



30 August 2017: ASX/Media Release (ASX: KNM)

## Appendix 4E – Preliminary Final Results

KNeoMedia Limited (**KNeoMedia** or the **Company**) (**ASX: KNM**) is pleased to report its preliminary final results for the Company and its controlled entities (the **Group**) for the financial year ended 30 June 2017 (**FY2017** or the **year**), and to provide a review of operations and the outlook for the Company as outlined below.

### Preliminary FY17 results

The Group recorded gross sales of \$389,116 for wholesale and seat licences sold to public schools in New York City, USA on an annual basis of which \$133,760 was recognised as current year revenue (2016: \$64,891) and \$255,356 deferred for recognition during FY2018. While total cash from these sales is available to the company on receipt, under current accounting standards, the licence fees revenue will be recognised on a straight-line basis over the life of the licence contracts.

The Group incurred a loss for the year of \$1,285,911 (2016: Loss \$1,565,977), with the reduced loss due to receipt of other income \$325,080 under the Australian Government's Research and Development Tax Incentive Program, and the containment of employee benefits and other operating costs. The Company's net liabilities reduced to \$121,463 (2016: \$1,491,798) with net operating cash outflows of \$624,988 (2016: outflows \$1,340,570) as a result of increased revenue, receipt of the R & D grant, capital raising by issue of new shares by and the reduction of convertible note debt.

### Year in review

#### *KNeoWorld and USA Operations*

As a result of heightened market opportunities in the USA, the Company was able to refine its product offering to Software as a Service (SaaS) platforms under a Business-to-School sales model. The (SaaS) Business-to-School model underpins a much more robust and predictable revenue model for the Company compared to what can be achieved through direct-to-consumer marketing which is dependent on high promotional costs.

The year has proven transformational for the Company, underpinned by a significant funding commitment by way of budget allocation from the New York City Department of Education, and the subsequent take up of the KNeoEd and KNeoESP educational and Special Needs intervention products into the New York City Public School education market.

In early May, the Company advised shareholders that it had received direct Education Department funding approval from District 75 for the immediate purchases of its education products from schools in New York City. Of significant benefit is that schools in District 75 and the Boroughs can now overcome funding allocation delays which will subsequently enhance sales of KNeoWorld products.

District 75 provides citywide educational, vocational, and behavioural support programs for Special Needs students throughout the five New York City Boroughs.

This was a pivotal development for KNeoMedia and has been the key catalyst for sales and broader market awareness and acceptability of the content.

As a result of this funding support, KNeoMedia's team commenced an active direct-to-school sales program to promote its content to educators and carers in the New York Public School system. Result have been pleasing.

During the quarter, sales and commitments for a total of 7,200 seat licences were received from a large number of New York Public Schools. A seat licence is generally an annual, per student, subscription that schools and other learning and care facilities purchase for US\$50.00 per licence. Seat licence duration may vary slightly to align annual renewal dates with the commencement of each scholastic year.

### **Funding & Capital Structure**

During the year, the Company raised additional capital of \$520,000 from existing shareholders and new investors. In addition, the existing convertible note holders also converted face value of \$775,000 to shares which substantially reduced the Company's debt and future interest expense. With the conversion of convertible notes, the note holders elected to exercise their entitlements to free-attaching options and thus the Company raised another \$775,000 in new funds which allowed the Group to fund its business development objectives and drive further revenue growth. As a result of the debt reduction combined with increased revenue and an R & D grant, net liabilities reduced to \$121,463 (2016: \$1,491,798).

### **Outlook**

The outlook for 2018 is positive with the first quarter of FY2018 beginning well.

The June quarter 2017 represented the most active sales period in the Company's history, and KNeoMedia is pleased to confirm that this momentum has continued in the first quarter of 2018. The Company recently reported that seat licence sales and commitments have now topped 10,000 with the KNeoEd and KNeoESP content being deployed across 39 New York Public Schools. KNeoMedia will continue to focus on driving sales of new seat licences from the New York Public School system with an added emphasis on securing further sales in other US states and regions where the Company is developing scalable sales channels as it has done in New York.

