	Total $
James Kellett -CEO	**2020**	**325,000**	**-^**	**25,000**	**-**	**350,000**
	2019	329,469	24,581	20,531	-	374,581
Franklin B. Lieberman*	**2020**	**48,318**	**-**	**-**	**-**	**48,318**
	2019	43,141	-	-	-	43,141
Non-executive Director						
Jeffrey Bennett#	**2020**	**42,000**	**-**	**-**	**-**	**42,000**
	2019	42,000	-	-	15,400	57,400
Other KMP						
Damian O'Sullivan	**2020**	**176,640**	**12,713**	**16,781**	**-**	**206,134**
	2019	176,640	13,585	16,781	-	207,006
Total KMP	**2020**	**591,958**	**12,713**	**41,781**	**-**	**646,452**
Total KMP	2019	591,250	38,166	37,312	15,400	682,128

^James Kellett elected to forfeit his accrued annual leave balance as at 30 June 2020.
*In previous years Remuneration Report, Mr Lieberman's remuneration disclosure included fees related to sales consulting services. This has been more appropriately disclosed below at 5.f. as other transactions with KMP related entities.
#Payables and accruals at 30 June 2020 includes $69,300 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 (audited) (continued)

5. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

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

The table below discloses the number of performance rights granted to Directors 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 to Directors below are conditional upon continuation as a Director until the revenue hurdle of A$5mil 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. All performance rights (10,511,180), if vested, will have a fair value of $0.0044 per share. During the period, the previous performance rights on issue lapsed given the vesting conditions were not met prior to the expiry date,

	Grant date	No. granted ('000)	Fair value at grant date ($)	Expiry date	Number lapsed	Balance at 30/6/2020 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0044	31 Dec 2022	-	5,256	-	5,256
Franklin B. Lieberman	23 Dec 2019	2,628	0.0044	31 Dec 2022	-	2,628	-	2,628
Jeffrey Bennett	23 Dec 2019	2,628	0.0044	31 Dec 2022	-	2,628	-	2,628

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 2019 No.	Granted as remuneration No.	On exercise of options No.	Acquired and/or disposed on market No.	Balance at 30 June 2020 No.
Executive Director					
James Kellett	17,665,714	-	-	-	17,665,714
Franklin B. Lieberman	2,166,666	-	-	-	2,166,666
Non-executive Directors					
Jeffrey Bennett	8,319,190	-	-	-	8,319,190
Total	**28,151,570**				**28,151,570**

c. Unlisted Options held by key management personnel

	Balance at 1 July 2019 No.	Granted as remuneration No.	Exercise of options No.	Lapsed options No.	Balance at 30 June 2020 No.
James Kellett	-	-	-	-	-
Franklin B. Lieberman	-	-	-	-	-
Jeffrey Bennett	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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

	2020 $	2019 $
Related party payables		
Fees payable to key management personnel	**88,085**	28,600

f. Other transactions with Key Management Personnel-related entities

Amounts paid to related parties of the directors of the Company on arm's length terms	**198,151**	176,689

6. Additional Information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Sales Revenue	162	14	533	134	65
EBITDA	(2,918)	(3,558)	(2,092)	(963)	(1,389)
EBIT	(3,555)	(3,960)	(2,358)	(1,174)	(1,444)
Profit/(Loss) after income tax	(3,647)	(3,967)	(2,349)	(1,286)	(1,566)

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

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.015	0.044	0.041	0.028	0.014
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.42)	(0.54)	(0.39)	(0.33)	(0.68)

End of Audited Remuneration Report

Shares under option

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

Exercise Price ($)	Expiry date	Number of Options
0.0585	20 Nov 2020	5,000,000
0.100	28 Jun 2021	13,405,000
0.075	28 Jun 2021	10,000,000
0.04	8 May 2022	20,000,000
0.04	8 May 2022	20,000,000
0.04	8 May 2022	73,529,412
		141,934,412

Shares under performance rights

Unissued ordinary shares of Kneomedia under performance rights at the date of this report are as follows:

Grant Date	Expiry Date	Number of Rights
23 Dec 2019	31 Dec 2022	10,511,180

Non-audit services

The auditor, William Buck, did not provide any non-audit services to the Group during the financial year ended 30 June 2020.

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 2020 has been received and can be found on page 13, which forms part of this report.

