

KNEOMEDIA

Publishers of
KNEOWORLD
Google Education Partner

HALF YEAR REPORT APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2023



2024

EMPOWER



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ASX ANNOUNCEMENT – APPENDIX 4D

Entity: KneoMedia Limited
 ABN: 41 009 221 783
 Reporting period: For the period ended 31 December 2023
 Previous period: For the period ended 31 December 2022

Results for announcement to the market

	31 Dec 23 \$	Movement		31 Dec 22 \$
		\$	%	
Total revenue from ordinary activities	880,545	631,754	254% ▲	248,791
Deferred revenue (for future period recognition)	939,505	516,666	122% ▲	422,839
Net loss for the period attributable to members of parent (after non-controlling interest)	(910,059)	133,757	13% ▲	(1,043,816)
Loss from ordinary activities after tax attributable to members	(1,091,635)	253,955	19% ▲	(1,345,590)
Add back:				
Depreciation and amortisation expenses	(520,266)			(433,679)
Finance costs	(246,039)			(136,673)
Gain (loss) on fair value of embedded derivative in convertible notes	61,437			301,080
Exchange difference on translation of foreign operations	(29,749)			(19,265)
EBITDA⁽¹⁾	(357,018)	700,035	66% ▲	(1,057,053)

(1) EBITDA is a non-IFRS term, defined as net profit before interest, tax, depreciation and amortisation

Net tangible assets per ordinary share

	Cents
Reporting period	(0.002)
Previous period	(0.002)

Dividends

There were no dividends paid, recommended or declared during the current reporting period.

There were no dividends paid, recommended or declared during the previous reporting period.

Dividend Reinvestment Plans

Not applicable.

Additional disclosures

Additional Appendix 4D disclosures can be found in the attached Directors' Report and the 31 December 2023 half-year financial statements.

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2023 and public announcements of the Company made on the ASX for the six months ended 31 December 2023.

Audit Qualification or review

The financial statements were subject to review by the auditors and the review report is attached as part of the Half Year Financial Report. The auditors have not expressed a conclusion on the accompanying half-year report of Kneomedia Limited due to being unable to obtain sufficient and appropriate review evidence as to whether the Group may be able to obtain sufficient funding in order to continue as a going concern within twelve months of the date of this report.



James Kellett
Executive Chairman

Date: 29 February 2024

HALF YEAR FINANCIAL REPORT

For the six months ended 31 December 2023

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of the consolidated entity consisting of KneoMedia Limited ("**KneoMedia**", "**KNM**" or "**the Company**") and its controlled entities ("**Group**"), for the half-year ended 31 December 2023 ("**H1 FY24**").

DIRECTORS

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

Mr James Kellett

Executive Chairman and Chief Executive Officer

Mr Jeffrey Bennett

Non-Executive Director

Mr Franklin Lieberman

Executive Director

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

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Revenue from ordinary activities for H1 FY24 increased 254% to \$880,545 (H1 FY23: \$248,791). The New York City (NYC) '*Connect All Kids*' program again generated the majority of Group's sales for the period.

The Group recorded a comprehensive loss for the half year of \$1,121,384 (HY FY23: loss of \$1,364,855) an 18% reduction of the loss against the comparative half year. The improvement can be attributed to the increase in customer revenue.

Overall, expenses were well controlled.

The statement of financial position reports a deficiency of net assets of \$2,096,604 (30 June 2023: deficiency \$1,260,576). Contributing to the reduction in net assets is the increase in interest bearing loans and liabilities along with an 122% increase in deferred revenue. Revenue

contracts for platform sales range from one to three years. The revenue is recognised on a straight-line basis over the term of the contract resulting in a deferred revenue balance of \$939,505 (30 June 2023: \$422,839) to be recognised over the contract life, and accordingly, booked as a liability until the contract term and related performance obligations have been fulfilled.

During H1 FY24, the Groups net operating cash inflows totalled \$945,527 (H1 FY23: \$911,219 outflows).

Receipts from customers totalled \$2,120,975, a markedly significant increase from the previous half year (H1 FY23: \$352,335). Payments to suppliers and employees remained consistent totalling \$1,175,448 (H1 FY23: \$1,263,554).

Cash outflows from investing activities totalled \$701,703 (H1 FY23: \$462,238). This capital investment is in line with the Company's continued focus on product content development to remain ahead of the latest technological development in the market.

Net cash provided by financing activities totalled \$170,347 (H1 FY23: \$999,152). In the first half of FY24 the Group has relied heavily on cash receipts to maintain ongoing business activities reducing the reliance on capital funding.

The Group has an unsecured loan arrangement with a related party. The total amount borrowed in H1 FY24 was \$213,900, with \$31,000 repaid in the same period bringing the total balance of the related party loan to \$461,918. The borrowings were used to meet short term expenditure requirements.

SUBSEQUENT EVENTS

On 28 February 2024, 18 convertible notes with a face value of \$450,000 were extended in principle to 31 May 2024, all other terms remained the same.

On 28 February 2024 the loan bridging facility was renegotiated with an in principle agreement to extend the term to 31 May 2024, all other terms remained the same.

