KNEOMEDIA

Publishers of KNEOWORLD

Google Education Partner

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2024

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

AUDITORS

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Melbourne Vic 3000

BANKERS

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Melbourne Vic 3000

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ENGAGE EDUCATE ASSESS

CHAIRMAN'S LETTER

Dear Shareholders

Year in review

Financial Year 2024 saw a 51% increase in revenue as KneoMedia continues to capitalise on the foundation established in previous years to scale up the deployment of the KneoWorld education platform in New York City in close collaboration with the New York City Department of Education ('NYC DOE') under the 'Connect All Kids' initiative.

Although the Company's shares were suspended from trading on the Australian Securities Exchange (ASX) on 7 March 2024, its strategy has been to ensure the best use of available resources in the United States to increase revenue for FY24 and leverage those resources to develop further EdTech products that also deliver resilient recurring revenue. This strategy has proven to be effective with a 51% increase in revenue for the year and the development of new EdTech platform to deliver mandated testing by the New York State Education Department in the field of Science Investigations undertaken by students annually which is expected to be launched in the current financial year. The Company continues its collaboration with the National Association for the Advancement of Colored People (NAACP) 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.

FY24 also saw the continuation of direct sales to Early Learning Centres in Florida with recurring revenue in FY24 from annual licence renewals. Further growth is anticipated in Florida as KneoWorld's recognition builds.

The Company's shares were suspended from trading on the Australian Securities Exchange (ASX) on 7 March 2024 due to a Disclaimer of Opinion by the Company's auditors in their review of the HY 2024 accounts. Ther disclaimer was in respect of the Company's balance sheet structure and not the accuracy of its accounts.

Since suspension, the Board has been focused on achieving the near-term resumption of trading of KNM shares on the ASX and has been in consultation with ASX regarding this process. The Company has taken, and continues to take, a range of initiatives to address funding requirements and lift the suspension of trading of its shares, including a successful $1.25 million capital raising, the negotiation of the repayment terms of existing convertible notes and loan borrowings to assist with cash flow management, including the maturity date of those borrowings extended to 31 December 2024. Furthermore, post balance date, a significant receivable of $700,000 net to the Company associated with the the 'Connect All Kids' initiative has been collected and as communicated, the Company will shortly be announcing a Non-renounceable Entitlements Issue to allow exiting shareholders to maintain their equity positions in the Company.

Technology

The adoption of the company's new technology partners in 2023, Learnosity which is utilised by most major curriculum companies across the world and is a gold standard assessment engine and platform development partner, New Jersey-based Qualitest, has enabled the Company to stay at the forefront of adoption of Artificial Intelligence **(AI).** This includes a substantial content reduction in production time and costs, with prompt engineering now being managed by existing staff.

Most importantly, these technology partners have provided the capability of AI grading for time poor teachers using the new Science Investigations platform. This adoption of AI and ongoing investment enhances the both the KneoWorld Science platforms and ensures they remain and at the forefront of technology in the EdTech sector.

Additional sales and marketing channels

The Company has developed a new EdTech platform for delivery of mandated testing by the New York State Education Department in the field of Science Investigations that are undertaken by students annually.

KneoMedia has worked with NYC DOE to digitize, in 9 languages, what are currently complex paper-based investigations. Accordingly, the new platform will be vastly more efficient, time saving for both students and teachers and includes delivery and ongoing easy access to in-depth assessment data at student, class and school level. The Science Investigations in New York City include all schools; public, private and charter, for grades of 3, 5,7 and 8 on an ongoing yearly basis. The number of public school students mandated to undertake the Science Investigations in New York City each year is approximately 400,000 and the Company is pleased to advise agreement to adopt the co-designed platform, initially for 120,000 students, for the 2024-2025 school year is progressing well.

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. The addition of the Science Investigations platform enhances these regional opportunities.

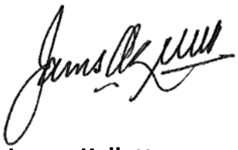
Outlook

KneoMedia's primary focus for FY25 is deploying the Science Investigation platform 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, and beyond.

Having gained a strong foothold in New York, our continued focus on building scale in this market makes most commercial sense. 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 delivering reliable recurring revenue for KneoWorld and we have successfully initiated the new Science Investigations platform here, we are well placed to further cement our market position. Our near-term objective is simple, achieve greater scale in New York, broaden our presence in New York State, and continue the roll-out across the United States using NYC DOE approval as a benchmark for entry into other States and Cities. We are confident that the sales momentum will continue to gather pace.

I would like to thank fellow shareholders, many of whom have come to understand the time taken to achieve substantial sales to the NYC DOE, an organisation of such scale, and their understanding and support during this period of ASX suspension. The Board would also like to thank our exceptionally 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 all stakeholders.

Yours faithfully



James Kellett
Executive Chairman

Melbourne, 30 September 2024

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 2024 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 in 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

Since the Company's shares were suspended from trading on the Australian Securities Exchange (ASX) on 7 March 2024, the Board has been fully focused on achieving the near-term resumption of trading of KNM shares on the ASX and has been in consultation with ASX regarding this process. The Company has taken, and continues to take, a range of initiatives to address funding requirements and lift the suspension of trading of its shares, including a $1.25 million capital raising, the successful negotiation of the repayment terms of existing convertible notes and loan borrowings to assist with cash flow management, including the maturity date of those borrowings extended to 31 December 2024.

OPERATIONAL SUMMARY

The Company has continued the execution and fulfilment of the existing revenue contract milestones and related cash inflows associated to the 'Connect ALL Kids' program with the New York City Council and NYC Dept of Education which resulted in a 51% increase in revenue to $1,779,469 which provided net cash from operations for the first time. This focus led to the banking of approximately $2.18 million of customer receipts from the deployment of 30,000 KneoWorld one-year licences. The first renewal of these licences for the FY 2025 new school year commencing September 2024 is discussed in subsequent events. The Company is focused on achieving much greater critical mass for KneoWorld in the first instance in New York City and York State. As awareness of KneoWorld builds, further sales are anticipated.

Over a number of years, KneoMedia has invested significantly in the development of the KneoWorld platform, enhancing the underlying technology to the highest capability in terms of student engagement, education and assessment. The curriculum is 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.

As an example, during the year, the Company increased its 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 again repurchased for FY24, and in the case of Osceola County, the number of licences sold has doubled. Data of successful use of KneoWorld is now a major selling tool in expanding into additional Early Learning coalitions and Counties.

<u>Delivery of new EdTech Platform solution for Mandated New York City Department of Education Curriculum</u>

As previously detailed, the Company has developed a new EdTech platform for delivery of mandated testing by the New York State Education Department in the field of Science Investigations that are undertaken by students annually.

