KNEOMEDIA

Publishers of KNEOWORLD
Google Education Partner

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

EMPOWER EDUCATE ASSESS

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CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Ms Eryl Baron
Boardroom Pty Limited

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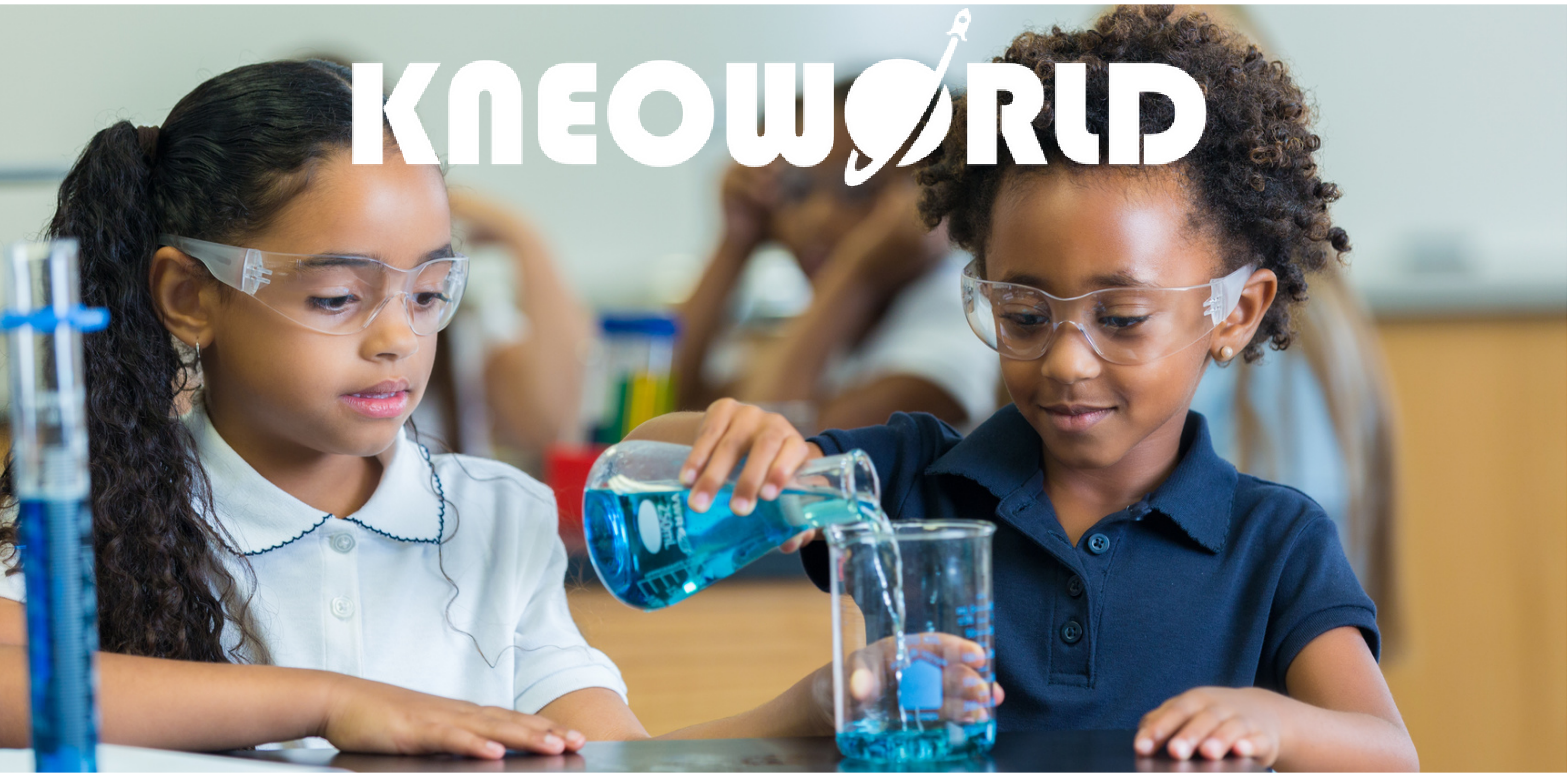

ENGAGE EDUCATE ASSESS

CHAIRMAN'S LETTER

Dear Shareholders

Year in review

Financial Year 2023 saw a 243% increase in revenue as KneoMedia began to capitalise on the foundations developed in the previous year to scale up activities and deployment of its KneoWorld education platform in New York City in close collaboration with the New York City Department of Education ('NYC DOE').

The Company's strategy has been to ensure the best use of available resources for the best sales outcome in the United States in preparation for the 2022-2023 return to school year following two years of closures which has led to an increase in revenue for FY23. The strategy has remained effective with the first half FY24 revenue now anticipated to equal FY23 full year revenue. This has been undertaken by continued collaboration with the National Association for the Advancement of Colored People (NAACP) and Dell Technologies for greater deployment and penetration of the core KneoWorld platform in the New York public school system initially, and other markets throughout the United States.

FY23 also saw the establishment of direct sales to Early Learning Centres in Florida with recurring sales in FY24 and further revenue is anticipated from this new and substantial market.

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

During the year, KneoMedia continued to focus on the '*Connect ALL Kids*' education initiative in the public school system across the boroughs of New York City. In November 2022, the Company reported the largest deployment of the '*Connect All Kids'* education initiative to-date, with 40,000 Dell Chromebooks being deployed into nine New York school districts located in the Boroughs of Manhattan (Harlem), Queens, Brooklyn and The Bronx.

The Chromebooks have already been delivered by the NYC Department of Education (NYC DOE). These devices, provided specifically for the *'Connect All Kids'* initiative, continue to be distributed to classrooms throughout New York, and once installed, will facilitate connection to the KneoWorld Platform, valued at up to US$6 million. Over A$2 million has already been allocated to the program.

The Company continues to receive payment for its share of the deployment subject to completion of contract documentation, in line with previously deployed contracts. KneoMedia is a registered NYC supplier and it is fully engaged with the NYC DOE and the National Association for the Advancement of Colored People (NAACP) in finalising documentation and continuing payment tranches.

This further deployment reflects the growing commitment from the NYC Council and NYC DOE to the '*Connect ALL Kids* initiative, which enhances the education of students particularly in maths, literacy and Science, Technology, Engineering & Maths (STEM).

The KneoWorld software is now available in 9 of the 32 Districts throughout NYC with more Districts having requested participation. The growing deployment of the technology is becoming an excellent reference point and further validation for other schools in NYC, New York State and other States across the US seeking to deploy the platform.

KneoMedia continues to invest in the KneoWorld platform as the Company continues to build out additional education content for existing and higher grades.

Technology

The adoption of Artificial Intelligence **(AI)** has enabled a substantial reduction in production time and costs, with prompt engineering now being managed by existing staff. As an example, each grade unit of educational content requires the production of a 120-page teacher's guide inclusive of lesson plans. The traditional time for production of these was 126 hours (approximately 3 weeks) which has now been reduced by over 85% to 18 hours (approximately 2.5 days) inclusive of human verification. This rapid adoption of AI and ongoing investment enhances the KneoWorld platform and ensures it remains competitive with additional content produced in advantageous timeframes.

During the year the Company changed its development partner in Leeds UK to New Jersey-based Qualitest, a company of 7,000 employees that built its business on platform development and quality testing including for education companies.

To further enhance the platform's assessment capability of students, classes, schools and districts the Company also partnered with global leading third party assessment provider Learnosity. Learnosity is utilised by most major curriculum companies across the world and is a gold standard assessment engine and authoring tool designed to maximise the impact of learning platforms with modern assessment APIs that transform the learner experience, drive business growth, and power industry-moving innovations. Learnosity always sits behind the platform providers such as KneoWorld. By partnering with Learnosity, the Company is able to save most substantial cost and time in meeting school districts individual requirements.

KneoMedia has invested significantly in the development of the KneoWorld platform over a number of years, enhancing the technology platform to the highest capability in terms of student engagement, education and assessment. The curriculum is incredibly extensive and rich in content, a defining characteristic in its successful uptake to-date. The platform's adaptability to varying education jurisdictions and standards underpins deployments into other US education markets and alternate geographies globally.

Additional sales and marketing channels

During the year, the Company initiated deployment of the KneoWorld platform in the well-funded Florida Early Learning Centre (ELC) market, with engagement also commencing with Florida's public school Counties. KneoWorld was deployed to both evaluate student education levels and also the assessment by the governing body of the overall performance of individual ELCs receiving government funding. With these two essential assessment capabilities in place, KneoMedia expects to deliver strong growth in Florida as the Company utilises its NYC style co-design approach with relevant education institutions combined with the demand generated by the governing bodies for ELC evaluation. It is pleasing to see that licences sold in FY23 have again been purchased for FY24.