Signed in accordance with a resolution of the Directors

James Kellett,
Executive Chairman
28 August 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 year ended 30 June 2020 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
Director

Dated this 28th day of August, 2020

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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 (Third 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 2020

	Note	2020 $	2019 $
Revenue			
Sales revenue from providing online education		162,308	13,995
Other income	2	50,444	15,085
		212,752	29,080
Employee benefits expenses and Directors' fees		(1,032,927)	(1,018,793)
Depreciation and amortisation expenses		(637,107)	(402,680)
Marketing expenses		(855,368)	(721,415)
Other expenses	3	(1,241,716)	(1,831,644)
Finance costs		(92,553)	(21,459)
Loss before income tax		**(3,646,919)**	(3,966,911)
Income tax expense		-	-
Loss after income tax		**(3,646,919)**	(3,966,911)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (net of tax)		(36,152)	(135,938)
Total comprehensive loss for the year		**(3,683,071)**	(4,102,849)
Loss attributable to:			
Members of the parent entity		(3,201,773)	(3,509,594)
Non-controlling interests		(445,146)	(457,317)
		(3,646,919)	(3,966,911)
Total comprehensive loss attributable to:			
Members of the parent entity		(3,230,897)	(3,618,344)
Non-controlling interests		(452,174)	(484,505)
		(3,683,071)	(4,102,849)
Loss per share (cents per share)			
Basic and diluted loss per share	5	**0.42**	0.54

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 2020

	Note	2020 $	2019 $
Current Assets			
Cash and cash equivalents	6	1,114,130	1,167,913
Trade and other receivables	7	245,035	252,219
Prepayments & Other assets		17,772	60,233
Total Current Assets		**1,376,937**	1,480,365
Non-current Assets			
Property, plant and equipment		5,205	13,948
Intangible assets	8	632,439	553,163
Non-refundable deposit to acquire non-controlling interest		50,000	50,000
Other non-current assets		129,697	104,697
Total Non-current Assets		**817,341**	721,808
Total Assets		**2,194,278**	2,202,173
Current Liabilities			
Trade and other payables	9	782,970	738,456
Deferred revenue		49,857	20,495
Employee benefits	10	26,330	41,562
Total Current Liabilities		**859,157**	800,513
Total Liabilities		**859,157**	800,513
Net Assets		**1,335,121**	1,401,660
Equity			
Issued capital	11	22,710,648	19,254,116
Reserves		(159,317)	(290,193)
Accumulated losses		(18,780,156)	(15,578,383)
Parent Entity Interest		**3,771,175**	3,385,540
Non-controlling interest		(2,436,054)	(1,983,880)
Total Equity		**1,335,121**	1,401,660

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 2020

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options 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 year	-	(3,201,773)	-	-	(445,146)	(3,646,919)
Other comprehensive loss	-	-	(29,124)	-	(7,028)	(36,152)
Total comprehensive loss	**-**	**(3,201,773)**	**(29,124)**	**-**	**(452,174)**	**(3,683,071)**
Shares issued	3,763,800	-	-	-	-	3,763,800
Conversion of director fees to shares	107,357	-	-	-	-	107,357
Exercise of share options	-	-	-	-	-	-
Transaction costs on shares issued	(414,625)	-	-	160,000	-	(254,625)
Balance at 30 June 2020	**22,710,648**	**(18,780,156)**	**(319,317)**	**160,000**	**(2,436,054)**	**1,335,121**

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 2019

	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)	(454,193)
Adjusted opening balance	**80,013,462**	**(75,080,653)**	**(181,443)**	**(1,499,375)**	**3,251,992**
Net loss for the year	-	(3,509,594)	-	(457,317)	(3,966,911)
Other comprehensive loss	-	-	(108,750)	(27,188)	(135,938)
Total comprehensive loss	**-**	**(3,509,594)**	**(108,750)**	**(484,505)**	**(4,102,849)**
Shares issued	2,036,481	-	-	-	2,036,481
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	(183,287)	-	-	-	(183,287)
Balance at 30 June 2019	**19,254,116**	**(15,578,383)**	**(290,193)**	**(1,983,880)**	**1,401,660**