KneoMedia has worked with NYC DOE to digitize, in 9 languages, what are currently complex paper-based investigations. Accordingly, the new platform will be vastly more efficient, and time saving for both students and teachers and includes delivery and ongoing easy access to in-depth assessment data at student, class and school level. The Science Investigations in New York City include all schools; public, private and charter, for grades of 3, 5,7 and 8 on an ongoing yearly basis. The number of public school students mandated to undertake the Science Investigations in New York City each year is approximately 400,000 and the Company is pleased to advise agreement to adopt the co-designed platform, initially for 120,000 students, is progressing well. As required the platform is live for the start of the new school year in September 2024.

The increase in intellectual property investment is attributable to the further refinement of this Content Services Platform (CSP) following successful load and IP testing recently completed.

As previously heralded, first and foremost, the Company continues to focus on advanced sales opportunities within the United States. To enable this focus, other markets were placed in a no-cost holding status during and post COVID, however, they are preserved for future sales opportunities including our JV partnership in the Philippines.

Review of operations and financial results (Continued)

FINANCIAL RESULTS

Sales revenue from ordinary activities increased 51% to $1,779,469 (2023: $1,179,317).

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 $164,386 at 30 June 2024 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 loss for the year of $2,183,489 (2023: $2,736,611) a 20% improvement on the previous year and is mostly attributed to the increase in revenue. Expenses of $3,963,559 for the year were comparative with the previous reporting year (2023: $3,917,678) and is representative of well controlled costs while increasing revenue by 51%.

The statement of financial position reports a deficiency of net assets of $2,872,201 (2023: deficiency $1,260,576). Contributing to the reduction in net assets is the increased investment in intangible assets and the recognition of loans and borrowings of $1,398,596. Trade and other payables totalled $1,525,124 (2023: $879,058), with the increase a result of additional payables being carried as the Group awaits payment of a $700,000 licence renewals. In addition, at 30 June 2024 current liabilities includes $671,389 for share application monies received which were converted to share capital in August 2024 at the shareholder Extraordinary General Meeting.

During FY24, net operating cash inflows were $282,293 (2023: ($1,929,090) outflows), an improvement of $2,211,383. Receipts from customers totalled $2,181,584 (2023: $361,892). Payments to suppliers and employees totalled $1,899,291 (2023: $2,290,982).

The Group also renegotiated an unsecured loan arrangement with a related party of which the proceeds have been used to meet short-term expenditure needs. The loan balance of $437,326 at 30 June 2024 is reported in non-current interest bearing loans on the balance sheet and considered medium term in nature. During the year the Company successfully negotiated the extension of its loan facility and outstanding credit notes.

A $1 million capital raising was completed during the year through a placement of shares at $0.0015 per share to sophisticated investors, together with a $250,000 oversubscription facility with Shareholder subsequently approved at a General Meeting on 27th August 2024.

Cash outflows from investing activities totalled $1,455,413 (2023: $964,112), is in line with the Company's continued focus on product content development and regular updates to the SaaS KneoWorld platform and the development of its new Content Services Platform (CSP) to remain ahead of the latest technological development in the market. The continued content development is integral to the successful rollout of the Company's KneoWorld education platform and the successful attainment of larger sales contracts. The CSP platform utilises educator provided content thereby minimising ongoing content development investment.

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 2024.

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	-	27,835,714	5,000,000	10,511,180
Jeffrey Bennett	-	31,665,117	-	5,255,590
Franklin B. Lieberman	2,000,000	166,666	-	5,255,590

Significant changes in the state of affairs

There were no significant changes in the state of the affairs during the year.

Significant events after the balance date

On 30 April 2024 the Company announced a placement of up to approximately 667 million fully paid ordinary shares at an issue price of $0.0015 per Share to raise an aggregate of $1 million (before costs) (**Placement**) which has been completed. Subject to final demand from investors, the Company may, at its discretion, also take oversubscriptions under the Placement to raise up to $250,000 (before costs) at the same issue price of $0.0015 per Share (Oversubscriptions)
The Placement (excluding any Oversubscriptions) consists of two tranches, comprising: the first tranche, under which the Company issued 229,990,700 Shares (**Tranche 1 Placement Shares)** under its maximum available placement capacity pursuant to ASX Listing Rule 7.4; and the second tranche, under which, subject to shareholder approval being obtained under ASX Listing Rule 7.1, the Company proposed to issue 436,675,967 Shares (**Tranche 2 Placement Shares**). In addition, subject to shareholder approval under ASX Listing Rule 7.1 being obtained, and demand for oversubscriptions, the Company may also raise up to an additional $250,000 by issuing up to 166,666,667 Shares (**Oversubscription Shares**). At a General meeting of Shareholders on 27 August 2024 Tranche 1 shares were ratified, oversubscriptions facility and the Tranche 2 share allocation was approved thereby transferring balance sheet current liabilities of $671,389 to equity. At the date of this report, oversubscription applications total $125,000 are expected within 30 days.

On 31 July 2024 the Company announced a proposed non-renounceable entitlement offer at the same issue price of $0.0015 as the recent placement with short- facility. Under the Entitlement Offer, it is anticipated eligible shareholders will be able to subscribe for approximately 2 new Shares for every 6 Shares held as at the record date of to be announced. The Entitlement Offer is expected to open in early October 2024 and close 30 days later (unless extended or closed earlier by the Board). In its cashflow forecasts, the Company has estimated that it will raise a minimum of $1,000,000 from the Entitlement Offer.

On 31 July 2024 the Company confirmed the funding for the first renewal of the KneoWorld Connect All Kids licences for FY 2025 of approximately $700,000 had been promulgated by New York City Council and that amount is now carried as an invoiced debt owing. At the date of this report, these monies had been received. Further roll out of KneoWorld and the implementation of the Science PaaS platform for mandated curriculum throughout the New York education system remains the Company's priority with the technology growing in awareness and uptake.

On 27 August 2024 at a General Meeting of shareholders the following resolutions were passed:

1. *ratify the issue of 229,990,700 Shares under the Tranche 1 Placement on 9 July 2024 for the purposes of ASX Listing Rule 7.4, on the terms and conditions set out in the Notice of Meeting.*
2. *the issue of up to 608,701,256 Shares under the Tranche 2 Placement in accordance with ASX Listing Rule 7.1 under the terms and conditions in the Notice of Meeting.*
3. *the issue of up to 667,000,000 Broker Options in respect of the recent share placement having an exercise price of $0.0025 and expiration of 31 December 2026.*
4. *approve the issue of up to 100,000,000 Options in consideration having of extension of maturity date of convertible notes to 31 December 2024 having an exercise price of $0.0025 and expiration of 31 December 2026.*
5. *in accordance with section 329 of the Corporations Act, William Buck Audit (Vic) Pty Ltd be removed as the auditor of the Company and its controlled entities, effective immediately.*
6. *in accordance with section 327D of the Corporations Act and for all other purposes, Connect National Audit Pty Ltd, 333 Collins St, Melbourne VIC 3000, having consented in writing to act as auditor of the Company, be appointed as the auditor of the Company and its controlled entities, effective immediately.*

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 year.