Progress in other international markets

KneoMedia's primary focus is completing the existing major deployment referenced above, building on the success of the *'Connect All Kids'* initiative. KneoWorld's team in New York continues to pursue new sales channels and scaling existing ones. Adding new content and classes for these markets will also remain a focus for the development team, as additional sales are being pursued in New York State, the private and public educators in Florida and now other cities across the US

Funding and capital structure

During the year, AUD $1.6 million was raised from existing and new sophisticated investors to continue developing additional content for the KneoWorld platform in line with the Company's growth strategy and co-design with NYC DOE. With the platform achieving greater deployment, additional content is aimed at increasingly higher scholastic grade levels within the school system and other regions. The Company also drew down a AUD $1.0 million loan option funding agreement with New York-based Lind Global Fund II, LP ('Lind') to advance the Company's KneoWorld Deployment. The funds were used to maintain ongoing business activities and allow the Company to reduce trade and other payables and after repayments, the outstanding loan at balance date was AUD $850,000.

Since 30 June 2023 and as disclosed in Note 24 of the financial statements, KneoMedia has received cash inflows of approximately AUD $750,000 with two further tranches valued collectively at AUD $1,400,000 are anticipated to be received during the first half of FY24.

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Outlook

KneoMedia's primary focus for of FY24 is completing the existing major deployment referenced above and building on the success of the *'Connect All Kids'* initiative. KneoWorld's team in New York continues to pursue new sales channels and scaling existing ones. Adding new content and classes for these markets will also remain a focus for the development team, as additional sales are being pursued in New York State, the private and public educators in Florida and now Chicago.

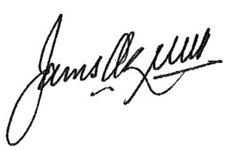
Having gained a strong foothold in New York justifies our focused efforts and follow-on growth strategy. As well as being the largest public education market, New York is the benchmark for the rest of the United States, so the fact that KneoWorld is now being progressively deployed there in increasing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

The sale momentum and product development has been further enhanced and accelerated by KneoMedia's new partnerships established during 2023 underpinned by our partnerships with New Jersey-based Qualitest and gold standard assessment provider Learnosity. By partnering with Qualitest and Learnosity, the Company is able to save most substantial costs and time in meeting school districts' individual requirements.

I would like to thank shareholders, who have come to understand the time taken to achieve substantial sales to the NYC DOE, an organisation of such scale, and we are confident these sales will continue to materialise. The Board would also like to thank our very talented team who have worked tirelessly across challenging time zones to ensure KneoWorld is of world class standard. I also thank my co-directors for their assistance in crafting our focused path forward during the previous difficult few years and their continued enthusiasm for the opportunities ahead for our shareholders.

Yours faithfully

James Kellett
Executive Chairman



Melbourne, 26 September 2023

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 2023 and independent auditor's report thereon.

Director details

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

James Kellett, Executive Chairman and Chief Executive Officer

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

Franklin B. Lieberman, Executive Director

Mr Lieberman is an American citizen and has over 45 years' experience in media with multi-national companies including Warner Bros., NBC, CBS, ABC and PBS as well as running the Nelson Barry Corporation, 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 was instrumental in developing the educational initiatives for KneoWorld Inc. Mr Lieberman has not held directorships in other listed companies in the past 3 years.

Jeffrey Bennett, Non-Executive Director

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

Company Secretary

Eryl Baron

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

Principal activities

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

Review of operations and financial results

Sales revenue from ordinary activities increased 243% to $1,179,317 (2022: $344,346).

The New York City (NYC) *'Connect All Kids'* program generated the majority of the Group's sales for the period along with sales contributions from Florida. The contracts for these sales range from one to three years. The revenue is recognised on a straight-line basis over the term of the individual contracts resulting in a deferred revenue balance of $422,839 to be recognised over the contract life, and accordingly, booked as a liability until the contract term and related performance obligations have been fulfilled.

KneoMedia recorded a comprehensive loss for the year of $2,769,395 (2022: $3,894,589) a 29% improvement on the previous year and is mostly attributed to the increase in revenue. Expenses of $3,917,678 for the year were 6% lower compared with the previous reporting period (2022: $4,188,900) and is representative of well controlled costs.

The statement of financial position reports a deficiency of net assets of $1,260,576 (2022: deficiency $549,520). Contributing to the reduction in net assets is the recognition of loans and borrowings of $900,010. Trade and other payables totalled $879,058 (2022: 588,168), with the increase a result of additional payables being carried as the Group awaits payment of a large receivable. As at 30 June 2023 trade and other receivables totalled ~$700,000, a significant increase compared to the prior year and is reflective of the increased revenue. Post balance date this significant trade receivable was collected, refer to note 24 for details.

During FY23, net operating cash outflows were $1,929,090 (2022: $2,464,073 outflows). Receipts from customers totalled $361,892 (2022: $400,934). Payments to suppliers and employees totalled $2,290,982 (2022: $2,865,007).

On 30 September 2022, the Company completed a draw down on a $1.0 million loan option funding agreement with New York-based Lind Global Fund II, LP ('Lind') to advance the Company's KneoWorld Deployment. The funds were used to maintain ongoing business activities and allow the Company to reduce trade and other payables.

The Group also entered into an unsecured loan arrangement with a related party of which the proceeds have been used to meet short-term expenditure needs. The total amount borrowed throughout FY23 was $615,000, of which $360,000 has been repaid. The remaining balance of $255,000 at 30 June 2023 is reported in interest bearing loans on the balance sheet and considered short term in nature.

Cash outflows from investing activities totalled $964,112 (2022: $934,600), is in line with the Company's continued focus on product content development and regular updates to the SaaS KneoWorld platform to remain ahead of the latest technological development in the market. The continued focus on product content development is integral to the successful rollout of the Company's KneoWorld education platform and the successful attainment of larger sales contracts.

On 6 February 2023, the Company announced the successful completion of a $1.6 million share placement with strong support from new and existing investors to underpin the anticipated deployment of pending sales contracts in the United States. Following receipt of the funding on completion of the share placement, the Group settled $150,000 of its existing loan facility with Lind in accordance with the terms and conditions of its lender agreement and a further $150,000 was applied to the share placement, thereby reducing the loan by $300,000 in total.

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 2023.

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:

Director	Ordinary Shares		Options	Performance rights
	Direct	Indirect		Unquoted
James Kellett	-	17,665,714	-	10,511,180
Jeffrey Bennett	-	22,063,531	-	5,255,590
Franklin B. Lieberman	2,000,000	166,666	-	5,255,590

Significant changes in the state of affairs

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

- On 30 September 2022, the Company completed and drew down on a $1.0 million loan option funding agreement with New York-based Lind Global Fund II, LP to advance the Company's KneoWorld Deployment, the funds were used to maintain ongoing business activities and reduce trade and other payables.
- On 6 February 2023, the Company announced completion of a $1.6 million placement from existing and new investors to underpin the anticipated deployment of pending sales contracts in the United States. In accordance with the loan option funding agreement with Lind Global Fund II, LP, $300,000 was used to repay the loan facility.

Significant events after the balance date

On 24 August 2023, the Company received approximately $700,000 from the New York City Department of Education reflecting the trade receivable recognised at 30 June 2023. This is the Company's share of the first tranche of KneoWorld licences to be accessed on 40,000 Dell Chromebooks deployed as part of the *'Connect All Kids'* education initiative. An additional amount of approximately $50,000 was received on 4 August 2023 from direct sales to an Early Learning Centre in Florida.

On 25 September 2023, 18 convertible notes with a face value of $450,000 were extended to 31 December 2023, all other terms remained the same.

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.

Material business risks

KneoMedia has a sound risk management framework to identify, assess, and manage risks, particularly in respect of third party infrastructure providers it engages to deliver its KneoWorld education platform.

The following is a summary of material business risks that may affect the success of the Company's strategy and financial prospects for future years, including some which are not directly within KneoMedia's control. The Company's risk management approach involves the ongoing assessment, monitoring and reporting of risks that could impede the Company's progress in delivering the Company's strategic priorities. As KneoMedia's business continues to grow and evolve, the material risk profile may change. The material business risks affecting the Company are set out below. In addition to these risks, the Company may also face a range of other risks from time to time in conducting its business activities.

Customer retention and revenue growth

Continued growth in sales and profitability of the Company depends on a number of factors, including attracting new customers on a sufficiently profitable basis, and retaining and increasing revenue from existing customers. Customer revenue growth is particularly dependent upon the provision of consistently high-quality customer service and continued satisfaction of sales objectives. In addition, the Company's success is heavily reliant on its positive reputation, and particularly its customer satisfaction, in relation to its KneoWorld education platform. The occurrence of any unforeseen issue or event which impacts the performance of the Company's services may result in a diminution of customer satisfaction and loyalty and place the reputation of the Company at risk. If these risks were to arise there may be an adverse impact on the financial performance of the Company.

Competition

The online education industry is rapidly evolving providing the Company with excellent growth opportunities however it may face potential loss of its competitive or market position as a result of potential product innovation by existing competitors or new entrants to the market, which the Company may not anticipate or respond to with sufficient speed to maintain its market position.