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 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		198,853	28,841
Receipts from government grants		50,000	-
Payments to suppliers and employees		(2,950,909)	(3,127,646)
Net cash used in operating activities	12	**(2,702,057)**	(3,098,805)
Cash flows from investing activities			
Purchase of property, plant and equipment		(697)	(7,078)
Payment for capitalised product development costs		(705,201)	(555,965)
Payment of non-refundable deposit to acquire minority interest		-	(50,000)
Loans advanced to related parties		(25,000)	(83,474)
Net cash used in investing activities		**(730,898)**	(696,517)
Cash flows from financing activities			
Proceeds from issue of shares		3,763,800	2,036,480
Payment for share issue costs		(254,625)	(183,287)
Proceeds from borrowings		420,000	-
Repayment of borrowings		(420,000)	-
Proceeds from exercise of options		-	383,924
Interest received		444	15,084
Finance costs		(92,553)	(21,459)
Net cash provided by financing activities		**3,417,066**	2,230,742
Net increase in cash and cash equivalents		(15,889)	(1,564,580)
Cash and cash equivalents at the beginning of the financial year		1,167,913	2,713,642
Effects of exchange rate changes on cash and cash equivalents		(37,894)	18,851
Cash and cash equivalents at the end of the financial year		**1,114,130**	1,167,913

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 2020

This consolidated financial report and notes of KNeoMedia Limited (the **Company**) and controlled entities (the **Group**) for the year ended 30 June 2020 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

Notwithstanding the Group incurred a net loss for the year of $3,201,773 and net cash outflows used in operations of $2,702,057, based on its current commitments, and with a cash balance at 30 June 2020 of $1,114,130, KNeoMedia has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial report has been prepared on a going concern basis.

The Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements, and the Directors have concluded that the range of possible outcomes considered does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. The company continues to receive shareholder support in further capital raisings, as a result, these accounts have 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 2020. 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, 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 2020

c. 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 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 shows 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.

f. Intangible Assets

Project development costs

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

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 exits, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

k. Segment Reporting

No operating segment disclosure is required as the manner of 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 $6,381,533 (2019: $4,746,400) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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. 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.

AASB 16: Leases

AASB 16 replaced AASB 117 Leases and for lessees eliminates 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, previously expensed to profit or loss as incurred are now replaced by the straight-line amortisation of the right-of-use asset and reduces 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 are 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 resulted 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $

NOTE 2: OTHER INCOME

	2020 $	2019 $
Covid 19 ATO Relief	50,000	-
Interest income	444	15,084
	50,444	15,084

NOTE 3: CORPORATE & ADMINISTRATION EXPENSES

	2020 $	2019 $
Corporate costs	543,122	649,873
Consulting fees	305,322	367,949
R & D expense	-	154,467
Occupancy costs	98,148	119,505
Capital raising costs	-	18,000
Administration costs	124,052	128,822
Other expenses	171,072	393,028
	1,241,716	1,831,644

NOTE 4: AUDITORS' REMUNERATION

Amounts received or due and receivable by **William Buck** for:

	2020 $	2019 $
An audit or review of the financial report of the Group and any entity in the Group	**41,325**	35,085

William Buck did not provide any non-audit services.

NOTE 5: 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:

		2020 $	2019 $
	Basic and diluted loss to profit or loss	**0.42 cents**	0.54 cents
a.	Reconciliation of earnings to profit or loss		
	Loss for the year	3,646,919	3,966,911
	Loss attributable to non-controlling interest	(445,146)	(457,317)
	Earnings used to calculate basic and dilutive EPS	**3,201,773**	3,509,594
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	**766,823,251**	654,713,299

Options (141,934,412) and performance rights (10,511,180) have not been included in the calculation of diluted EPS because they are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank	**1,114,130**	1,167,913

NOTE 7: TRADE AND OTHER RECEIVABLES

	2020	2019
CURRENT		
Trade receivables	-	6,819
Amounts receivable from investors for previous capital raising	200,000	200,000
Other receivables	9,170	9,170
	209,170	215,989
GST recoverable	35,865	36,230
	245,035	252,219

Ageing analysis

There are no customers with balances past due as at 30 June 2020 (30 June 2019: $6,819).

	2020	2019
Zero to three months overdue	-	6,819
Three to six months overdue	-	-
Over six months overdue	-	-
	-	6,819

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six (6) months, such that the time value of money is not significant.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. None were found to be impaired and no allowance for credit losses (2019: Nil) has been recorded accordingly within other expenses.