The Company anticipates continued strong sales on the commencement of the USA scholastic year in September and further progressing the increasing sales achievements of 2017 and July 2018.

– ENDS –

### **About KNeoMedia Limited:**

KNeoMedia Limited is an online education publishing company that delivers world-class education assessment products and games-based learning to global educational and consumer markets.

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWorld Inc., and sells on a seat licence and micro-subscription basis through the KNeoWorld.com games portal and via distribution agreements and education departments.

Games Based Learning is an integral part of childhood education. Growth in educational markets, combined with advances in mobile devices and connectivity, will continue to accelerate innovation, adoption, and affordability of our products around the world.

KNeoWorld is an education games portal where young and also special needs students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science, arts, reasoning and memory. KNeoWorld products provide extensive analytical performance data to educators and comply with child online protection and the simple subscription model provides KNeoWorld with a global opportunity.

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**KNEOMEDIA LIMITED  
and Controlled Entities  
ABN 41 009 221 783**

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**Lodged with ASX under Listing Rule 4.3A**

# ASX Announcement - Appendix 4E

## PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Name of Entity	KNeoMedia Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2016 to 30 June 2017
Previous corresponding reporting period:	1 July 2015 to 30 June 2016

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results from operations		% Change		\$
Revenues from ordinary activities	Up	>100	to	133,760*
Loss from ordinary activities after tax attributable to members	down	-1.8	to	1,285,911
Net loss for the year attributable to members of parent (after non-controlling interest)	down	-16.87	to	1,143,038
<b>Dividends (distributions)</b>		Amount per share		Franked amount per share
Final dividend		Nil ¢		Nil ¢
Interim dividend		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢
Record date for determining entitlements to the dividends		N/A		
<b>Net Tangible Assets per security</b>				
As at 30 June 2017		0.075		
As at 30 June 2016		0.627		

\* Total sales for the year were \$389,116 of which \$340,183 was derived from seat licences sold to schools and \$48,933 from the wholesale activities. Under the current revenue accounting standards, the seat licence revenue will be recognised on a straight-line basis over the life of the seat licences. Accordingly, total recognised for this financial year, is total revenue of \$133,760 and \$255,356 revenue has been deferred to FY 2018.

# KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

## APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2017

### Review of operations and financial results

The pivotal development of New York City Department of Education funding for KNeoMedia products during the year and has been the key catalyst for sales, particularly in the last quarter 2017. Gross sales of \$389,116 were recorded for wholesale and seat licences sold to public schools in New York City, USA on an annual basis of which \$133,760 was recognised as current year revenue (2016: \$64,891) and \$255,356 being deferred revenue to FY2018. While the cash from these sales is available to the company on receipt, under current revenue accounting standards, the licence fees will be recognised on a straight-line basis over the life of the licence contract. The Group incurred a loss for the year of \$1,285,911 (2016: loss \$1,565,977).

Following the receipt of New York City Department of Education funding support, and the subsequent sales directly into the New York Public School system, KNeoMedia took the decision to refine and focus its sales efforts on a Software as a Service (SaaS) direct-to-school sales model with the Company suspending promotional spend and activity of its consumer content and mobile Apps.

The SaaS Business-to-School sales model underpins a much more robust and predictable revenue model for the Company compared to what can be achieved through direct-to-consumer marketing and promotion. This culminated in annual seat licence sales and commitments of 7,200 at year end (increasing to 10,000 in July 2017).

As result of revenue increases, debt reduction and an R & D grant, the Company's net liabilities reduced to \$121,463 (2016: \$1,491,798) with net operating cash outflows of \$624,988 (2016: \$1,340,570).

During the year, the Company raised additional capital of \$520,000 from the existing shareholders and new investors. In addition, the existing convertible note holders also converted face value of \$775,000 to shares which substantially reduced the Company's debt and future interest expense. With the conversion of convertible notes, the note holders elected to exercise their entitlements to free-attaching options and thus the Company raised another \$775,000 in new funds which allowed the Group to fund its business development objectives and drive further revenue growth.