Changes in technology

The Company operates in a Software As A Service (SaaS) industry in which technology is evolving rapidly with the introduction of new technologies, products and innovations. Customer behaviours, preferences and trends may change upon the onset of new methods of communication and digital platforms. The Company must continue to evolve and adapt its method of service offerings to maintain its competitive position. There is a risk that the Company will not be able to introduce new and superior products and services at the rate seen by other competitors in the market generally. The Company's ability to do so is constrained by factors including its available capacity, resources and capital to invest in product development, innovation and design. This may adversely impact the Company's financial performance.

Infrastructure and technology failure

The Company's business is heavily dependent on the efficient and reliable provision of third party information communication technologies and systems for the delivery of its products and services. Should these systems not be adequately maintained, secured and updated, or the Company's business continuity and disaster recovery processes not be adequate, system failures may negatively impact the Company's operations.

Cyber and security

The Company retains a significant amount of sensitive customer and third-party information. Customers have high expectations regarding the protection of their information. Additionally, the legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Failures or breaches of data protection systems can result in reputational damage, regulatory impositions and financial loss, including claims for compensation by customers or penalties by Departments of Education, regulators or other authorities.

As a technology business, the Company's business may be adversely affected by technological disruptions, including through impacts of malicious third-party applications or other form of cyber-attack on the Company that could result in failures and interfere with its systems, products and platforms. It is possible that the measures taken by the Company will not prevent unauthorised access to its systems and technologies, risking third party access to confidential or otherwise sensitive data.
If, as a consequence, the Company is unable to provide services to its customers, it may experience loss of market share, damage to reputation and brand, customer compensation claims, increased costs and regulatory action.

Compliance

The Company operates in an industry subject to compliance risk. The Company relies on its own and third parties' compliance essential for it to operate its business. A compliance breach by any of these parties could have a material adverse effect on its business, financial condition and results or operations of the Company.

Availability of infrastructure and equipment

The Company is dependent upon third party suppliers for IT and network infrastructure services and equipment. Any service failures or supply chain delays in supplying equipment may have a significant impact on the Company's ability to adequately service its customers. This could impact the Company's market share, revenue and profitability.

Equity and debt market

The Company's ability to service its existing equity or debt requirements depends upon its financial performance and cash flows which to some extent, are subject to general economic, financial, regulatory and other factors beyond the control of the Company. If the Company is unable to generate sufficient cash flows to meet its obligations, it may in the future require additional debt or equity capital in order to fund growth strategies, including for acquisition opportunities that may arise from time to time. There is a risk that the Company may be unable to access debt or equity funding from the capital markets when required on favourable terms, or at all.

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	4	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. No share options have been exercised since 30 June 2023.

Options and performance rights

Performance Rights

In accordance with approval from shareholders obtained at the 2022 AGM, performance rights were issued on 30 November 2022 to key management personnel in accordance with the Long-Term Incentive Plan (LTIP).

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

	Grant date	No.	Fair Value ($)	Expiry date	Vesting Conditions
Performance Rights	30 Nov 22	26,022,360	0.02	30 Nov 2025	• Continued employment • Gross revenue of A$6,000,000 achieved during any 12-month consecutive period.

The probability of achieving the vesting conditions was assessed as 0%, resulting in $nil expense incurred in the period.

Options

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

	Grant date	No.	Exercise Price ($)	Expiry date	Conditions	Balance at 30 June 2023
Options	23 Oct 2020	12,000,000	0.015	23 Oct 2023	-	12,000,000
Options	11 Dec 2020	31,250,000	0.030	11 Dec 2023	-	31,250,000
Options	2 Sep 2021	34,543,222	0.025	31 Dec 2023	-	34,543,222
Options	11 Mar 2022	5,000,000	0.050	31 Dec 2023	-	5,000,000
Options	11 Mar 2022	7,400,000	0.025	31 Dec 2023	-	7,400,000
Options	27 Sept 2022	40,000,000	0.040	27 Sept 2026	-	40,000,000
Options	30 Nov 2022	15,000,000	0.025	30 Nov 2026	-	15,000,000
Options	30 Nov 2022	15,000,000	0.050	30 Nov 2026	-	15,000,000
Options	30 Nov 2022	83,000,000	0.025	31 Dec 2023	-	83,000,000
Options	10 Feb 2023	72,500,000	0.025	31 Dec 2024	-	72,500,000
Options	10 Feb 2023	6,000,000	0.025	31 Dec 2024	-	6,000,000

Options issued during the year were to non-KMPs for the raising of capital and consideration for consulting and broker fees.

Environmental issues

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

Indemnification and insurance of directors and officers

The Group agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy. During the year, the total amount of insurance contract premiums paid was $33,614.

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.

Non-audit services

The auditor, William Buck, did not provide any non-audit services to the Group during the financial year ended 30 June 2023.

REMUNERATION REPORT (AUDITED)

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

The Remuneration Report is set out under the following sections:

1. Key management personnel (KMP) disclosed in this report
2. Remuneration governance
3. Directors and executive remuneration arrangements
4. Details of key management personnel remuneration
5. Additional disclosures relating to options and shares
6. Additional information

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

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

Key Management Personnel during the financial year are as follows:

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

REMUNERATION REPORT CONTINUED (audited)

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 performance rights. 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 rights. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

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

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate fee cap for fees payable to Non-Executive Directors per annum is $300,000, as approved by shareholders. Fees for Non-Executive Directors are not linked to the performance of the Group, though key management personnel have been issued performance rights and the vesting conditions are directly linked to the Group's performance. To further 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 2022 annual general meeting (AGM)

At the 2022 AGM KneoMedia shareholders passed a resolution to adopt the Group's remuneration report for the financial year ended 30 June 2022. 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

REMUNERATION REPORT CONTINUED (audited)

4. Details of key management personnel remuneration

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

For the year ended 30 June 2023	Short-term benefits Salary & fees $	Post- employment Superannuation $	Share based payments $	Total $
James Kellett	287,658	27,500	-	315,158
Franklin B. Lieberman	48,129	-	-	48,129
Jeffrey Bennett[#]	42,000	-	-	42,000
Damian O'Sullivan	176,641	18,547	-	195,188
Total KMP	**554,428**	**46,047**	**-**	**600,475**

[*]Payables and accruals at 30 June 2023 includes $42,000 of Directors Fees payable to Mr Bennett.

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

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

5. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

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

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

The rights are conditional upon continuation as a Director or Senior Executive until $6m gross revenue is achieved during any given 12 month consecutive period. The performance rights will lapse if the performance hurdles are not achieved by 30 November 2025.

KMP	Grant date	No. granted ('000)	Fair value at grant date ($)	Expiry date	Number lapsed	Balance at 30/6/2023 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0025	31 Dec 2022	5,256	-	-	-
James Kellett	30 Nov 2022	10,511	0.0200	30 Nov 2025	-	10,511	-	10,511
Franklin Lieberman	23 Dec 2019	2,628	0.0025	31 Dec 2022	2,628	-	-	-
Franklin Lieberman	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Jeffrey Bennett	23 Dec 2019	2,628	0.0025	31 Dec 2022	2,628	-	-	-
Jeffrey Bennett	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Damian O'Sullivan	1 Apr 2022	2,500	0.0024	31 Dec 2022	2,500	-	-	-
Damian O'Sullivan	30 Nov 2022	5,000	0.0200	30 Nov 2025	-	5,000	-	5,000

In determining the number of equity instruments expected to vest as at 30 June 2023, the probability of achieving the vesting conditions of the performance rights was assessed as 0%, resulting in $nil expense incurred in the period.

REMUNERATION REPORT CONTINUED (audited)

b. Shareholdings of key management personnel

KMP	Balance at 1 July 2022 No.	Granted as remuneration No.	On exercise of options No.	Acquired and/or disposed on market No.	Disposal of an interest No.	Balance at 30 June 2023 No.
James Kellett	17,665,714	-	-	-	-	17,665,714
Franklin B. Lieberman	2,166,666	-	-	-	-	2,166,666
Jeffrey Bennett	17,856,225	2,840,639*	-	1,500,000	(133,333)	22,063,531
Damian O'Sullivan	792,354	-	-	500,000	-	1,292,354
Total	**38,480,959**	**2,840,639**	**-**	**2,000,000**	**(133,333)**	**43,188,265**

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

c. Unlisted options held by key management personnel

KMP	Balance at 1 July 2022 No.	Granted as remuneration No.	Exercise of options No.	Lapsed options No.	Balance at 30 June 2023 No.
James Kellett	-	-	-	-	-
Franklin B. Lieberman	-	-	-	-	-
Jeffrey Bennett	-	-	-	-	-
Damian O'Sullivan	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

d. Loans with key management personnel and their related parties

During the period, the Group received $615,000 in loan proceeds from Furneaux Management Pty Ltd. This has been offset by loan repayments settled to the lender of $360,000. As at 30 June 2023, the balance of the loan totalled $256,554 and includes interest accrued of $1,554. The group consider the loan amount to be short term in nature and repayable within 12 months of initial draw down.