NOTE 8: INTANGIBLE ASSETS

	2020	2019
Gross carrying amount		
Balance as at 1 July	1,467,109	911,145
Additions	705,201	555,964
Balance at 30 June	**2,172,310**	1,467,109
Accumulated amortisation and impairment		
Balance as at 1 July	(913,946)	(521,938)
Amortisation expense	(625,925)	(392,008)
Balance at 30 June	**(1,539,871)**	(913,946)
Net book value at 30 June	**632,439**	553,163

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 2020

NOTE 9: TRADE AND OTHER PAYABLES

	2020 $	2019 $
CURRENT (unsecured)		
Trade payables	469,906	464,243
Other creditors and accruals	224,978	245,613
Amounts payable to related parties	88,086	28,600
	782,970	738,456

NOTE 10: EMPLOYEE BENEFITS

	2020	2019
CURRENT		
Carrying amount at 1 July	41,562	3,996
Additional provisions	26,208	37,566
Amount forfeited	(41,440)	-
Carrying amount at 30 June	**26,330**	41,562

Mr Kellett advised the Board he elected to forfeit his accrued leave provision in full.

Payables for superannuation and pay-as-you-go are classified as other creditors and accruals. All provisions are considered current.

NOTE 11: ISSUED CAPITAL

	2020 $	2019 $
906,444,065 (2019: 713,884,564) fully paid ordinary shares	**22,710,648**	19,254,116

	2020		2019	
a. Ordinary Shares	$	No.	$	No.
At the beginning of reporting period	19,254,116	713,884,564	80,013,462	638,987,847
Shares issued during the year:				
Conversion of director fees payable to share	107,357	4,041,347	15,400	229,774
Shares issued (capital raising)	3,763,800	188,518,154	2,036,481	59,310,000
Accumulated losses reduction	-	-	(63,011,864)	-
Exercise of options	-	-	383,924	15,356,943
Transaction costs on shares issued	(414,625)	-	(183,287)	-
At reporting date	**22,710,648**	**906,444,065**	19,254,116	713,884,564

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: ISSUED CAPITAL (CONTINUED)

There are no externally imposed capital requirements.

As at 30 June 2020, the Group has 509,600 remaining in its placement capacity under ASX Listing Rule 7.1 and 2,276,636 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 2020 (2019: $Nil).

	2020 $	2019 $
NOTE 12: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,646,919)	(3,966,911)
Non-cash flows in profit:		
Depreciation & amortisation	637,107	402,680
Shares issued in lieu of Directors Fees	-	15,400
Shares issued in lieu of accrued Consulting Fees	107,357	-
Cost of borrowing in financing activities	92,109	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and term receivables	7,183	(143,960)
(Increase)/decrease in other assets	42,462	127,332
(Increase)/decrease in trade payables and accruals	43,412	342,365
(Increase)/decrease in employee benefits	15,232	124,289
Net cash flow outflow from operations	**(2,702,057)**	(3,098,805)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

STATEMENT OF FINANCIAL POSITION

	2020 $	2019 $
Assets		
Current Assets	1,403,910	1,486,276
Non-current Assets	12,771,114	10,551,367
Total Assets	**14,175,024**	12,037,643
Liabilities		
Current Liabilities	574,698	632,928
Total Liabilities	**574,698**	632,928
Equity		
Issued Capital	22,710,648	19,254,116
Reserves	160,000	-
Retained Earnings	(9,270,322)	(7,849,401)
Total Equity	**13,600,326**	11,404,715

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	2020 $	2019 $
Total loss	**(1,420,921)**	(1,680,327)
Total comprehensive income	**(1,420,921)**	(1,680,327)

Impairment Assessment

KNeoMedia Limited had a market capitalisation of $13,596,661 as at 30 June 2020. An impairment charge has not been recognised as considered immaterial.

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 had no contingent assets and liabilities as at 30 June 2020.

Contractual Commitments

At 30 June 2020 KNeoMedia Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: Nil).

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 2020 %	Percentage Owned 2019 %
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: CONTROLLED ENTITIES (CONTINUED)

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). KneoMedia executed a Right to Purchase Agreement with HSM to purchase the 20% HSM equity in KneoWorld Pty Ltd. The Agreement is represented on the balance sheet as a non refundable deposit to acquire monitory interest.