	30 June 2017	30 June 2016
<b>Loss per share</b>		
Basic and diluted loss per share (cents)	<b>0.33</b>	0.68

### Financial position

The Group had net liabilities of \$121,463 as at 30 June 2017 (2016: net liabilities \$1,491,798).

### Cash flows

During the year, the Group incurred net operating cash outflows of \$624,988 (2016: outflows \$1,340,570). The Group had cash of \$403,242 at 30 June 2017 (2016: \$100,362).

### Net tangible assets per share

	30 June 2017	30 June 2016
Net tangible liabilities backing per share	<b>0.07 cents</b>	0.63 cents

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>Revenue</b>			
Sales revenue	3	133,760	64,891
Other income	3	325,397	486,478
		459,157	551,369
Employee benefits expenses		(341,656)	(271,033)
Corporate expenses		(354,353)	(370,472)
Depreciation and amortisation expenses		(210,968)	(55,427)
Other expenses		(816,923)	(1,285,729)
Finance costs		(111,827)	(124,698)
Performance rights benefit/(expense)		3,755	(3,755)
Gain/(Loss) on movement in fair value of embedded derivatives option		86,904	(6,232)
<b>Loss before income tax</b>		<b>(1,285,911)</b>	<b>(1,565,977)</b>
Income tax expense		-	-
<b>Loss for the year attributable to members</b>		<b>(1,285,911)</b>	<b>(1,565,977)</b>
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations (net of tax)		(10,875)	(54,250)
<b>Total comprehensive loss for the year</b>		<b>(1,296,786)</b>	<b>(1,620,227)</b>
<b>Loss attributable to:</b>			
Members of the parent entity		(1,143,038)	(1,375,105)
Non-controlling interests		(142,873)	(190,872)
		<b>(1,285,911)</b>	<b>(1,565,977)</b>
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		(1,151,738)	(1,424,016)
Non-controlling interests		(145,048)	(196,211)
		<b>(1,296,786)</b>	<b>(1,620,227)</b>
<b>Loss per share (cents per share)</b>			
Basic and diluted loss per share	8	0.33	0.68

*The accompanying notes form part of this preliminary final report*

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**KNEOMEDIA LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents		403,242	100,362
Trade and other receivables		325,643	80,049
Other assets		14,698	65,644
<b>Total Current Assets</b>		<b>743,583</b>	<b>246,055</b>
<b>Non-current Assets</b>			
Property, plant and equipment		5,045	5,123
Intangible assets	4	215,241	234,721
<b>Total Non-current Assets</b>		<b>220,286</b>	<b>239,844</b>
<b>Total Assets</b>		<b>963,869</b>	<b>485,899</b>
<b>Current Liabilities</b>			
Trade and other payables		609,027	591,730
Deferred revenue	5	255,356	-
Other financial liabilities	6	220,949	1,385,967
<b>Total Current Liabilities</b>		<b>1,085,332</b>	<b>1,977,697</b>
<b>Total Liabilities</b>		<b>1,085,332</b>	<b>1,977,697</b>
<b>Net Liabilities</b>		<b>(121,463)</b>	<b>(1,491,798)</b>
<b>Equity</b>			
Issued capital	7	73,840,956	71,167,945
Reserves		(184,762)	(168,038)
Accumulated losses		(72,489,297)	(71,348,393)
<b>Parent Entity Interest</b>		<b>1,166,897</b>	<b>(348,486)</b>
Non-controlling interest		(1,288,360)	(1,143,312)
<b>Total Equity</b>		<b>(121,463)</b>	<b>(1,491,798)</b>