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

Related Party Entity	KMP	Fees at Payable at 30 June 2023		Total Transactions	
		2023 $	2022 $	2023 $	2022 $
Furneaux Project Marketing	James Kellett	27,500	11,000	60,000	60,000
FBL Holdings	Franklin B Lieberman	23,655	2,764	174,865	162,107
Total		**51,055**	13,674	**234,865**	222,107

6. Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Sales Revenue	1,179	344	234	162	14
Profit/(Loss) after income tax	(2,737)	(3,844)	(3,154)	(3,647)	(3,967)

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

	2023 $	2022 $	2021 $	2020 $	2019 $
Share price at financial year end ($)	0.004	0.026	0.005	0.015	0.044
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.16)	(0.27)	(0.29)	(0.42)	(0.54)

End of audited remuneration report

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 2023 has been received and can be found on page 15, which forms part of this report.

Signed in accordance with a resolution of the Directors.

James Kellett,
Executive Chairman

26 September 2023

William Buck
ACCOUNTANTS & ADVISORS

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 2023 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

R. P. Burt
Director
Melbourne, 26 September 2023

CORPORATE GOVERNANCE STATEMENT

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

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Group, identifying 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 are all available on the Website.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue			
Sales revenue from providing online education	5	1,179,317	344,346
Other income	5	1,750	122
		1,181,067	344,468
Expenses			
Employee benefits expenses and Directors' fees		(954,117)	(891,610)
Depreciation and amortisation expenses		(892,688)	(737,464)
Marketing expenses		(719,764)	(738,721)
Corporate and administrative expenses	6	(1,063,140)	(1,304,049)
Finance costs	7	(393,116)	(10,740)
Gain (loss) on fair value movement of embedded derivative in convertible notes	16	268,563	(330,000)
Loss on adjustment of financial liability at amortised cost	13	(154,419)	-
Impairment of assets		(8,997)	(176,316)
Loss before income tax		**(2,736,611)**	(3,844,432)
Income tax expense		-	-
Loss after income tax		**(2,736,611)**	(3,844,432)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (net of tax)		(32,784)	(50,157)
Total comprehensive loss for the year		**(2,769,395)**	(3,894,589)
Loss attributable to:			
Members of the parent entity		(2,278,139)	(3,168,948)
Non-controlling interests		(458,472)	(675,484)
		(2,736,611)	(3,844,432)
Total comprehensive loss attributable to:			
Members of the parent entity		(2,304,366)	(3,209,074)
Non-controlling interests		(465,029)	(685,515)
		(2,769,395)	(3,894,589)
Loss per share (cents per share)			
Basic and diluted loss per share	9	0.16	0.27

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 2023

	Note	2023 $	2022 $
Current Assets			
Cash and cash equivalents		54,470	552,997
Trade and other receivables	10	696,511	23,435
Prepayments and other assets		49,667	20,261
Total Current Assets		**800,648**	596,693
Non-current Assets			
Property, plant and equipment		1,920	7,298
Intangible assets	11	933,214	856,323
Other non-current assets		3,381	3,381
Total Non-current Assets		**938,515**	867,002
Total Assets		**1,739,163**	1,463,695
Current Liabilities			
Trade and other payables	12	879,058	588,168
Interest bearing loans and borrowings	13	900,010	-
Deposits held	14	150,000	-
Deferred revenue	15	282,311	401,329
Employee benefits		96,673	69,798
Convertible notes	16	511,437	780,000
Total Current Liabilities		**2,819,489**	1,839,295
Non-current Liabilities			
Deferred revenue	15	140,528	155,961
Employee benefits		39,722	17,959
Total Non-current Liabilities		**180,250**	173,920
Total Liabilities		**2,999,739**	2,013,215
Net Assets / (Deficiency of Net Assets)		**(1,260,576)**	(549,520)
Equity			
Issued capital	17	28,835,023	27,675,653
Reserves		711,080	(161,662)
Accumulated losses		(26,868,540)	(24,590,401)
Parent Entity Interest		**2,677,563**	2,923,590
Non-controlling interest		(3,938,139)	(3,473,110)
Total Equity / (Net Deficiency of Equity)		**(1,260,576)**	(549,520)

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 2023

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
	$	$	$	$	$	$
Balance at 1 July 2022	**27,675,653**	**(24,590,401)**	**(354,049)**	**192,387**	**(3,473,110)**	**(549,520)**
Net loss for the year	-	(2,278,139)	-	**-**	(458,472)	**(2,736,611)**
Other comprehensive loss	-	-	(26,227)	-	(6,557)	**(32,784)**
Total comprehensive loss	**-**	**(2,278,139)**	**(26,227)**	**-**	**(465,029)**	**(2,769,395)**
Shares issued	1,450,000	-	-	-	-	1,450,000
Conversion of director fees to shares	133,344	-	-	-	-	133,344
Shares and options issued to corporate advisor	60,000	-	-	359,894	-	419,894
Options issued to loan facility lender	-	-	-	539,075	-	539,075
Transaction costs on shares issued	(483,974)	-	-	-	-	(483,974)
Balance at 30 June 2023	**28,835,023**	**(26,868,540)**	**(380,276)**	**1,091,356**	**(3,938,139)**	**(1,260,576)**

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 2022

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		361,892	400,934
Payments to suppliers and employees		(2,290,982)	(2,865,007)
Net cash used in operating activities	18	**(1,929,090)**	(2,464,073)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(2,777)
Payments for capitalised product development costs		(964,112)	(931,823)
Net cash used in investing activities		**(964,112)**	(934,600)
Cash flows from financing activities			
Proceeds from issue of shares		1,600,000	2,725,600
Proceeds from the issue of convertible notes		-	1,250,000
Proceeds from interest bearing loans		1,615,000	-
Repayment of interest bearing loans		(660,000)	-
Transaction costs related to loans		(45,000)	-
Capital raising costs		(64,080)	-
Interest received		1,750	122
Finance costs		(13,110)	(4,530)
Net cash provided by financing activities		**2,434,560**	3,971,192
Net increase / decrease in cash and cash equivalents		(458,642)	572,519
Cash and cash equivalents at the beginning of the financial year		552,997	6,579
Effects of exchange rate changes on cash and cash equivalents		(39,885)	(26,101)
Cash and cash equivalents at the end of the financial year		**54,470**	552,997

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 2023

NOTE 1: REPORTING ENTITY

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 2: BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

They were authorised for issue by the Board of Directors on 26 September 2023. 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 are included in Note 4.

NOTE 3: GOING CONCERN BASIS OF ACCOUNTING

For the year ending 30 June 2023, KneoMedia incurred a loss of $2,769,395 (2022: $3,894,589), net cash outflows used in operations totalled $1,929,090 and net current liabilities as at 30 June 2023 are $2,018,841. The cash balance as at 30 June 2023 was $54,470 (since 30 June 2023 as disclosed in note 24 the Group has received cash inflows of approximately $750,000 improving the cash balance). The Directors have assessed that there is a material uncertainty related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the group's cash flow projections, which factors in known sales and cash collected post balance date and applies a number of judgements and estimates, resulting in a range of reasonably possible scenarios.

Included in the Directors going concern cash flow assessment is the continued execution and fulfilment of the existing revenue contract milestones and related cash inflows associated to the Connect ALL Kids education program with the New York City Department of Education, noting that the Department of Education is the Group's significant customer included in the cash flow forecast. Further assumptions applied in the cash flow forecast projections include the execution and utilisation of external and related party funding solutions as required to support working capital cash flow requirements and the settlement of specific convertible note obligations falling due in the forecast 12 month period through the issuance of new equity.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 30 June 2023. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

Non-controlling interests as disclosed in note 20, 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 2023

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Revenue

Sales revenue from providing online education

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

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied.
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognise the revenue.

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

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

Interest Revenue

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

c. Goods and services tax (GST)

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

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

d. Cash and cash equivalents

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

e. Intangible assets

Project development costs

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

f. 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.

g. 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.

h. Short-term and other long-term employee benefits

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Interest bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

j. 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 is usually determined using a pricing model such as Black Scholes. 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.

Where the group has an unvested share based payment which is cancelled and includes non-market conditions for vesting, the group applies its best estimate of the share based payment at the date of cancellation based on the expected number of options which would vest. The best estimate value is subsequently expensed.

k. 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.

l. Segment reporting

The Group has only one operating segment. The reporting is consistent with the internal reporting provided to the chief operating decision makers (CODM). The chief operating decision makers, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. Entity-wide disclosures on product and services, geographical areas and major customers are outlined in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Recognition and amortisation of intangible assets

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

Recognition of performance rights

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

Recognition of deferred tax assets

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

The Group has $7,965,571 (2022: $7,633,140) 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 the future to offset against income to the extent permitted by the relevant tax authorities.