Going Concern basis of accounting

For the year ending 30 June 2024, the Group incurred a comprehensive loss of ($2,220,466), 2023: ($2,769,395), net cash from operating activities totaled $282,293, 2023: cash used in operating activities of ($1,929,090).

As at 30 June 2024 the cash balance was $33,181 and the net current liabilities ($3,709,796) (net current liabilities include deferred revenue of $144,831 which is not a liability with a future cash outgoing and $671,389 for share application monies received which was converted to share capital in August 2024 at a shareholder Extraordinary General Meeting.

These conditions give rise to a material uncertainty that may cast significant doubt on the consolidated 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 believe there are reasonable grounds to expect the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, and that therefore it is appropriate to adopt the going concern basis in the preparation of the annual financial report.

The Directors have prepared cash flow forecasts that indicate that the consolidated group will have sufficient cash flows to meet its commitments for a period of at least 12 months from the date of this report. Based on the cash flow forecast, the Directors are satisfied that, the going concern basis of preparation is appropriate. This forecast includes reduction of discretionary spending and other cost-saving measures, as well as additional funding options and anticipated outcomes as disclosed below.

The assessment of the going concern assumption is based on the group's cash flow projections which applies a number of judgements and estimates, resulting in a range of reasonably possible scenarios, that maintain a cash positive position.

The Directors have taken the following into consideration in preparing its cash flow forecast:

Cash flow from operations

- The continued execution and fulfilment of the existing revenue contract milestones and related cash inflows associated with the Connect ALL Kids education program with the New York City Department of Education. The contracts are for a 12 month period on a subscription basis expected to be in the vicinity of USD $1.80m.
- The Company has been working for over two years in Florida to establish a base and more recently has contracted at District level. The forecast is based on expansion of sales in the "Early Learning Coalition" revenue stream on the basis of the previous floor established and by representations to our Senior Sales Director
- The successful approval and deployment of the Science Investigations platform in New York City for up to 400,000 students with initial deployment to 120,000 students over the upcoming 12 months.
- A cost efficiency program, including a reduction of staff costs and operational expenditure in the vicinity of $400,000 per annum on a future basis.
- Anticipated reduction of IP development costs as the KneoWorld product modules approach development completion stages with expected reduction in the vicinity of $394,000 per annum.

Cash flow from funding

- Possible Extension of external party funding solutions as required to support working capital cash flow requirements.
- An agreement for Director support that the related party loan (refer to note 13) will not be called upon for repayment before 1 November 2025.
- The anticipated successful completion of the partially underwritten Company Entitlements Offer to be undertaken to raise approximately $1,200,000 to open in October 2024 and completed within 30 days
- Receipts from the Company Oversubscriptions facility under which the Company may receive an additional $125,000 in oversubscriptions in October 2024

Whilst the Directors have every confidence in the above, should these matters not be completed as anticipated whether the entity is able to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business, is uncertain.

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.

Material business risks (continued)

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	6	6
Jeffrey Bennett	6	6
Franklin Lieberman	3	6

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

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

There were no shares issued during the year as a result of exercised options. No share options have been exercised since 30 June 2024.

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 issued to KMP during the 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 2024
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	27 Aug 2024	667,000,000	0.025	31 Dec 2026	-	667,000,000
Options	27 Aug 2024	100,000,000	0.025	31 Dec 2026	-	100,000,000

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 $31,800 excluding GST.

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, Connect National Auditor or the former auditor William Buck, did not provide any non-audit services to the Group during the financial year ended 30 June 2024.

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.

REMUNERATION REPORT CONTINUED (audited)

Key Management Personnel during the financial year are as follows:

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

2. Remuneration governance

Remuneration policy

The remuneration policy of the Group has been designed to align Director and executive obligations with shareholder and business objectives by providing a fixed remuneration and 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 2023 annual general meeting (AGM)

At the 2023 AGM KneoMedia shareholders passed a resolution to adopt the Group's remuneration report for the financial year ended 30 June 2023. 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.

REMUNERATION REPORT CONTINUED (audited)

3. Directors and executive remuneration arrangements

Employment contracts of directors and executives

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

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

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

4. Details of key management personnel remuneration

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

For the year ended 30 June 2024	Short-term benefits Salary & fees $	Post- employment Superannuation $	Share based payments $	Total $
James Kellett*	287,658	31,642	-	319,300
Franklin B. Lieberman*	48,129	-	-	48,129
Jeffrey Bennett*	42,000	-	-	42,000
Damian O'Sullivan	176,641	19,430	-	196,071
Total KMP	**554,428**	**51,072**	**-**	**605,500**

*Payables and accruals of the Group at 30 June 2024 include $42,000 of Directors Fees payable to Mr Bennett and $48,129 payable in Directors Fees to Mr Liebermann and $239,715 in gross salary payable to Mr Kellett.

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

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**

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.

REMUNERATION REPORT CONTINUED (audited)

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 30/6/2024 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0025	30 Nov 2025	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 2024, the probability of achieving the vesting conditions of the performance rights was assessed as 0%, resulting in $nil expense incurred in the period.

b. Shareholdings of key management personnel

KMP	Balance at 1 July 2023 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 2024 No.
James Kellett	17,665,714	-	-	10,170,000	`-	27,835,714
Franklin B. Lieberman	2,166,666	-	-	-	-	2,166,666
Jeffrey Bennett	22,063,531	-	-	9,601,586	-	31,665,117
Damian O'Sullivan	1,292,354	-	-	-	(170,000)	1,292,354
Total	**43,188,265**	**-**	**-**	**19,771,586**	**(170,000)**	**43,188,265**

c. Unlisted options held by key management personnel

KMP	Balance at 1 July 2023 No.	Granted as remuneration No.	Exercise of options No.	Lapsed options No.	Balance at 30 June 2024 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 $283,344 in loan proceeds from Furneaux Management Pty Ltd. This has been offset by loan repayments settled to the lender of $102,973. As at 30 June 2024, the balance of the loan totalled $437,326 and includes interest accrued of $47,331. The group considers the loan amount to be non-current in nature and repayable no earlier than 1 November 2025.

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

Related Party Entity	KMP	Fees Payable $		Total Transactions $	
		2024	2023	2024	2023
Furneaux Project Marketing	James Kellett	25,000	27,500	60,000	60,000
FBL Holdings	Franklin B Lieberman	57,652	23,655	174,865	174,865
Total		**82,652**	51,055	**234,865**	234,865

REMUNERATION REPORT CONTINUED (audited)

6. Additional information

The earnings of the consolidated entity for the five years to 30 June 2024 are summarised below:

	2024 $'000	2023 $'000	2022 $'000	2021 $'000	2020 $'000
Sales Revenue	1,779	1,179	344	234	162
Profit/(Loss) after income tax	(2,183)	(2,737)	(3,844)	(3,154)	(3,647)

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

	2024 $	2023 $	2022 $	2021 $	2020 $
Share price at financial year end ($)	0.001	0.004	0.026	0.005	0.015
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.11)	(0.16)	(0.27)	(0.29)	(0.42)

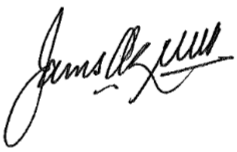
End of audited remuneration report

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 2024 has been received and can be found on page 18, which forms part of this report.