*The accompanying notes form part of this preliminary final report*

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserves	Convertible note equity Reserves	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>71,167,945</b>	<b>(71,348,393)</b>	<b>(176,362)</b>	<b>4,055</b>	<b>4,269</b>	<b>(1,143,312)</b>	<b>(1,491,798)</b>
Net loss for the year	-	(1,143,038)	-	-	-	(142,873)	(1,285,911)
Other comprehensive loss	-	-	(8,700)	-	-	(2,175)	(10,875)
<b>Total comprehensive loss</b>	<b>-</b>	<b>(1,143,038)</b>	<b>(8,700)</b>	<b>-</b>	<b>-</b>	<b>(145,048)</b>	<b>(1,296,786)</b>
Shares issued	520,000	-	-	-	-	-	520,000
Conversion of loans to shares	200,000	-	-	-	-	-	200,000
Conversion of convertible notes to shares	1,110,181	-	-	-	(2,135)	-	1,108,046
Conversion of director fees to shares	57,800	-	-	-	-	-	57,800
Share issued under Company's LTIP	34,000	-	-	-	-	-	34,000
Transaction costs on shares issued	(23,970)	-	-	-	-	-	(23,970)
Performance rights expense	-	-	-	(3,755)	-	-	(3,755)
Exercise of share options	775,000	-	-	-	-	-	775,000
Transfer to accumulated losses	-	2,134	-	-	(2,134)	-	-
<b>Balance at 30 June 2017</b>	<b>73,840,956</b>	<b>(72,489,297)</b>	<b>(185,062)</b>	<b>300</b>	<b>-</b>	<b>(1,288,360)</b>	<b>(121,463)</b>

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**KNEOMEDIA LIMITED & CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserves	Convertible note equity Reserves	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>69,790,759</b>	<b>(70,024,330)</b>	<b>(127,451)</b>	-	<b>70,880</b>	<b>(938,735)</b>	<b>(1,228,877)</b>
Net loss for the year	-	(1,375,105)	-	-	-	(190,872)	(1,565,977)
Other comprehensive loss	-	-	(48,911)	-	-	(5,339)	(54,250)
<b>Total comprehensive loss</b>	-	<b>(1,375,105)</b>	<b>(48,911)</b>	-	-	<b>(196,211)</b>	<b>(1,620,227)</b>
Shares issued	1,362,204	-	-	-	-	-	1,362,204
Conversion of directors fees to shares	50,000	-	-	-	-	-	50,000
Shares issued in lieu of fees for services rendered	70,000	-	-	-	-	-	70,000
Transaction costs on shares issued	(105,018)	-	-	-	-	-	(105,018)
Performance rights expense	-	-	-	3,755	-	-	3,755
Cash consideration for options	-	-	-	300	-	-	300
Equity component of convertible notes	-	-	-	-	(23,935)	-	(23,935)
Transfer to accumulated losses	-	51,042	-	-	(42,676)	(8,366)	-
<b>Balance at 30 June 2016</b>	<b>71,167,945</b>	<b>(71,348,393)</b>	<b>(176,362)</b>	<b>4,055</b>	<b>4,269</b>	<b>(1,143,312)</b>	<b>(1,491,798)</b>

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**KNEOMEDIA LIMITED & CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR EDED 30 JUNE 2017**

	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	143,522	64,891
Net grants from research and development	292,572	424,853
Payments to suppliers and employees	(1,061,082)	(1,830,314)
<b>Net cash used in operating activities</b>	<b>(624,988)</b>	<b>(1,340,570)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,777)	(8,741)
Purchase of intangible assets	(193,033)	(274,718)
<b>Net cash used in investing activities</b>	<b>(198,810)</b>	<b>(283,459)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	520,000	1,362,205
Payment for share issue costs	(83,270)	(105,018)
Exercise of options	775,000	-
Repayments of convertible notes	-	(550,000)
Proceeds from borrowings	-	200,000
Cash consideration for options	-	300
Interest received	317	2,908
Interest paid	(81,894)	(104,201)
<b>Net cash provided by financing activities</b>	<b>1,130,153</b>	<b>806,194</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>306,355</b>	<b>(817,835)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>100,362</b>	<b>979,179</b>
Effects of exchange rate changes on cash and cash equivalents	(3,475)	(60,982)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>403,242</b>	<b>100,362</b>

*The accompanying notes form part of this preliminary final report*

# KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

This report is based on accounts that are in the process of being audited.