Valuation of the variable conversion option included in convertible notes

As disclosed in note 16 the Company had issued convertible notes with a variable equity conversion feature. Upon initial recognition, this variable conversion feature met the accounting definition of an embedded derivative; this was measured at its fair value using a Monte-Carlo simulation valuation model, with subsequent changes in fair value of this derivative taken to the profit or loss. The remaining underlying host contract at initial recognition was accordingly measured at amortised cost and will amortise back to its face value over the expected term of the loan applying the effective interest method. The key judgements applied in the valuation of the embedded derivative, aside from those inputs arising directly from the conversion clause entitlement and the Company's spot price applied at each remeasurement date included the following:

a) a) an expiry date being the date of the maturity of the convertible note at 31 May 2023
b) b) an expected volatility of 100%; and
c) c) a risk-free rate of 3.56%.

Valuation of debt and option loan facility

As disclosed in note 13 the Company executed a loan bridging financing facility to the amount of $1,000,000 with 40,000,000 options issued to the lender. At inception of the loan, the arrangement was considered as a compound financial instrument following consideration of the terms of the arrangement including the options issued to the lender and other transaction costs incurred. The key judgements applied in the valuation of the options include the following:

a) an expected volatility of 100%;
b) a risk-free rate of 3.41%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Fair value measurements

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.
The Group uses market-observable data to the extent it is available to estimate the fair value of an asset or liability. Where Level 1 inputs are not available, third party qualified valuers are engaged by the Group to perform the valuation.

o. 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.

p. 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. The adoption has not had any material impact on the disclosures or amounts reported in these financial statements.

q. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2023 and early application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

NOTE 5: REVENUE AND OTHER INCOME

	2023 $	2022 $
Sales revenue from providing online education	1,179,317	344,346
Interest income	1,750	122
	1,181,067	344,468

NOTE 6: CORPORATE & ADMINISTRATION EXPENSES

	2023 $	2022 $
Corporate costs	(494,449)	(434,928)
Consulting fees	(201,129)	(475,761)
Occupancy costs	(97,950)	(94,972)
Administration costs	(117,505)	(102,212)
Other expenses	(152,107)	(196,176)
	(1,063,140)	(1,304,049)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 7: FINANCE COSTS

	2023 $	2022 $
Loan option funding interest	372,712	-
Related party loan interest	3,264	-
Bank charges and interest	17,140	10,740
	393,116	10,740

Refer to Note 13 for further details on the loan option funding interest. This amount is a non cash expense.

NOTE 8: AUDITORS' REMUNERATION

	2023 $	2022 $
Amounts received or due and receivable by **William Buck** for:		
An audit or review of the financial report of the Group and any entity in the Group	**54,000**	40,500

William Buck did not provide any non-audit services.

NOTE 9: 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:

	2023 $	2022 $
Basic and diluted loss to profit or loss	0.16 cents	0.27 cents
Reconciliation of earnings to profit or loss		
Loss for the year	2,736,611	3,844,432
Loss attributable to non-controlling interest	(458,472)	(675,484)
Earnings used to calculate basic and dilutive EPS	**2,278,139**	3,168,948

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	1,409,237,477	1,176,086,567

Options (321,693,222) and performance rights (26,022,360) 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 2023

NOTE 10: TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
Trade receivables	677,547	-
Other receivables	191	9,173
GST recoverable	18,773	14,262
	696,511	23,435

NOTE 11: INTANGIBLE ASSETS

	2023 $	2022 $
Gross carrying amount		
Balance as at 1 July	3,795,296	2,863,473
Additions	964,112	931,823
Balance at 30 June	**4,759,408**	3,795,296
Accumulated amortisation and impairment		
Balance as at 1 July	(2,938,973)	(2,207,366)
Amortisation expense	(887,221)	(731,607)
Balance at 30 June	**(3,826,194)**	(2,938,973)
Net book value at 30 June	**933,214**	856,323

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 (refer Note 4(m)).

The product development costs capitalised include 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.

NOTE 12: TRADE AND OTHER PAYABLES

	2023 $	2022 $
CURRENT (unsecured)		
Trade payables	784,353	485,306
Other creditors and accruals	43,650	89,098
Amounts payable to related parties	51,055	13,764
	879,058	588,168

Payables for superannuation and PAYG withholding are classified as trade payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: INTEREST BEARING LOANS AND BORROWINGS

	2023 $	2022 $
Loan bridging facility at amortised cost, net of borrowing costs	643,056	-
Related party loan, at amortised cost	256,954	-
	900,010	-

During the year, the Group obtained the following short-term loans:

Loan Bridging Facility

On 12 September 2022, the group executed a loan bridging financing facility to the amount of $1,000,000 with a repayment of the loan due by November 2023. The loan bears interest at 15%, with a repayment amount due and payable of $1,150,000 at term. The loan amount was fully drawn as at 30 September 2022 with the proceeds from the loan having been used to meet short-term expenditure needs. As at 30 June 2023 the contractual cash repayable is $850,000.

The loan is carried at its amortised cost as at 30 June 23 and ranks senior and is not secured over assets of the group.

In exercising the loan arrangement, the Group issued to the lender 40,000,000 options exercisable for 48 months with an exercise price of $0.04.

At inception of the loan, the arrangement was considered as a compound financial instrument following consideration of the terms of the arrangement including the options issued to the lender and other transaction costs incurred. Accordingly, the group measured an initial equity component of $539,075, and an initial financial liability of $415,925, with the contractual cash repayment of $1,150,000 due in November 2023. Other transaction costs of $45,000 have been allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds received.

The effective interest rate applied is 87% which reflects the short-term nature of the loan.

Should the group receive $1,000,000 or more of proceeds from new equity, 20% of the proceeds will be applied to repay the funding. On 6 February 2023, the Company announced completion of a $1.6 million placement of which $300,000 was used to pay down the loan liability.

As a repayment has been made the amortised cost of the liability has been adjusted to reflect actual cash flows. The gross carrying amount of the of the financial liability has been recalculated as the present value of the estimated future contractual cash flows discounted at the original effective interest rate. An adjustment of $154,419 has been recognised as an expense in the consolidated statement of profit or loss.

Loan interest expense of $372,712 was recognised in the period and is a non cash expense as noted in Note 18.

Related Party Loans

On 17 May 23, the group executed a loan arrangement for up to $255,000 with a related party of the group. The loan is unsecured and the proceeds have been used to meet short-term expenditure needs. Loan amounts up to the facility amount can be redrawn during the loan period. The loan is to be repaid following the Group's receipt of any advanced funding from the New York Department of Education or any capital raising proceeds subsequent to the loan date. The loan carries interest at 10.0% per annum, calculated on any outstanding balance payable. The group consider the loan amount to be short term in nature and repayable within 12 months of initial draw down.

There were no loan costs incurred in executing the loan. The loan is carried at amortised cost with the financial liability of $256,554 recognised as at 30 June 2023, including $1,554 in accrued interest.

During the reporting period the group has borrowed a total amount of $615,000 from the related party of which 360,000 has been repaid to the lender. Loan interest expense of $3,264 was recognised in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: DEPOSITS HELD

	2023 $	2022 $
Funds received in advance of shares to be issued	150,000	-
	150,000	-

On 6 February, two directors participated in the $1.6 million capital raise, investing $150,000 in total. The shares can only be issued once approval has been sought at the 2023 AGM. The money is represented as deposits held until such time as the approval takes place. On approval the liability will be converted into equity.

NOTE 15: DEFERRED REVENUE

	2023 $	2022 $
Current deferred revenue	282,311	401,329
Non-current deferred revenue	140,528	155,961
Balance at 30 June	**422,839**	557,290
Reconciliation		
Balance as at July 1	557,290	476,187
Receipts from customers	361,358	398,246
Revenue recognised	(495,809)	(317,143)
Balance at 30 June	**422,839**	**557,290**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: CONVERTIBLE NOTES

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

The convertible note has a mechanism for the note holder to convert the loan into a varying number of shares in the Company at a 20% discount to the preceding 15-day VWAP, but not greater than $0.015 per share. The initial maturity date of the notes was 31 May 2022. For every two conversion share entitlements under the convertible loan will entitle the lender to receive one free attaching unlisted option to acquire a further ordinary share in the Company. The options have an expiry date of 31 December 2023.

At the maturity date of 31 May 2022 convertible notes with a face value of $850,000 were converted into fully paid ordinary shares. The maturity date for the remaining 18 convertible notes with a face value of $450,000 was extended to 31 May 2023 all other terms remained the same. On 25 September 2023, the maturity date for the remaining convertible notes was extended to 31 December 2023, all other terms remained the same.

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

	2023 $	2022 $
Reconciliation		
Opening convertible notes at fair value:	780,000	-
Addition of convertible notes at face value:	-	1,300,000
Add: Change in fair value of embedded derivative	(268,563)	48,000
Add: Amortisation of convertible notes fair value	-	282,000
Conversion of convertible notes to shares	-	(850,000)
Balance at 30 June	**511,437**	**780,000**

The Directors of the Group appointed an external valuation expert to perform a fair value valuation on the convertible notes and the related embedded derivatives at inception and 31 May 2023. The table below demonstrates the value of the embedded derivative and host liability.