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

KneoWorld UK Limited was registered on 12th 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'):

	Proportion of Ownership Interests & Voting Rights Held by the NCI		Loss Allocated to NCI		Accumulated NCI	
Name	**30-Jun-20**	30-Jun-19	**30-Jun-20**	30-Jun-19	**30-Jun-20**	30-Jun-19
KneoWorld Pty Ltd	**20%**	20%	**445,146**	457,317	**2,436,054**	1,983,880

No dividends were paid to the NCI during the years 2020 and 2019.

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

	2020	2019
	$	$
Current assets	23,028	36,939
Non-current assets	763,535	662,302
Total assets	**786,563**	699,241
Current liabilities	(283,453)	(157,059)
Non-current liabilities	(12,683,380)	(10,461,583)
Total liabilities	**(12,966,833)**	(10,618,642)
Net assets (liabilities)	**(12,180,270)**	(9,919,401)
Equity attributable to owners of the Parent	**(9,744,216)**	(7,935,521)
Non-controlling interests	**(2,436,054)**	(1,983,)
Loss for the year attributable to owners of the Parent	(1,780,585)	(1,829,267)
Loss for the year attributable to NCI	(445,146)	(457,317)
Loss for the year	**(2,225,731)**	(2,286,584)
Net cash used in operating activities	(1,455,289)	(1,786,386)
Net cash used in investing activities	(705,898)	(536,520)
Net cash provided by financing activities	2,189,555	2,652,158
Net increase in cash	**28,367**	329,252

Other non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: LEASES

	2020	2019
Operating Leases as lessee	$	$
The Group leases two offices under operating leases. The future minimum leases payments are as follows:		
Within 1 year	**14,200**	42,600

The Melbourne office lease is also a 1-year lease at a monthly rent of $2,840 per month expiring in November 2020 and a service retainer of $7,100. The New York office lease is a month to month arrangement at US$3,600 with 30-days notice and is therefore excluded from the lease commitments above.

NOTE 16: CONTINGENT ASSETS AND LIABILITIES

The Group had no material contingent assets and liabilities as at 30 June 2020 (2019: nil).

NOTE 17: RELATED PARTY TRANSACTIONS

Amounts payable to related parties as at 30 June 2020 was $88,086 (2019: $28,600) as disclosed in Note 9.

Proceeds provided to related party, KneoWorld Philippines, included in the statement of cashflow of $25,000 (2019: $83,474). This is reported as a non-current asset on the statement of financial position.

Marketing expenses includes $198,151 paid to related parties of directors of the Company on arm's length terms (2019: $176,689).

NOTE 18: 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 to 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 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.

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.

NOTE 19: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 July 2020, KNeoMedia held an Extraordinary General Meeting of Shareholders to ratify the issue of securities as a result of the latest placement. On 15 July KneoMedia announced DTC eligibility for its shares to trade online in the US on OTC Markets.
On 21 August KneoMedia announced New York City DOE Approved Supplier status and the securing of a second US$1 million "Connect All Kids" approval.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: 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:

		Short-term benefits		Post- employment	Share based payments	Total
Executive Director		Salary & fees $	Leave Entitlement $	Superannuation $	In lieu of fees $	$
James Kellett -CEO	**2020**	**325,000**	**-^**	**25,000**	**-**	**350,000**
	2019	329,469	24,581	20,531	-	374,581
Franklin B. Lieberman*	**2020**	**48,318**	**-**	**-**	**-**	**48,318**
	2019	43,141	-	-	-	43,141
Non-executive Director						
Jeffrey Bennett#	**2020**	**42,000**	**-**	**-**	**-**	**42,000**
	2019	42,000	-	-	15,400	57,400
Other KMP						
Damian O'Sullivan	**2020**	**176,640**	**12,713**	**16,781**	**-**	**206,134**
	2019	176,640	13,585	16,781	-	207,006
Total KMP	**2020**	**591,958**	**12,713**	**41,781**	**-**	**646,452**
Total KMP	2019	591,250	38,166	37,312	15,400	682,128

^James Kellett elected to forfeit his accrued annual leave balance as at 30 June 2020.
*In previous years Remuneration Report, Mr Lieberman's remuneration disclosure included fees related to sales consulting services. This has been more appropriately disclosed below at 5.f. as other transactions with KMP related entities.
#Payables and accruals at 30 June 2020 includes $69,300 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

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

The table below discloses the number of performance rights granted to Directors 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 to Directors below are conditional upon continuation as a Director until the revenue hurdle of A$5mil 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. All performance rights (10,511,180), if vested, will have a fair value of $0.0044 per share.