### 1. Dividends

The Group does not intend to pay a dividend in respect of the year ended 30 June 2017 (2016: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

### 2. Net Tangible Assets Per Share

Net tangible liabilities backing per ordinary share at 30 June 2017 was 0.07 cents (2016: 0.63 cents).

### 3. Revenue

	Note	2017 \$	2016 \$
<b>Sales Revenue</b>			
- KNeoWorld – Wholesale & other		48,933	23,696
- KNeoWorld Education	3.1	84,827	41,195
		<b>133,760</b>	<b>64,891</b>
<b>Other income</b>			
- Grants for research and development		325,080	483,570
- Interest income		317	2,908
		<b>325,397</b>	<b>486,478</b>
<b>3.1 KNeoWorld Education</b>			
- Total sale of seat licences		340,183	41,195
- Less: <i>Deferred Revenue</i>	5	(255,356)	-
Revenue recognised during the year		<b>84,827</b>	<b>41,195</b>

\* Total sales of \$340,183 were derived from seat licences sold to schools. In accordance with AASB 118: Revenue, the revenue will be recognised on a straight-line basis over the life of the seat licences. Accordingly, total revenue recognised for this financial year is \$84,827, with \$255,356 deferred to FY 2018.

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**4. Intangible assets**

**Gross carrying amount**

Balance as at 1 July 2016	<b>274,718</b>	-
Additions	<b>193,033</b>	274,718
Exchange differences	<b>(12,426)</b>	-
Balance at 30 June 2017	<b>455,325</b>	274,718

**Accumulated amortisation and impairment**

Balance as at 1 July 2016	<b>39,997</b>	-
Amortisation expense	<b>205,288</b>	40,877
Exchange differences	<b>(5,201)</b>	(880)
Balance at 30 June 2017	<b>240,084</b>	39,997
Net book value at 30 June 2017	<b>215,241</b>	234,721

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.

The product development cost capitalised are contracted cost attributable to preparing the products for its 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 since the Group started to generate income in March 2016.

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>5. Deferred Revenue (Current)</b>		
At 1 July 2016	-	-
Deferred during the year	255,356	-
Released to the statement of profit or loss	-	-
At 30 June 2017	255,356	-

The deferred revenue refers to the accrual and release of the seat licence revenue that are recognised on straight-line basis over the life of the licence contracts. This is the first year the Company is recognising the seat licence revenue over the term of the licence contracts.

**6. Other Financial Liabilities (Current)**

*Financial liabilities measure at amortised cost:*

- Convertible notes – loan component	7,161	782,927
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	213,788	603,040
	220,949	1,385,967

*Movement of the financial liabilities*

Opening balance: Convertible notes – loan component	782,927	1,505,417
Repayment during the year	-	(550,000)
Increase in unpaid interest	29,933	74,115
Imputed interest charge	(102,825)	(246,605)
Conversion to shares	(702,874)	-
Closing balance: Convertible notes – loan component	7,161	782,927
Opening balance: Embedded derivatives	603,040	379,885
Loss on movement in fair value	(389,252)	223,155
Closing balance: Embedded derivatives	213,788	603,040

During the year, 25 convertible notes with a total face value of \$775,000 were converted (and accrued interest) into fully paid ordinary shares. There were \$175,000 convertible notes remaining as at 30 June 2017 comprising 1 convertible note with a face value of \$25,000 to mature on 28 February 2018, 4 convertible notes with a face value of \$25,000 each (total face value of \$100,000) maturing on 30 April 2018 and 1 convertible note with a face value of \$50,000 maturing on 31 October 2017.

The key terms of these convertible notes are as follows:-

- 10% per annum accrued on the face value of the notes if such interest is paid in cash; alternatively, at the note holder's election, the notes will bear interest at 15% per annum on the face value of the note if interest is capitalised and paid out in shares. Interest will accrue and will be payable (whether in cash or shares) in arrears upon conversion or redemption;
- Conversion price is 80% of 10 day average VWAP preceding the conversion date, with a maximum conversion price of 2 cents (\$0.02) per share;
- Each ordinary share entitlement under the convertible notes issue has have one free attaching unlisted option to acquire an ordinary share in the Company exercisable at the conversion price and expiring on the earlier of maturity date or at the conversion date. The granting of the options is subject to the Company having the required availability under ASX Listing Rule 7.1. The Company undertakes to hold a General Meeting at the earliest opportunity if necessary to enable the issue of the options.