	2023 $	2022 $
Convertible note – host liability at amortised cost	450,000	450,000
Convertible note – fair value of embedded derivative	61,437	330,000
Balance at 30 June	**511,437**	780,000
Face value of notes	**450,000**	450,000

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

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

a) an expiry date being the date of the maturity of the convertible note at 31 May 2023
b) an expected volatility of 100%; and
c) a risk-free rate of 3.56%.

The fair value of the embedded derivative is measured using significant observable inputs (level 2 hierarchy). As at 30 June 23 there has been no change in the Group's valuation process, valuation techniques and types of inputs used in the fair value measurement at the end of the reporting period and in comparison to prior period. There have been no transfers between levels of fair value hierarchy at the end of the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17: ISSUED CAPITAL

	2023 $	2022 $
1,504,785,318 (2022: 1,345,877,673) fully paid ordinary shares	**28,835,023**	**27,675,653**

	2023		2022	
a. Ordinary Shares	$	No.	$	No.
At the beginning of reporting period	27,675,653	1,345,877,673	24,074,690	988,246,660
Shares issued during the year:				
Conversion of director fees to shares	133,344	7,907,645	113,476	9,311,239
Shares issued (capital raising)	1,450,000	145,000,000	2,725,600	274,433,335
Shares issued to corporate advisor	60,000	6,000,000	60,000	4,800,000
Exercise of convertible notes	-	-	850,000	69,086,439
Transaction costs on shares issued	(483,974)	-	(148,113)	-
At reporting date	**28,835,023**	**1,504,785,318**	**27,675,653**	**1,345,877,673**

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 and aims to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

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

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

As at 30 June 2023, the Group has 32,967,312 remaining in its placement capacity under ASX Listing Rule 7.1 and 979,018 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 $900,010 in borrowings as at 30 June 2023 (2022: nil). Refer to note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: CASH FLOW INFORMATION

	2023 $	2022 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(2,736,611)	(3,844,432)
Non-cash flows in profit:		
Depreciation and amortisation	892,688	737,464
Foreign exchange	6,998	(24,515)
Shares issued in lieu of directors fees	133,344	113,476
Cost of borrowing in financing activities	385,626	4,408
Convertible notes received in lieu of fees	-	50,000
Fair value of movement in conversion rights	(268,563)	48,000
Amortisation of convertible notes fair value	-	282,000
Impairment of assets	8,997	176,316
Amortised cost of loan facility	154,419	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and term receivables	(682,059)	816
(Increase)/decrease in other assets	(29,406)	55,416
Increase/(decrease) in deferred revenue	(134,451)	81,103
Increase/(decrease) in trade payables and accruals	291,289	(156,478)
Increase/(decrease) in current provisions	26,876	8,135
Increase/(decrease) in non-current provisions	21,763	4,218
Net cash flow outflow from operations	**(1,929,090)**	**(2,464,073)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 19: 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.

	2023 $	2022 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current Assets	1,020,448	1,134,720
Non-current Assets	19,694,237	16,995,829
Total Assets	**20,714,685**	18,130,549
Liabilities		
Current Liabilities	2,159,063	1,211,071
Non-current Liabilities	39,722	17,959
Total Liabilities	**2,198,785**	1,229,030
Equity		
Issued Capital	28,835,023	27,675,653
Reserves	1,091,356	192,387
Retained Earnings	(11,410,480)	(10,966,521)
Total Equity	**18,515,899**	16,901,519
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Total loss	**(443,959)**	(466,736)
Total comprehensive loss	**(443,959)**	(466,736)

Impairment assessment

KneoMedia Limited had a market capitalisation of $6,019,141 as at 30 June 2023.

Guarantees

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

Contingent assets and liabilities

KneoMedia Limited has no contingent assets and liabilities as at 30 June 2023

Contractual commitments

At 30 June 2023 KneoMedia Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: CONTROLLED ENTITIES

Subsidiaries

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

Name	Country of Incorporation	Percentage Owned	
		2023	2022
		%	%
Virtual Communications International Pty Ltd	Australia	**100**	100
KneoWorld Pty Ltd	Australia	**80**	80
KneoWorld Inc.	United States	**100**	100
KneoWorld UK Limited	United Kingdom	**100**	100

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

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

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

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

Subsidiary with material non-controlling interests

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

	Proportion of Ownership Interests & Voting Rights Held by the NCI		Loss Allocated to NCI		Accumulated NCI	
Name	**30-Jun-23**	30-Jun-22	**30-Jun-23**	30-Jun-22	**30-Jun-23**	30-Jun-22
KneoWorld Pty Ltd	**20%**	20%	**458,472**	675,484	**3,938,139**	3,473,110

No dividends were paid to the NCI during the years 2023 and 2022.

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

	2023	2022
	$	$
Assets		
Current assets	736,816	77,688
Non-current assets	936,595	863,382
Total Assets	**1,673,411**	941,070
Liabilities		
Current liabilities	(1,756,555)	(1,398,890)
Non-current liabilities	(19,607,551)	(16,907,730)
Total Liabilities	**(21,364,106)**	(18,306,620)
Net Assets (Liabilities)	**(19,690,695)**	(17,365,550)
Equity attributable to owners of the Parent	**(15,752,556)**	(13,892,440)
Non-controlling Interests	**(3,938,139)**	(3,473,110)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: CONTROLLED ENTITIES (CONTINUED)

	2023 $	2022 $
Loss for the year attributable to owners of the Parent	**(1,833,891)**	(2,701,935)
Loss for the year attributable to NCI	**(458,472)**	(675,484)
Loss for the year	**(2,292,363)**	(3,377,419)
Cash Flows		
Net cash used in operating activities	**(1,747,272)**	(1,827,521)
Net cash used in investing activities	**(964,112)**	(931,823)
Net cash provided by financing activities	**2,699,821**	2,853,617
Net increase (decrease) in cash	**(11,563)**	94,273

Other non-controlling interests

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

NOTE 21: CONTINGENT ASSETS AND LIABILITIES

The Group had no material contingent assets and liabilities as at 30 June 2023 (2022: nil).

NOTE 22: RELATED PARTY TRANSACTIONS

Related parties of the Group include all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over). The Group's key management personnel are disclosed in Note 25.

Project marketing and sales services have been provided to the Group by Furneaux Project Marketing. During the year transactions with Furneaux Project Marketing totalled $60,000 (2022: $60,000). Amounts payable at 30 June 2023 totalled $27,500 (2022: $11,000). James Kellett is a director of this entity.

During the period, the Group received $615,000 in loan proceeds from Furneaux Management Pty Ltd. This has been offset by loan repayments settled to the lender of $360,000. As at 30 June 2023, the balance of the loan totalled $256,554 and includes interest accrued of $1,554. The group consider the loan amount to be short term in nature and repayable within 12 months of initial draw down.

Marketing and sales services have been provided to the Group by FBL Holdings Pty Ltd. During the year transactions with FBL Holdings Pty Ltd totalled $174,865 (2022: $162,107). Amounts payable at 30 June 2023 totalled $23,555 (2022: 2,764). Franklin B Lieberman is a director of this entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 23: FINANCIAL RISK MANAGEMENT

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

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

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

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

a) Liquidity Risk

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

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

At the end of the reporting period all financial assets and liabilities had maturity terms within 60 days (2022: 60 days).

b) Foreign Currency Risk

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

The Group's exposure is mainly against the US dollar (USD) and Pound Sterling (GBP) and is managed through continuous monitoring of movements in exchange rates and by ensuing availability of funds through cash flow planning and monitoring. The Group does not have significant balances denominated in currency other than the functional currency of the respective company within the Group.

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. This risk arises principally from the Groups trade receivables.

To minimise credit risk, the Group assesses the creditworthiness of its new customers. Monitoring procedures are in place to ensure that follow-up action is taken to recover any overdue debts.

NOTE 24: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 24 August 2023, the Company received approximately $700,000 from the New York City Department of Education reflecting the trade receivable recognised at 30 June 2023. This is the Company's share of the first tranche of KneoWorld licences to be accessed on 40,000 Dell Chromebooks deployed as part of the *'Connect All Kids'* education initiative. An additional amount of approximately $50,000 was received on 4 August 2023 from direct sales to an Early Learning Centre in Florida.

On 25 September 2023, 18 convertible notes with a face value of $450,000 were extended to 31 December 2023, all other terms remained the same.

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 2023

NOTE 25: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION

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

For the year ended 30 June 2023	Short-term benefits Salary & fees $	Post- employment Superannuation $	Share based payments $	Total $
James Kellett	287,658	27,500	-	315,158
Franklin B. Lieberman	48,129	-	-	48,129
Jeffrey Bennett[#]	42,000	-	-	42,000
Damian O'Sullivan	176,641	18,547	-	195,188
Total KMP	**554,428**	**46,047**	**-**	**600,475**

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

[#] Payables and accruals at 30 June 2023 includes $42,000 of Directors Fees payable to Mr Bennett.