Signed in accordance with a resolution of the Directors.

James Kellett,
Executive Chairman



30 September 2024

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the audit of KneoMedia Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

(a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of KneoMedia Limited.

ROBIN KING HENG LI CA RCA

DIRECTOR

CONNECT NATIONAL AUDIT PTY LTD

Authorised Audit Company No. 521888

Dated: 30 September 2024

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 2024

	Note	2024 $	2023 $
Revenue			
Sales revenue from providing online education	5	1,779,469	1,179,317
Other income	5	601	1,750
		1,780,070	1,181,067
Expenses			
Employee benefits expenses and Directors' fees		(975,124)	(954,117)
Depreciation and amortisation expenses		(1,052,218)	(892,688)
Marketing expenses		(741,932)	(719,764)
Corporate and administrative expenses	6	(847,013)	(1,063,140)
Finance costs	7	(396,254)	(393,116)
Gain (loss) on fair value movement of embedded derivative in convertible notes	16	48,982	268,563
Loss on adjustment of financial liability at amortised cost	13	-	(154,419)
Impairment of assets		-	(8,997)
Loss before income tax		**(2,183,489)**	(2,736,611)
Income tax expense		-	-
Loss after income tax		**(2,183,489)**	(2,736,611)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (net of tax)		(36,977)	(32,784)
Total comprehensive loss for the year		**(2,220,466)**	(2,769,395)
Loss attributable to:			
Members of the parent entity		(1,847,115)	(2,278,139)
Non-controlling interests		(336,374)	(458,472)
		(2,183,489)	(2,736,611)
Total comprehensive loss attributable to:			
Members of the parent entity		(1,876,546)	(2,304,366)
Non-controlling interests		(343,920)	(465,029)
		(2,220,466)	(2,769,395)
Loss per share (cents per share)			
Basic and diluted loss per share	9	0.11	0.16

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 2024

	Note	2024 $	2023 $
Current Assets			
Cash and cash equivalents		33,181	54,470
Trade and other receivables	10	122,640	696,511
Prepayments and other assets		31,809	49,667
Total Current Assets		**187,630**	800,648
Non-current Assets			
Property, plant and equipment		2,374	1,920
Intangible assets	11	1,334,491	933,214
Other non-current assets		3,381	3,381
Total Non-current Assets		**1,340,246**	938,515
Total Assets		**1,527,876**	1,739,163
Current Liabilities			
Trade and other payables	12	1,525,124	879,058
Interest bearing loans and borrowings	13	941,270	900,010
Issued capital application monies	14	671,389	150,000
Deferred revenue	15	144,831	282,311
Employee benefits		126,062	96,673
Convertible notes	16	483,750	511,437
Total Current Liabilities		**3,892,426**	2,819,489
Non-current Liabilities			
Interest bearing loans and borrowings	13	437,326	-
Deferred revenue	15	19,555	140,528
Employee benefits		50,770	39,722
Total Non-current Liabilities		**507,651**	180,250
Total Liabilities		**4,400,077**	2,999,739
Net Assets / (Deficiency of Net Assets)		**(2,872,201)**	(1,260,576)
Equity			
Issued capital	17	29,443,865	28,835,023
Reserves		489,260	711,080
Accumulated losses		(28,523,268)	(26,868,540)
Parent Entity Interest		**1,409,857**	2,677,563
Non-controlling interest		(4,282,058)	(3,938,139)
Total Equity / (Net Deficiency of Equity)		**(2,872,201)**	(1,260,576)

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 2024

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
	$	$	$	$	$	$
Balance at 1 July 2023	**28,835,022**	**(26,868,540)**	**(380,276)**	**1,091,356**	**(3,938,139)**	**(1,260,576)**
Net loss for the year	-	(1,847,115)	-	**-**	(336,375)	**(2,183,490)**
Other comprehensive loss	-	-	(29,432)	-	(7,545)	**(36,977)**
Total comprehensive loss	**-**	**(1,847,115)**	**(29,432)**	**-**	**(343,920)**	**(2,220,467)**
Shares issued	503,610	-	-	-	-	503,610
Conversion of director fees to shares	135,356	-	-	-	-	135,356
Expiry of share based options	-	192,387	-	(192,387)	-	-
Transaction costs on shares issued	(30,125)	-	-	-	-	(30,125)
Balance at 30 June 2024	**29,443,865**	**(26,523,268)**	**(409,708)**	**898,969**	**(4,282,059)**	**(2,872,202)**

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 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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Receipts from customers		2,181,584	361,892
Payments to suppliers and employees		(1,899,291)	(2,290,982)
Net cash used in operating activities	18	**282,293**	(1,929,090)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,134)	-
Payments for capitalised product development costs		(1,452,279)	(964,112)
Net cash used in investing activities		**(1,455,413)**	(964,112)
Cash flows from financing activities			
Proceeds from issue of shares		1,025,000	1,600,000
Proceeds from interest bearing loans		283,344	1,615,000
Repayment of interest bearing loans		(102,973)	(660,000)
Transaction costs related to loans		-	(45,000)
Capital raising costs		(30,125)	(64,080)
Interest received		601	1,750
Finance costs		(70,530)	(13,110)
Net cash provided by financing activities		**1,105,317**	2,434,560
Net increase / (decrease) in cash and cash equivalents		(67,803)	(458,642)
Cash and cash equivalents at the beginning of the financial year		54,470	552,997
Effects of exchange rate changes on cash and cash equivalents		46,515	(39,885)
Cash and cash equivalents at the end of the financial year		**33,182**	54,470

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 2024

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 30 September 2024. 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 2024, the Group incurred a comprehensive loss of ($2,220,466), 2023: ($2,769,395), net cash from operating activities totaled $282,293, 2023: cash used in operating activities of ($1,929,090).

As at 30 June 2024 the cash balance was $33,181 and the net current liabilities ($3,709,796) (net current liabilities include deferred revenue of $144,831 which is not a liability with a future cash outgoing and $671,389 for share application monies received which was converted to share capital in August 2024 at a shareholder Extraordinary General Meeting.

These conditions give rise to a material uncertainty that may cast significant doubt on the consolidated 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 believe there are reasonable grounds to expect the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, and that therefore it is appropriate to adopt the going concern basis in the preparation of the annual financial report.