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**6. Other Financial Liabilities (Current) (Continued)**

In compliance with the financial reporting obligations, the Directors of the Company appointed an external valuation expert to perform a fair value valuation of the convertible notes and the related embedded derivatives as at 30 June 2017. The fair value valuation has involved estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, the best estimate is used.

<b>7. Issued Capital</b>	<b>2017</b>		<b>2016</b>	
	<b>\$</b>		<b>\$</b>	
451,521,629 (2016: 275,373,878) fully paid ordinary shares	<b>73,540,956</b>		71,167,945	
Unissued capital	<b>300,000</b>		-	
	<b>73,840,956</b>		71,167,945	
	<b>\$</b>	<b>No.</b>	<b>\$</b>	<b>No.</b>
<b>a. Ordinary Shares</b>				
At the beginning of reporting period	<b>71,167,945</b>	<b>275,373,878</b>	69,790,759	171,851,370
Shares issued during the year				
— Conversion of director fee payable to share	<b>57,800</b>	<b>3,192,548</b>	50,000	2,222,222
— Conversion of borrowing to share	<b>200,000</b>	<b>14,285,714</b>	-	-
— Capital raising fee in lieu	-	-	70,000	4,000,000
— Shares issued (capital raising)	<b>520,000</b>	<b>37,142,857</b>	1,362,204	97,300,286
— Shares issued for the Company's LTIP	<b>34,000</b>	<b>2,000,000</b>	-	-
— Conversion of convertible notes	<b>1,110,181</b>	<b>82,047,404</b>	-	-
— Exercise of options	<b>475,000</b>	<b>37,479,228</b>	-	-
— Transaction costs on shares issued	<b>(23,970)</b>		(105,018)	
At reporting date	<b>73,540,956</b>	<b>451,521,629</b>	71,167,945	275,373,878

**8. Loss Per Share**

	<b>2017</b>	<b>2016</b>
Basic and diluted loss to profit or loss	<b>0.33 cents</b>	0.68 cents
<b>Weighted Average Number of Shares</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	<b>346,191,556</b>	203,144,780
<b>Reconciliation of earnings to profit or loss</b>	<b>\$</b>	<b>\$</b>
Loss for the year	<b>1,285,911</b>	1,565,977
Loss attributable to non-controlling interest	<b>(142,873)</b>	(190,872)
Loss used to calculate basic and dilutive EPS	<b>1,143,038</b>	1,375,105

As the Group has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS. There are 47,185,328 options and 10,511,180 rights not included in the calculation.

# KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT

### FOR THE YEAR ENDED 30 JUNE 2017

#### 9. Contingent assets and liabilities

The Group had no contingent assets and liabilities as at 30 June 2017 (2016: Nil).

#### 10. Details of entities over which control has been gained or lost during the year

##### Control gained over entities

The Group did not acquire any subsidiary entities in the year ended 30 June 2017.

##### Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2017.

#### 11. Company announcements

Refer to the ASX website (ASX: KNM) for details of Company announcements made during the year.

#### 12. Subsequent events

Apart from the matters noted below, no matters have arisen in the interval between the end of the financial year and the date of this report in respect of any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

On 25 July 2017, KNeoMedia advised it had to-date acquired total orders for 10,000 licences from New York City Public Schools.

On 2 August 2017, 2 convertible notes with total face value of \$50,000 were converted to ordinary shares and attaching options exercised to value of \$50,000. This conversion reduced total outstanding convertible note face value to \$125,000.

#### 13. Status of the audit

This Preliminary Financial Report is based on the Group's 2017 annual financial report, the accounts of which are in the process of being audited.

On behalf of the board



James Kellett  
**Executive Chairman**

Melbourne, 30 August 2017