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

Performance Rights

Performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (LTIP). As at 30 November 2022, the group executed a cancellation of performance rights issued in 2019 based on the expectation that the vesting conditions would not be met as at the expiry date of 31 December 2022. In accordance with the group's accounting policy and AASB 2 Share Based Payments, the fair value of the performance rights was estimated at $nil. Accordingly, there was no current period expense incurred following the cancellation of the rights.

As at 30 November 2022, the group issued 26,022,360 performance rights at $nil strike price to key management personnel and senior executives. The vesting conditions require gross revenues of $6,000,000 to be achieved in any given 12-month consecutive period as well as continued employment, with the performance rights expiring on 30 November 2025

The table below discloses the number of performance rights cancelled and granted to Directors and Senior Executives as LTIP remuneration. The performance rights do not carry any voting or dividend rights.

	Grant date	No. granted ('000)	Fair value at grant date ($)	Expiry date	Number lapsed	Balance at 30/6/2023 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0025	31 Dec 2022	5,256	-	-	-
James Kellett	30 Nov 2022	10,511	0.0200	30 Nov 2025	-	10,511	-	10,511
Franklin Lieberman	23 Dec 2019	2,628	0.0025	31 Dec 2022	2,628	-	-	-
Franklin Lieberman	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Jeffrey Bennett	23 Dec 2019	2,628	0.0025	31 Dec 2022	2,628	-	-	-
Jeffrey Bennett	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Damian O'Sullivan	1 Apr 2022	2,500	0.0024	31 Dec 2022	2,500	-	-	-
Damian O'Sullivan	30 Nov 2022	5,000	0.0200	30 Nov 2025	-	5,000	-	5,000
Total						**26,022**	**-**	**26,022**

In determining the number of equity instruments expected to vest as at 30 June 2023, the probability of achieving the vesting conditions of the performance rights was assessed as 0%, resulting in $nil expense incurred in the period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

Performance Rights issued 30 Nov 2022	
Share Price at grant date	$0.020
Valuation	$520,447

NOTE 26: SHARE OPTIONS

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

Grant date	Expiry Date	Exercise Price ($)	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
23 Oct 2020	23 Oct 2023	0.015	12,000,000	-	-	12,000,000
11 Mar 2022	31 Dec 2023	0.025	7,400,000	-	-	7,400,000
11 Mar 2022	31 Dec 2023	0.050	5,000,000	-	-	5,000,000
27 Sept 2022	27 Sept 2026	0.040	-	40,000,000	-	40,000,000
30 Nov 2022	30 Nov 2026	0.025	-	15,000,000	-	15,000,000
30 Nov 2022	30 Nov 2026	0.050	-	15,000,000	-	15,000,000
10 Feb 2023	31 Dec 2024	0.025	-	6,000,000	-	6,000,000
Weighted average exercise price			$0.025	$0.038	$0.000	$0.035

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

Grant date	Expiry Date	30 June 2023 No.	30 June 2022 No.
23 Oct 2020	23 Oct 2023	12,000,000	12,000,000
11 Mar 2022	31 Dec 2023	7,400,000	7,400,000
11 Mar 2022	31 Dec 2023	5,000,000	5,000,000
27 Sept 2022	27 Sept 2026	40,000,000	-
30 Nov 2022	30 Nov 2026	15,000,000	-
30 Nov 2022	30 Nov 2026	15,000,000	-
10 Feb 2023	31 Dec 2024	6,000,000	-
Total		**100,400,000**	**24,400,000**

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.5 years (30 June 2022: 1.4 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26: SHARE OPTIONS (CONTINUED)

For options granted during the current financial year, the Black Scholes method was used to determine the value at grant date. The valuation model inputs are as follows:

Grant date	Expiry Date	Share price at grant date ($)	Share price at measurement date ($)	Exercise Price ($)	Expected Volatility	Risk-free interest rate	Fair value at grant date ($)
27 Sept 2022	27 Sept 2026	0.023	0.023	0.040	100%	3.41%	0.014
30 Nov 2022	30 Nov 2026	0.019	0.019	0.025	100%	3.41%	0.013
30 Nov 2022	30 Nov 2026	0.019	0.019	0.050	100%	3.41%	0.010
10 Feb 2023	31 Dec 2024	0.010	0.010	0.025	100%	3.41%	0.003

The fair value of options granted to corporate advisers and lenders during the year totalled $898,970. Options issued to corporate advisors ($359,895) have been deducted from equity as a cost of capital raising. Options issued to lenders ($539,075) are an equity component of a compound instrument (refer to Note 13).

NOTE 27: OPERATING SEGEMENTS

The Group has a single reportable segment. The reporting is consistent with the internal reporting provided to the chief operating decision makers (CODM). The chief operating decision makers, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Information on product and services, geographical areas and major customers are as outlined below:

Products and services and Geographic information

The group generates revenue primarily from the sale of licences from its online education platform. All sales revenue has been derived from the United States

	Geographic location	2023 $	2022 $
Sales revenue from providing online education	US	1,179,317	344,346
Interest income	Australia	1,750	122
		1,181,067	344,468

Major Customer

The majority of revenue is sourced from the 'Connect ALL Kids' education initiative which has been the major focus of 2023. As such one major customer accounts for 96% of the revenue (2022: 98%) and has continued demonstration as a major customer in 2024.

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 2023 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 3, 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 2023; 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

26 September 2023

William Buck
ACCOUNTANTS & ADVISORS

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 subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 3 to the financial report, which indicates that the Group incurred a net loss of $2,769,395, net current liabilities of $2,018,841 as at 30 June 2023 and net cash outflows from operating activities of $1,929,090 for the year ended 30 June 2023. As stated in Note 3, these events or conditions along with other matters as set forth in Note 3, 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.

William Buck
ACCOUNTANTS & ADVISORS

Key Audit Matters

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

RECOGNITION OF REVENUE FROM CUSTOMERS	
Area of focus	**How our audit addressed it**
As required by AASB 15 *Revenue from Contracts with Customers* ('AASB 15'), revenue is disclosed in Note 5. The Group's revenue is derived primarily from the sale of subscription services to the eLearning SaaS platform with revenue being recognised over time as the performance obligation is fulfilled. This area is a key audit matter due to the judgement required in determining the allocation of revenue to performance obligations and whether revenue is appropriately recognised in the correct accounting period.	Our audit procedures included the following: — Reviewed and assessed a sample of customer contracts to identify customer arrangements including pricing, service performance requirements and customer fulfilment obligations; — Tested on a sample basis management's assessment of achieving performance obligations relevant to revenue contracts; — Performed revenue cut-off testing to assess if revenue is recognised appropriately in the correct financial period; — Assessed the appropriateness of the group's financial statement disclosure including its revenue recognition policy with respect to the customer arrangements;

CAPITALISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	
Area of focus	**How our audit addressed it**
As disclosed in Note 11, the Group has capitalised a total of $964,112 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 finite useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable, and at least annually review whether there is any change in their expected useful life.	Our audit procedures included: — Reconciling movements in product development costs for the year, and tracking those costs against the overall approved budget for the development project; — Vouching additions to either contractor invoices or payroll records to ensure that the Group could substantiate the nexus of those costs to development activities; — Understanding the underlying project to ensure that it had no indicators of impairment; — Recomputing the amortisation charge for the year; and — Evaluation of management's assessment on whether any events or change in circumstances indicate that there may be a change in the expected useful lives of intangible assets.

CAPITALISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	
Area of focus	**How our audit addressed it**
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. The area is considered a key audit matter due to the estimates and judgements applied in assessing appropriateness of capitalised costs and the subsequent recoverability of the capitalised intangible assets.	We also assessed the disclosures in the financial statements surrounding the capitalisation and impairment of intangible assets.

VALUATION OF CONVERTIBLE NOTES	
Area of focus	**How our audit addressed it**
As disclosed in Note 16, the Group raised $1.3 million in November 2021 through the issuance of convertible notes which had an initial settlement of May 2022. The maturity date of the remaining notes on hand have been extended out such that they matured on 31 May 2023. The convertible notes by their nature were considered complex financial instruments, through assessing for embedded derivatives under AASB 9 *Financial Instruments* and measuring of the fair value of the instruments. As at 30 June 2023, $450,000 of the issued convertible notes were outstanding for settlement at the discretion of the note holder, with a revised fair value being performed for the derivative component as at this date. These notes have in the subsequent event period been extended for settlement as at 31 December 2023. Due to the complexity of assessing the contractual terms of notes and assessing the reasonableness of fair value inputs and technique, this was considered a Key Audit Matter.	Our audit procedures included the following: — Examining the contractual terms of convertible notes including assessment of the conversion terms; — Agreeing to relevant supporting evidence of the cash received from the issue of convertible notes, and the subsequent issuance of shares to note holders; — Obtaining and assessing the reasonableness of the fair value measurement of the embedded derivative contained within the convertible notes at issuance date and subsequently at balance date; — Assessing the competence and qualification of management's expert who performed the fair value; — Assessing the reasonableness of presentation and disclosure in the group financial statements with respect to the convertible notes.