The Directors have prepared cash flow forecasts that indicate that the consolidated group will have sufficient cash flows to meet its commitments for a period of at least 12 months from the date of this report. Based on the cash flow forecast, the Directors are satisfied that, the going concern basis of preparation is appropriate. This forecast includes reduction of discretionary spending and other cost-saving measures, as well as additional funding options and anticipated outcomes as disclosed below.

The assessment of the going concern assumption is based on the group's cash flow projections which applies a number of judgements and estimates, resulting in a range of reasonably possible scenarios, that maintain a cash positive position.

The Directors have taken the following into consideration in preparing its cash flow forecast:

Cash flow from operations

- The continued execution and fulfilment of the existing revenue contract milestones and related cash inflows associated with the Connect ALL Kids education program with the New York City Department of Education. The contracts are for a 12 month period on a subscription basis expected to be in the vicinity of USD $1.80m.
- The Company has been working for over two years in Florida to establish a base and more recently has contracted at District level. The forecast is based on expansion of sales in the "Early Learning Coalition" revenue stream on the basis of the previous floor established and by representations to our Senior Sales Director
- The successful approval and deployment of the Science Investigations platform in New York City for up to 400,000 students with initial deployment to 120,000 students over the upcoming 12 months.
- A cost efficiency program, including a reduction of staff costs and operational expenditure in the vicinity of $400,000 per annum on a future basis.
- Anticipated reduction of IP development costs as the KneoWorld product modules approach development completion stages with expected reduction in the vicinity of $394,000 per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 3: GOING CONCERN BASIS OF ACCOUNTING (CONTINUED)

Cash flow from funding

- Possible Extension of external party funding solutions as required to support working capital cash flow requirements.
- An agreement for Director support that the related party loan (refer to note 13) will not be called upon for repayment before 1 November 2025.
- The anticipated successful completion of the partially underwritten Company Entitlements Offer to be undertaken to raise approximately $1,200,000 to open in October 2024 and completed within 30 days
- Receipts from the Company Oversubscriptions facility under which the Company may receive an additional $125,000 in oversubscriptions in October 2024

Whilst the Directors have every confidence in the above, should these matters not be completed as anticipated whether the entity is able to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business, is uncertain.

NOTE 4 MATERIAL ACCOUNTING POLICY INFORMATION

a. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 30 June 2024. 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 2024

NOTE 4 MATERIAL ACCOUNTING POLICY INFORMATION (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. 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 2024

NOTE 4 MATERIAL ACCOUNTING POLICY INFORMATION (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.

d. 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.

e. 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.

f. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 4 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

g. 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.

h. 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 $8,763,579 (2023: $8,098,020) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 4 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED

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 December 2024
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%

i. 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.

j. 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.

k. 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.

l. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2024 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

	2024 $	2023 $
Sales revenue from providing online education	1,779,469	1,179,317
Interest income	601	1,750
	1,780,070	1,181,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 6: CORPORATE & ADMINISTRATION EXPENSES

	2024 $	2023 $
Corporate costs	438,488	494,449
Consulting fees	213,980	201,129
Occupancy costs	64,156	97,950
Administration costs	149,460	117,505
Other expenses	(19,070)	152,107
	847,014	1,063,140

NOTE 7: FINANCE COSTS

	2024 $	2023 $
Loan option funding interest	319,509	372,712
Related party loan interest	44,067	3,264
Bank charges and interest	32,677	17,140
	396,254	393,116

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

NOTE 8: AUDITORS' REMUNERATION

	2024 $	2023 $
Amounts received or due and receivable by **Connect National Audit** and predecessor **William Buck** for:		
An audit or review of the half year and annual financial report of the Group and any entity in the Group	**60,200**	54,000

Connect National Audit did not provide any non-audit services. 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:

	2024 $	2023 $
Basic and diluted loss to profit or loss	0.11 cents	0.27 cents
Reconciliation of earnings to profit or loss		
Loss for the year	2,183,490	2,736,611
Loss attributable to non-controlling interest	(336,375)	(458,472)
Earnings used to calculate basic and dilutive EPS	**1,847,115**	2,278,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 9: LOSS PER SHARE (Continued)

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	1,636,898,561	1,409,237,477

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.

NOTE 10: TRADE AND OTHER RECEIVABLES

	2024 $	2023 $
Trade receivables	-	677,547
Other receivables	50,496	191
GST recoverable	72,145	18,773
	122,641	696,511

NOTE 11: INTANGIBLE ASSETS

	2024 $	2023 $
Gross carrying amount		
Balance as at 1 July	4,759,408	3,795,296
Additions	1,452,279	964,112
Balance at 30 June	**6,211,687**	4,759,408
Accumulated amortisation and impairment		
Balance as at 1 July	(3,826,194)	(2,938,973)
Amortisation expense	(1,051,002)	(887,221)
Balance at 30 June	**(4,877,196)**	(3,826,194)
Net book value at 30 June	**1,334,491**	933,214

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

	2024 $	2023 $
CURRENT (unsecured)		
Trade payables	1,008,634	784,353
Other creditors and accruals	349,900	43,650
Amounts payable to related parties	166,590	51,055
	1,525,124	879,058

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 13: INTEREST BEARING LOANS AND BORROWINGS

Current (unsecured)	**2024 $**	2023 $
Loan bridging facility at amortised cost, net of borrowing costs	941,270	643,056
Related party loan, at amortised cost	-	256,954
	941,270	900,010
Non-current (unsecured)		
Related party loan, at amortised cost	437,326	-
	437,326	-

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, subsequently renegotiated and at 30 June 2024 has a maturity of 31 December 2024. 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 2024 the contractual cash repayable is $941,270. The loan is carried at its amortised cost as at 30 June 24 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, subsequently re-valued to a date of 31 December 2024. 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.

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 $48,982 has been recognised as a gain in the consolidated statement of profit or loss.

Loan interest expense of $319,509 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 was renegotiated to a sum of $415,000 during the current year with a maturity date of no earlier than 1 November 2025. 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.

There were no loan costs incurred in executing the loan. The loan is carried at amortised cost with the financial liability of $437,326 recognised as at 30 June 2024, including $47,331 accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 14: ISSUED CAPITAL APPLICATION MONIES

	2024 $	2023 $
Funds received in advance of shares to be issued	671,389	150,000
	671,389	150,000

Application monies received for shares before year end were applied to shares issued and approved subsequent to year end.