During the period, the previous performance rights on issue lapsed given the vesting conditions were not met prior to the expiry date,

	Grant date	No. granted ('000)	Fair value at grant date ($)	Expiry date	Number lapsed	Balance at 30/6/2020 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0044	31 Dec 2022	-	5,256	-	5,256
Franklin B. Lieberman	23 Dec 2019	2,628	0.0044	31 Dec 2022	-	2,628	-	2,628
Jeffrey Bennett	23 Dec 2019	2,628	0.0044	31 Dec 2022	-	2,628	-	2,628
Total		**10,511**	**0.0044**	**31 Dec 2022**	**-**	**10,511**	**-**	**10,511**

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.

The fair value of the Performance Rights was determined using the Black-Scholes model using the following inputs:

	30 June 2020
Share Price at grant date	$0.025
Share Price at measurement date	$0.015
Risk free interest rate	0.95%
Volatility	65%
Valuation	$46,508

NOTE 21: SHARE OPTIONS

Share options issued during the year and outstanding at the end of the year have the following expiry dates and exercise prices:

Issue	Grant date	Exercise Price ($)	Expiry date	2020 ('000)	2019 ('000)
Tranche 1	20 Nov 2017	0.0585	20 Nov 2020	5,000	5,000
Tranche 2	28 Jun 2019	0.100	28 Jun 2021	13,405	13,405
Tranche 3	28 Jun 2019	0.075	28 Jun 2021	10,000	10,000
Tranche 4	8 May 2020	0.04	8 May 2022	20,000	-
Tranche 4	8 May 2020	0.04	8 May 2022	20,000	-
Tranche 4	8 May 2020	0.04	8 May 2022	73,529	-
Total				**141,934**	28,405

The fair value of options was determined using the Black-Scholes model using a risk free interest rate of 0.95%, and volatility of 65% based on the share price movement over the past 2 years:

	Tranche			
Issued	20 Nov 2017	28 Jun 2019	28 June 2019	8 May 2020
Number of Options	5,000,000	13,405,000	10,000,000	113,529,412
Exercise Price	$0.0585	$0.10	$0.075	$0.04
Valuation at 30 June 2020	**$8,595**	**$3,302**	**$4,808**	**$180,353**

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 2020 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 2020; 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 August 2020

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 (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 $3,201,773 for the year ended 30 June 2020 and, as of that date, the Group's net cash outflows used in operations was $2,702,057. 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.

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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.

RECOGNITION OF REVENUE	
Area of focus	**How our audit addressed it**
As required by AASB 15 *Revenue from Contracts with Customers,* revenue is disclosed in Note 1. The Group's revenue is derived primarily from the sale of subscription services to the eLearning SaaS platform with revenue being recognised over time. 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: — The evaluation of revenue recognition policies for all material sources of revenue to ensure that revenue is recognised in-accordance with AASB 15; — Examining management's assessment of achievement of performance milestones relevant to material revenue contracts; — Performing detailed cut-off testing to ensure that revenue transactions throughout the year end had been recorded in the correct financial period. We also assessed the disclosures in the financial statements surrounding the adoption of the new revenue recognition policy.
CAPITALISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	
Area of focus	**How our audit addressed it**
The Group has capitalised a total of $632,439 to product development costs in its statement of financial position. These product development costs are capitalised in accordance with the requirements of AASB 138 *Intangible Assets as* they relate to development of a product that can be and is commercialised and are not research activities For intangible assets with 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; — 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.

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 2020 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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2020.