DEBT FINANCING	
Area of focus	**How our audit addressed it**
As disclosed in Note 13, the Group entered a bridging and funding loan agreement with Lind Global for $1,000,000 with the funding being used to meet the Group's working capital requirements, which has a 'face value' repayment amount of $1,150,000. The loan matures in November 2023. In exercising the loan arrangement the Group incurred the following costs of issue to the lender: • Issued 40,000,000 options exercisable for 48 months with an exercise price of $0.04. The fair value cost of the options was measured at $564,476 under a Black Scholes method; • Legal and professional fees of $45,000 inclusive of a 3% commitment fee on the loan amount. There are clauses in place which will require the Group to make repayments should certain conditions be met. In respect to these clauses, a repayment of $300,000 was made during the year which resulted in a loss on the adjustment of the amortised cost of this loan of $154,419. In applying the accounting standard, the Group may not have accounted for the loan and its costs associated in its establishment correctly and as such, considered this to be a Key Audit Matter.	Our audit procedures included the following: — Assessment of accounting treatment of the loan liability per AASB 132 *Financial Instruments*, including concluding the arrangement was a 'compound financial instrument', and the loan and its costs being appropriately accounted for; — Measurement of the liability and equity components of the debt on draw down; — Understanding of the terms of the options being issued including the number of options issued, grant date, expiry date and exercise price; — Assessing the appropriateness of the Black Scholes model inputs used by management to determine the valuation of the options and examining the key inputs used in the model; and — Assessing the adequacy of the Group's disclosures in the financial report in accordance of AASB 132.

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 2023 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 Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of KneoMedia Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

WilliamBuck
ACCOUNTANTS & ADVISORS

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

R. P. Burt
Director
Melbourne, 26 September 2023

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 30 August 2023 (**Reporting Date**).

Corporate Governance Statement

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

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

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

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

Substantial holders

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

Substantial holders	Number of shares held	% of total issued share capital
1 – 1,000	62,500,000	6.320
1,001 – 5,000	72,002,474	7.940

Distribution of equity securities

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

Class of Equity Securities	Number of holders
Ordinary Shares	1,597
Options exercisable at $0.015 on or before 23 Oct 2023	2
Options exercisable at $0.030 on or before 11 Dec 2023	1
Options exercisable at $0.025 on or before 31 Dec 2023	67
Options exercisable at $0.050 on or before 31 Dec 2023	1
Options exercisable at $0.025 on or before 31 Dec 2024	48
Options exercisable at $0.040 on or before 30 Sep 2026	1
Options exercisable at $0.025 on or before 30 Nov 2026	1
Options exercisable at $0.050 on or before 30 Nov 2026	1
Convertible Notes	18
Performance Rights	4

Distribution of holders of equity securities

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

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	327	33,336	0.002
1,001 – 5,000	52	169,970	0.011
5,001 – 10,000	63	519,876	0.035
10,001 – 100,000	459	22,078,079	1.467
100,001 and above	696	1,481,984,057	98.485
Total	**1,597**	**1,504,785,318**	**100.000**

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

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

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

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

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

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	67	124,943,222	100.000
Total	**67**	**124,943,222**	**100.000**

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

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

Distribution of holders of options exercisable by 31 December 2024 at $0.025 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	0	0	0.000
100,001 and above	48	78,500,000	100.000
Total	**48**	**78,500,000**	**100.000**

Distribution of holders of options exercisable by 27 September 2026 at $0.04 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	0	0	0.000
100,001 and above	1	40,000,000	100.000
Total	**1**	**40,000,000**	**100.000**

Distribution of holders of options exercisable by 30 November 2026 at $0.025 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	0	0	0.000
100,001 and above	1	15,000,000	100.000
Total	**1**	**15,000,000**	**100.000**

Distribution of holders of options exercisable by 30 November 2026 at $0.05 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	0	0	0.000
100,001 and above	1	15,000,000	100.000
Total	**1**	**15,000,000**	**100.000**

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	26,022,360	100.000
Total	**4**	**26,022,360**	**100.000**

Less than marketable parcels of ordinary shares

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

Total Securities	UMP Shares	UMP Holders	% of issued shares held by UMP holders
1,504,785,318	1,193,888	481	0.079

Twenty largest shareholders

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

Holder Name	Balance as at Reporting Date	% of total shares on issue
LIND GLOBAL MACRO FUND LP	59,870,000	3.979
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	53,000,000	3.522
MR MARK GREGORY KERR & MRS LINDA MARIE KERR <LINDMARK INV STAFF S/F A/C>	43,886,176	2.916
BARRIJAG PTY LIMITED <HADLEY FAMILY A/C>	38,300,000	2.545
BARRIJAG PTY LTD <THE HADLEY SUPER FUND A/C>	33,702,474	2.240
FIP INVESTMENTS (VIC) PTY LTD <FIP INVESTMENT A/C>	30,000,000	1.994
R J & A INVESTMENTS PTY LTD <MULLER MORVAN FAMILY A/C>	29,000,000	1.927
ARMCO BARRIERS PTY LTD	27,000,000	1.794
CITICORP NOMINEES PTY LIMITED	24,927,653	1.657
INVIA CUSTODIAN PTY LIMITED <ANDREW WILLIAM BLACKMAN A/C>	23,922,095	1.590
HIXON PTY LTD	22,063,531	1.466
ROOKESBURY PTY LTD <ROOKESBURY INVESTMENTS A/C>	20,977,730	1.394
MR HAMISH GORDON MACKIRDY	20,500,000	1.362
MR MICHAEL JOHN HYNES	18,750,000	1.246
OAK TRUST (GUERNSEY) LIMITED <ROLLING STONE - R7 A/C>	17,790,639	1.182
FURNEAUX MANAGEMENT PTY LTD	17,052,381	1.133
MARIE SCODELLA & ASSOCIATES PTY LTD <M SCODELLA & ASS SUPER A/C>	15,773,313	1.048
PERRIHALL PTY LTD <JAMES RANDALL NO 2 A/C>	14,600,000	0.970
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,606,324	0.904
MRS CHRISTINE MULLER	13,000,000	0.864
Total number of shares of top 20 holders	537,722,316	35.734
Total remaining holders balance	**967,063,002**	64.266

Unquoted equity securities

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

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Options exercisable at $0.015 on or before 23 Oct 2023	12,000,000	2
Options exercisable at $0.030 on or before 11 Dec 2023	31,250,000	1
Options exercisable at $0.025 on or before 31 Dec 2023	124,943,222	67
Options exercisable at $0.050 on or before 31 Dec 2023	5,000,000	1
Options exercisable at $0.025 on or before 31 Dec 2024	78,500,000	48
Options exercisable at $0.040 on or before 30 Sep 2026	40,000,000	1
Options exercisable at $0.025 on or before 30 Nov 2026	15,000,000	1
Options exercisable at $0.050 on or before 30 Nov 2026	15,000,000	1
Convertible Notes	18	2
Performance Rights	26,022,360	4

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

Holder Name	Class of unquoted Equity Securities	Number of unquoted Equity Securities held	% of total unquoted Equity Securities in the relevant class
DYAMOND TRADING AND CONSULTING PTY LTD	Options exercisable at $0.015 on or before 23 Oct 2023	10,000,000	83.330
LIND GLOBAL MARCO FUND	Options exercisable at $0.030 on or before 11 Dec 2023	31,250,000	100.000
SIX DEGREES GROUP HOLDINGS PTY LTD	Options exercisable at $0.050 on or before 31 Dec 2023	5,000,000	100.000
LIND GLOBAL FUND II LP	Options exercisable at $0.040 on or before 27 Sep 2026	40,000,000	100.00
CG NOMINEES (AUSTRALIA) PTY LTD	Options exercisable at $0.025 on or before 30 Nov 2026	15,000,000	100.00
CG NOMINEES (AUSTRALIA) PTY LTD	Options exercisable at $0.050 on or before 30 Nov 2026	15,000,000	100.00
JOHN HANCOCK	Convertible Notes	8	44.000
LIND GLOBAL FUND II LLP	Convertible Notes	10	56.000

Voting rights of equity securities

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

As at the Reporting Date, there were 1,597 holders of a total of 1,504,785,318 ordinary shares of the Company.

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

Voluntary escrow

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

Stock exchange listing

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

On-market buyback

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

Issues of securities

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

On-market purchase of securities under employee incentive scheme

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

Company secretary

The Company's secretary is Ms Eryl Baron

Registered office

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

Level 7, 333 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 8, 210 George Street
Sydney New South Wales 2000

Telephone: (02) 9290 9600