NOTE 15: DEFERRED REVENUE

	2024 $	2023 $
Current deferred revenue	144,831	282,311
Non-current deferred revenue	19,555	140,528
Balance at 30 June	**164,386**	422,839
Reconciliation		
Balance as at July 1	**422,839**	557,290
Receipts from customers	**1,460,303**	361,358
Revenue recognised	(1,718,756)	(495,809)
Balance at 30 June	**164,386**	422,839

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 2024

NOTE 16: CONVERTIBLE NOTES

As at 30 June 2024, 18 convertible notes remain outstanding with a face value of $450,000 of the 52 convertible notes issued in November 2021. The convertible notes have a mechanism for the note holder to convert the loan into a varying number of shares in the Company at a 20% discount to the preceding 15-day VWAP, but not greater than $0.015 per share

The maturity dates of the notes has been extended 31 December 2024 under amended terms of; accrued interest of 15% pa payable in shares or cash on principal balance on redemption or conversion commencing from the last maturity date being 31 December 2023, no conversion before 31 December 2024, if not converted, new maturity date at Lind request till December 2025 and extension consideration of 100 million 2 year options exercisable at $0.0025 per share which is the same exercise price as other recently issued options.

The table below demonstrates the movement in the convertible note liability in the current and prior year.

	2024 $	2023 $
Reconciliation		
Opening convertible notes at fair value:	511,437	780,000
Add: Change in fair value of embedded derivative	(48,982)	(268,563)
Add: Interest payable on the convertible note	21,295	-
Balance at 30 June	**483,750**	511,437

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.

	2024 $	2023 $
Convertible note – host liability at amortised cost	305,222	450,000
Convertible note – fair value of embedded derivative	178,528	61,437
Balance at 30 June	**483,750**	511,437
Face value of notes	**450,000**	450,000

The convertible notes are unsecured, bear an interest payable of 15% 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 2024 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 2024

NOTE 17: ISSUED CAPITAL

	2024 $	2023 $
1,769,011 (2023: 1,504,785,318) fully paid ordinary shares	**29,443,865**	28,835,023

	2024		2023	
a. Ordinary Shares	**$**	**No.**	$	No.
At the beginning of reporting period	28,835,023	1,504,785,318	27,675,653	1,345,877,673
Shares issued during the year:				
Conversion of director fees to shares	135,356	13,486,018	133,344	7,907,645
Shares issued (capital raising)	503,611	250,740,468	1,450,000	145,000,000
Shares issued to corporate advisor	-	-	60,000	6,000,000
Transaction costs on shares issued	(30,125)	-	(483,974)	-
At reporting date	**29,443,865**	**1,769,011,804**	28,835,023	1,504,785,318

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 2024, the Group has 229,990,700 remaining in its placement capacity under ASX Listing Rule 7.1 and 153,327,134 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 $1,378,596 in borrowings as at 30 June 2023 (2023: 900,010). Refer to note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 18: CASH FLOW INFORMATION

	2024 $	2023 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(2,183,489)	(2,736,611)
Non-cash flows in profit:		
Depreciation and amortisation	1,052,218	737,464
Foreign exchange	(55,992)	(24,515)
Shares issued in lieu of directors fees	135,356	113,476
Cost of borrowing in financing activities	389,438	4,408
Convertible notes received in lieu of fees	-	50,000
Fair value of movement in conversion rights	(48,982)	48,000
Amortisation of convertible notes fair value	-	282,000
Impairment of assets	-	176,316
Write off of trade payables	1,464	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and term receivables	624,176	816
(Increase)/decrease in other assets		55,416
Increase/(decrease) in deferred revenue	(32,447)	81,103
Increase/(decrease) in trade payables and accruals	618,568	(156,478)
Increase/(decrease) in current provisions	29,390	8,135
Increase/(decrease) in non-current provisions	11,048	4,218
Net cash flow outflow from operations	**282,294**	(1,929,090)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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 and is before intra-group eliminations.

	2024 $	2023 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current Assets	289,709	1,020,448
Non-current Assets	7,775,262	19,694,237
Total Assets	**8,064,971**	20,714,685
Liabilities		
Current Liabilities	3,437,938	2,159,063
Non-current Liabilities	50,770	39,722
Total Liabilities	**3,488,708**	2,198,785
Equity		
Issued Capital	29,443,865	28,835,023
Reserves	898,969	1,091,356
Retained Earnings	(25,766,572)	(11,410,480)
Total Equity	**4,576,262**	18,515,899
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Total loss	**(14,548,479)**	(443,959)
Total comprehensive loss	**(14,548,479)**	(443,959)

Impairment assessment

KneoMedia Limited had a market capitalisation of $4,576,262 as at 30 June 2024. The parent entity has made a provision for impairment of $14,046,862 on its loans receivables from subsidiaries in order to ensure that the net assets of the parent entity are not being carried at a value higher than the market capitalisation as at 30 June 2024.

Going Concern

The parent entity incurred a net loss of $14,548,479 (which includes a non-cash impairment expense for $14,046,862 as described above) for the year, had deficit working capital of 3,148,229 as at 30 June 2024. These conditions indicate a material uncertainty related to its going concern which may cast a significant doubt on the parent entity's ability to continue as a going concern and therefore may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors are confident that the parent entity remains a going concern due to the factors disclosed in Note 3 and that are relevant to the going concern assumption of the parent entity as well as the larger consolidated group.

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 2024

Contractual commitments

At 30 June 2024 KneoMedia Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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	
		2024	2023
		%	%
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-24**	30-Jun-23	**30-Jun-24**	30-Jun-23	**30-Jun-24**	30-Jun-23
KneoWorld Pty Ltd	**20%**	20%	**336,375**	458,472	**1,222,527**	3,938,139

No dividends were paid to the NCI during the years 2024 and 2023.

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

		2024	2023
		$	$
Assets			
Current assets		728,384	736,816
Non-current assets		1,339,092	936,595
Total Assets		**2,067,476**	1,673,411
Liabilities			
Current liabilities		(420,053)	(1,756,555)
Non-current liabilities	20(a)	(7,760,060)	(19,607,551)
Total Liabilities		**(8,180,113)**	(21,364,106)
Net Assets (Liabilities)		**(6,112,637)**	(19,690,695)
Equity attributable to owners of the Parent		**(6,112,637)**	(15,752,556)
Non-controlling Interests		**(1,222,527)**	(3,938,139)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20: CONTROLLED ENTITIES (CONTINUED)

	2024 $	2023 $
Loss for the year attributable to owners of the Parent	**(1,847,115)**	(1,833,891)
Loss for the year attributable to NCI	**(336,375)**	(458,472)
Loss for the year	**(2,183,490)**	(2,292,363)
Cash Flows		
Net cash used in operating activities	**283,814**	(1,747,272)
Net cash used in investing activities	**(1,455,413)**	(964,112)
Net cash provided by financing activities	**1,105,317**	2,699,821
Net increase (decrease) in cash	**(66,282)**	(11,563)

Other non-controlling interests

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

20a. Related Entity Loans receivable and payable have been netted and disclosed within non-current liability in the table above

NOTE 21: CONTINGENT ASSETS AND LIABILITIES

The Group had no material contingent assets and liabilities as at 30 June 2024 (2023: 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 (2023: $60,000). Amounts payable at 30 June 2023 totalled $25,000 (2023: $27,500). James Kellett is a director of this entity.