In our opinion, the Remuneration Report of KNeoMedia Limited, for the year ended 30 June 2020, 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

N.S. Benbow
Director

Dated this 28th day of August, 2020

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 7 August 2020 (**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 (Third 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
Melbourne Capital Limited and Angus Edgar	63,104,829	6.96
Barrijag Pty Ltd <The Hadley Super Fund A/C>	72,002,474	7.94

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	1,592
Options exercisable at $0.0585 on or before 20 November 2020	2
Options exercisable at $0.075 on or before 28 June 2021	2
Options exercisable at $0.10 on or before 28 June 2021	30
Options exercisable at $0.04 on or before 8 May 2022	2
Options exercisable at $0.04 on or before 9 July 2022	63
Performance Rights	3

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	336	33,854	0.01
1,001 – 5,000	63	219,154	0.020
5,001 – 10,000	86	712,291	0.080
10,001 – 100,000	533	25,103,370	2.770
100,001 and above	574	880,375,396	97.120
Totals	**1,592**	**906,444,065**	**100.00**

Distribution of holders of options exercisable by 20 November 2020 at $0.0585

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	5,000,000	100.00
Totals	**2**	**5,000,000**	**100.00**

Distribution of holders of options exercisable by 28 June 2021 at $0.075 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	10,000,000	100.00
Totals	**2**	**10,000,000**	**100.00**

Distribution of holders of options exercisable by 28 June 2021 at $0.10 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	3	300,000	2.24
100,001 and above	27	13,105,000	97.76
Totals	**30**	**13,405,000**	**100.00**

Distribution of holders of options exercisable by 8 May 2022 at $0.04 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	40,000,000	100.00
Totals	**2**	**40,000,000**	**100.00**

Distribution of holders of options exercisable by 9 July 2022 at $0.04 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	63	73,529,412	100.00
Totals	**63**	**73,529,412**	**100.00**

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	3	10,511,180	100.00
Totals	**3**	**10,511,180**	**100.00**

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
906,444,065	6,093,044	726	0.67

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
Barrijag Pty Ltd <The Hadley Super Fund A/C>	63,202,474	6.973
Serec Pty Ltd <Angus Edgar Family A/C>	48,000,000	5.295
Invia Custodian Pty Limited <Andrew William Blackman A/C>	23,922,095	2.639
Armco Barriers Pty Ltd	22,900,000	2.526
FIP Investments (Vic) Pty Ltd	17,500,000	1.931
Furneaux Management Pty Ltd	17,052,381	1.881
Kabila Investments Pty Limited	13,083,967	1.443
Ms Linda Louise Hutchison	12,941,177	1.428
Mr Boris Duka & Mrs Elizabeth Ann Duka	11,000,000	1.214
Mr Hamish Gordon Mackirdy	11,000,000	1.214
Bnp Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	10,837,484	1.196
Mr Andrew William Blackman	10,077,905	1.112
Barrijag Pty Ltd <Hadley Family A/c>	8,800,000	0.971
Sixth Erra Pty Ltd <Staff Super Fund A/C>	8,278,725	0.913
Elysian Islands Pty Ltd <Elysian Islands S/F A/C>	8,200,000	0.905
Mr Mark Gregory Kerr & Mrs Linda Marie Kerr	8,186,176	0.903
Hixon Pty Ltd	8,185,857	0.903
Perrihall Pty Ltd <James Duncan Randall A/c>	7,999,910	0.883
Sixth Erra Pty Ltd <Staff Super Fund A/C>	7,982,854	0.881
Crestpond Pty Ltd	7,846,143	0.866
Total number of shares of Top 20 Holders	**326,997,148**	**36.077**
Total remaining holders balance	**579,446,917**	**63.923**

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 $0.0585 on or before 20 November 2020	5,000,000	2
Options exercisable at $0.075 on or before 28 June 2021	10,000,000	2
Options exercisable at $0.10 on or before 28 June 2021	13,405,000	30
Options exercisable at $0.04 on or before 8 May 2022	40,000,000	2
Options exercisable at $0.04 on or before 9 July 2022	73,529,412	63
Performance Rights	10,511,180	3

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
Foster Stockbroking Nominees Pty Ltd <no 1 account>	Options exercisable at $0.0585 on or before 20 November 2020	4,444,444	88.89
Serec Pty Ltd	Options exercisable at $0.075 on or before 28 June 2021	8,000,000	80.00
Geonard Capital Pty Ltd	Options exercisable at $0.075 on or before 28 June 2021	2,000,000	20.00
Melbourne Capital Limited	Options exercisable at $0.04 on or before 8 May 2022	20,000,000	50.00
Peloton Capital Pty Ltd	Options exercisable at $0.04 on or before 8 May 2022	20,000,000	50.00

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 1,592 holders of a total of 906,444,065 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 Mr Todd Richards.

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