During the period, the Group received $283,344 in loan proceeds from Furneaux Management Pty Ltd. This has been offset by loan repayments settled to the lender of $102,973. As at 30 June 2024, the balance of the loan totalled $437,326 and includes interest accrued of $47,331.

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 (2023: $174,865). Amounts payable at 30 June 2024 totalled $57,652 (2023 $23,555). 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 2024

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 (2023: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

NOTE 24: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 April 2024 the Company announced a placement of up to approximately 667 million fully paid ordinary shares at an issue price of $0.0015 per Share to raise an aggregate of $1 million (before costs) (**Placement**) which has been completed. Subject to final demand from investors, the Company may, at its discretion, also take oversubscriptions under the Placement to raise up to $250,000 (before costs) at the same issue price of $0.0015 per Share (Oversubscriptions)
The Placement (excluding any Oversubscriptions) consists of two tranches, comprising: the first tranche, under which the Company issued 229,990,700 Shares (**Tranche 1 Placement Shares)** under its maximum available placement capacity pursuant to ASX Listing Rule 7.4; and the second tranche, under which, subject to shareholder approval being obtained under ASX Listing Rule 7.1, the Company proposed to issue 436,675,967 Shares (**Tranche 2 Placement Shares**). In addition, subject to shareholder approval under ASX Listing Rule 7.1 being obtained, and demand for Oversubscriptions, the Company may also raise up to an additional $250,000 by issuing up to [166,666,667] Shares (**Oversubscription Shares**). At a General meeting of Shareholders on 27 August 2024 Tranche 1 shares were ratified, oversubscriptions facility and the Tranche 2 share allocation was approved thereby transferring balance sheet current liabilities of $671,389 to equity. At the date of this report, oversubscription applications total $125,000 are expected within 30 days.

On 31 July 2024 the Company announced a proposed non-renounceable entitlement offer at the same issue price of $0.0015 as the recent placement with short- facility. Under the Entitlement Offer, it is anticipated eligible shareholders will be able to subscribe for approximately 2 new Shares for every 6 Shares held as at the record date of to be announced. The Entitlement Offer is expected to open in early October 2024 and close 30 days later (unless extended or closed earlier by the Board). In its cashflow forecasts, the Company has estimated that it will raise a minimum of $1,000,000 from the Entitlement Offer.

On 31 July 2024 the Company confirmed the funding for the first renewal of the KneoWorld Connect All Kids licences for FY 2025 of approximately $700,000 had been promulgated by New York City Council and that amount is now carried as an invoiced debt owing. At the date of this report, these monies had been received. Further roll out of KneoWorld and the implementation of the Science PaaS platform for mandated curriculum throughout the New York education system remains the Company's priority with the technology growing in awareness and uptake.

On 27 August 2024 at a General Meeting of shareholders the following resolutions were passed:

1. ratify the issue of 229,990,700 Shares under the Tranche 1 Placement on 9 July 2024 for the purposes of ASX Listing Rule 7.4, on the terms and conditions set out in the Notice of Meeting.
2. the issue of up to 608,701,256 Shares under the Tranche 2 Placement in accordance with ASX Listing Rule 7.1 under the terms and conditions in the Notice of Meeting.
3. the issue of up to 667,000,000 Broker Options in respect of the recent share placement having an exercise price of $0.0025 and expiration of 31 December 2026.
4. approve the issue of up to 100,000,000 Options in consideration having of extension of maturity date of convertible notes to 31 December 2024 having an exercise price of $0.0025 and expiration of 31 December 2026.
5. in accordance with section 329 of the Corporations Act, William Buck Audit (Vic) Pty Ltd be removed as the auditor of the Company and its controlled entities, effective immediately.
6. in accordance with section 327D of the Corporations Act and for all other purposes, Connect National Audit Pty Ltd, 333 Collins St, Melbourne VIC 3000, having consented in writing to act as auditor of the Company, be appointed as the auditor of the Company and its controlled entities, effective immediately.

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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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 2024	Short-term benefits Salary & fees $	Post- employment Superannuation $	Share based payments $	Total $
James Kellett	287,658	31,642	-	319,300
Franklin B. Lieberman	48,129	-	-	48,129
Jeffrey Bennett#	42,000	-	-	42,000
Damian O'Sullivan	176,641	19,430	-	196,071
Total KMP	**554,428**	**51,072**	**-**	**605,500**

Payables and accruals of the Group at 30 June 2024 include $42,000 of Directors Fees payable to Mr Bennett and $48,129 payable in Directors Fees to Mr Liebermann and $239,715 in gross salary payable to Mr Kellett.

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**

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

Performance Rights

Performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (LTIP). The performance rights will vest subject to 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 30/6/2024 ('000)	Vested ('000)	Unvested ('000)
James Kellett	23 Dec 2019	5,256	0.0025	30 Nov 2025	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 2024, 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 2024

NOTE 25: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

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	-	-	-
11 Mar 2022	31 Dec 2023	0.025	7,400,000	-	-	-
11 Mar 2022	31 Dec 2023	0.050	5,000,000	-	-	-
27 Sept 2022	27 Sep 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
27 Aug 2024	31 Dec 2026	0.025		667,000,000		667,000,000
27 Aug 2024	31 Dec 2026	0.025		100,000,000		100,000,000
Weighted average exercise price			$0.025	$0.025	$0.000	$0.035

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

Grant date	Expiry Date	30 June 2024 No.	30 June 2023 No.
23 Oct 2020	23 Oct 2023	-	12,000,000
11 Mar 2022	31 Dec 2023	-	7,400,000
11 Mar 2022	31 Dec 2023	-	5,000,000
27 Sept 2022	27 Sep 2026	40,000,000	40,000,000
30 Nov 2022	30 Nov 2026	15,000,000	15,000,000
30 Nov 2022	30 Nov 2026	15,000,000	15,000,000
10 Feb 2023	31 Dec 2024	6,000,000	6,000,000
27 Aug 2024	31 Dec 2026	667,000,000	-
17 Aug 2024	31 Dec 2026	100,000,000	-
Total		**843,000,000**	**100,400,000**

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.5 years (30 June 2023: 2.5 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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	2024 $	2023 $
Sales revenue from providing online education	US	1,779,469	1,179,317
Interest income	Australia	601	1,750
		1,780,070	1,181,067

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

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2024

In accordance with section 295(3A) of the *Corporations Act 2001* the Company discloses the following:

The consolidated financial statements include the financial statements of KneoMedia Limited and the subsidiaries as follows.

Corporate Name	Country of Incorporation	Tax resident of	Percentage Owned	
			2024	2023
			%	%
Virtual Communications International Pty Ltd	Australia	Australia	**100**	100
KneoWorld Pty Ltd	Australia	Australia	**80**	80
KneoWorld Inc.	United States	United States	**100**	100
KneoWorld UK Limited	United Kingdom	United Kingdom	**100**	100

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 2024 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 Consolidated Entity Disclosure Statement is true and correct and in accordance with the *Corporations Act 2001*; and
3. 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 2024; and
4. 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

30 September 2024

Independent Auditor's Report

To the Members of KneoMedia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of KneoMedia Limited ("consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended on that date, notes comprising a summary of material accounting policies and other explanatory information, the directors' declaration of consolidated entity and the consolidated entity disclosure statement.

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

(a) giving a true and fair view of the entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and

(b) 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 consolidated entity 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 confirm that the independence declaration required by the *Corporations Act* 2001, which has been given to the directors of consolidated entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial report, which indicates that the Group incurred a net loss of $2,220,466 for the year ended 30 June 2024, and that, as of that date, the Group's current liabilities exceeded its current assets by $3,704,797, and details the matters the directors have considered in their assessment that the going concern basis of preparation of the financial report is appropriate.

As stated in Note 3, these events or conditions, along with other matters detailed in the note, indicate the existence of material uncertainty. If these events or conditions are not completed , and within the timeframes forecast, whether the Group is able to continue as a going concern, and therefore realise its assets and settle its liabilities in the ordinary course of business is uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition and Deferred Revenue 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

Valuation of the variable conversion option included in convertible notes As disclosed in Note 16, as at 30 June 2024, $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 2024. 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.
Valuation of debt and option loan facility As disclosed in Note 13, 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, subsequently renegotiated and at 30 June 2024 and now has a maturity of 31 December 2024. 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 2024 the contractual cash repayable is $941,270. The loan is carried at its amortised cost as at 30 June 24 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	Our audit procedures included the following: • Assessment of accounting treatment of the loan liability per AASB 1 32 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 in the debt; • 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.

of $539,075, and an initial financial liability of $415,925, with the contractual cash repayment of $1,150,000 due in November 2023, subsequently re-valued to a date of 31 December 2024. 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.	
Intangible Assets - Product development costs As disclosed in Note 11, the Group has capitalised a total of $1,334,491 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. 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.	Our audit procedures included: • Reconciling movements in product development costs for the year, and tracking those costs against the overall approved budget for the development project; • Vouching additions to either contractor invoices or payroll records to ensure that the Group could substantiate the nexus of those costs to development activities; • understanding the underlying project to ensure that it had no indicators of impairment; • Recomputing the amortisation charge for the year; and • Evaluation of management's assessment on whether any events or change in circumstances indicate that there may be a change in the expected useful lives of intangible assets. • We also assess the disclosures in the financial statements surrounding the capitalisation and impairment of intangible assets.

Other Matter

The financial report of the Group, for the year ended 30 June 2023, was audited by another auditor who expressed an unmodified opinion on those reports on 26 September 2023.

Information Other Than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly 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 consolidated entity are responsible for the preparation of :

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and
b. The consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001; and

For such internal control as the directors determine is necessary to enable the preparation of :

c. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
d. The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In the basis of preparation, the directors also state that the financial statements have been prepared in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 have no realistic alternative but to do so.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of KneoMedia Limited for the year ended 30 June 2024 included on KneoMedia Limited's web site. The directors are responsible for the integrity of the KneoMedia Limited's web site. We have not been engaged to report on the integrity of the KneoMedia Limited's web site. The audit report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report resent on this web site.

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 the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the financial year ended 30 June 2024.

In our opinion the Remuneration Report of KneoMedia Limited for the financial year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the consolidated entity 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.

Connect National Audit

CONNECT NATIONAL AUDIT PTY LTD

Authorised Audit Company No. 521888

Robin King Heng Li RCA

DIRECTOR

Dated: 30 September 2024

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 September 2024** (**Reporting Date**).

Corporate Governance Statement

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

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

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

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

Substantial holders

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

Substantial holders	Number of shares held	% of total issued share capital
Lind Global Macro Fund LP	62,500,000	4.153
Barrijag Pty Ltd <The Hadley Super Fund A/C>	72,002,474	4.785

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 $0.025 on or before 31 Dec 2024	50
Options exercisable at $0.040 on or before 27 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
Options exercisable at $0.050 on or before 30 Nov 2026	7
Convertible Notes	2
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:

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	324	33,251	0.000
1,001 – 5,000	53	174,970	0.010
5,001 – 10,000	62	511,376	0.020
10,001 – 100,000	446	21,335,135	0.930
100,001 and above	684	2,266,076,694	99.040
Total	**1,569**	**2,288,131,426**	**100.000**

Distribution of holders of unquoted options (various dates)

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	60	923,000,000	100.000
Total	**60**	**923,000,000**	**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**

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

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
2,288,131,426	1,193,888	1,048	2.17

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
MR ANTANAS GUOGA	200,710,126	8.77%
JASON EVERLEIGH	89,210,590	3.90%
CITICORP NOMINEES PTY LIMITED	88,055,140	3.85%
MR JAMES HENDERSON ALLEN	87,376,792	3.82%
MR VAUGHAN ROGER JAMES	80,710,126	3.53%
PJS MARKETING PTY LTD <PETER SEDY FAMILY A/C>	67,003,265	2.93%
BROOKAVA PTY LTD	67,003,265	2.93%
LIND GLOBAL MACRO FUND LP	59,870,000	2.62%
GLENNFIELD PTY LTD <GLENNFIELD FAMILY A/C>	51,090,558	2.23%
KNAUER FAMILY SUPER PTY LTD <KNAUER FAMILY SUPER FUND A/C>	50,336,599	2.20%
MR MARK GREGORY KERR & MRS LINDA MARIE KERR <LINDMARK INV STAFF S/F A/C>	43,886,176	1.92%
BARRIJAG PTY LIMITED <HADLEY FAMILY A/C>	38,300,000	1.67%
R J & A INVESTMENTS PTY LTD <MULLER MORVAN FAMILY A/C>	34,000,000	1.49%
BARRIJAG PTY LTD <THE HADLEY SUPER FUND A/C>	33,702,474	1.47%
CHRISTOPHER CHESWORTH	33,669,932	1.47%
HIXON PTY LTD	31,665,117	1.38%
FIP INVESTMENTS (VIC) PTY LTD <FIP INVESTMENT A/C>	30,000,000	1.31%
FURNEAUX MANAGEMENT PTY LTD	27,052,381	1.18%
ARMCO BARRIERS PTY LTD	27,000,000	1.18%
OAK TRUST (GUERNSEY) LIMITED <ROLLING STONE - R7 A/C>	26,675,071	1.17%
Total Securities of Top 20 Holdings	1,167,317,612	51.02%
Total of Securities	**2,288,131,426**	

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

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 $0.025 on or before 31 Dec 2024	86,000,000	50
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
Options exercisable at $0.0025 on or before 31 Dec 2026	767,000,000	7
Convertible Notes	18	2
Performance Rights	26,022,360	4

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 1,569 holders of a total of 2,288,131,426 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

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

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