KNEOWORLD'S OPERATIONS

During the half year, the Company continued to focus on the key objective established at the start of the year which was completing the major '*Connect All Kids*' deployment which was first reported in November 2022. This focus led to the banking of approximately \$2.1 million of customer receipts, being the payment for 30,000 KneoWorld one-year licences with a further 10,000 KneoWorld one-year licence order anticipated. This will see 40,000 one-year licences of the '*Connect ALL Kids*' education initiative successfully integrated in the public school system across the boroughs of NYC met. While originally advised that

licence tenure would be for three years, resulting in more customer receipts being received up front, NYC DOE reverted to an annual renewal model of recurring revenue which means the Company avoids the associated large, deferred revenue liabilities on its balance sheet. As such, the Company expects that the 30,000 licences already sold, and the remaining 10,000 to be sold from the November 2022 deployment, will be renewed on an annual basis for at least another two years delivering solid recurring revenue streams. Beyond this deployment, and in line with the FY24 objectives, the Company is focused on achieving much greater critical mass for KneoWorld in the first instance in New York City and New York State. As awareness of KneoWorld builds, further sales are anticipated.

KNM continues to invest in the KneoWorld platform and is actively working with NYC DOE on a continual co-design basis, to ensure content aligns with the requirements of the DOE and the local environment, a unique feature of the platform.

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 half 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 purchased for FY24 and in the case of Osceola County, have now doubled. Data of successful use of KneoWorld is now a major selling tool in expanding into additional Early Learning coalitions and Counties.

International Markets

As heralded at the start of FY24, 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 which is again gathering momentum.

OUTLOOK

KneoMedia's primary focus for the second half of FY24 is finalising the sale of the remaining one-year 10,000 licences under the 'Connect All Kids' initiative, securing new sales to broaden reach into the New York school system, completing some smaller renewals and launching new Edutech products that the Company has been developing for the US public schools market. New opportunities are also being pursued to expand our presence in Florida and to enter the Chicago public schools market.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the directors



James Kellett
Executive Chairman
29 February 2024

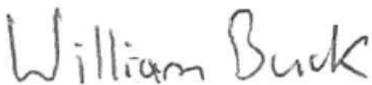
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of KneoMedia Limited

As lead auditor for the review of KneoMedia Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of KneoMedia Limited and the entities it controlled during the period.



William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



R. P. Burt

Director

Melbourne, 29 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 23 \$	31 Dec 22 \$
Revenue			
Sales revenue from providing online education	6	880,545	248,791
Other income	6	284	570
		880,829	249,361
Expenses			
Employee benefits expenses and Directors' fees		(494,479)	(484,931)
Depreciation and amortisation expenses		(520,266)	(433,679)
Marketing expenses		(388,412)	(351,474)
Corporate and administrative expenses	7	(384,705)	(489,274)
Finance costs	8	(246,039)	(136,673)
Gain on fair value movement of embedded derivative in convertible notes	12	61,437	301,080
Loss before income tax		(1,091,635)	(1,345,590)
Income tax expense		-	-
Loss after income tax		(1,091,635)	(1,345,590)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations (net of tax)		(29,749)	(19,265)
Total comprehensive loss for the year		(1,121,384)	(1,364,855)
Loss attributable to:			
Members of the parent entity		(910,059)	(1,043,816)
Non-controlling interests		(181,576)	(301,774)
		(1,091,635)	(1,345,590)
Total comprehensive loss attributable to:			
Members of the parent entity		(933,709)	(1,059,228)
Non-controlling interests		(187,675)	(305,627)
		(1,121,384)	(1,364,855)
Loss per share (cents per share)			
Basic and diluted loss per share		0.06	0.08

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 Dec 23 \$	30 June 23 \$
Current Assets			
Cash and cash equivalents		456,201	54,470
Trade and other receivables		31,745	696,511
Prepayments and other assets		49,052	49,667
Total Current Assets		536,998	800,648
Non-current Assets			
Property, plant and equipment		2,965	1,920
Intangible assets	9	1,112,143	933,214
Other non-current assets		3,381	3,381
Total Non-current Assets		1,118,489	938,515
Total Assets		1,655,487	1,739,163
Current Liabilities			
Trade and other payables		898,916	879,058
Interest bearing loans and borrowings	10	1,311,918	900,010
Deposits held		-	150,000
Deferred revenue	11	861,284	282,311
Employee benefits		105,405	96,673
Convertible notes	12	450,000	511,437
Total Current Liabilities		3,627,523	2,819,489
Non-current Liabilities			
Deferred revenue	11	78,221	140,528
Employee benefits		46,347	39,722
Total Non-current Liabilities		124,568	180,250
Total Liabilities		3,752,091	2,999,739
Net Assets / (Deficiency of Net Assets)		(2,096,604)	(1,260,576)
Equity			
Issued capital	13	29,120,379	28,835,023
Reserves		495,043	711,080
Accumulated losses		(27,586,212)	(26,868,540)
Parent Entity Interest		2,029,210	2,677,563
Non-controlling interest		(4,125,814)	(3,938,139)
Total Equity / (Net Deficiency of Equity)		(2,096,604)	(1,260,576)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2023		28,835,023	(26,868,540)	(380,276)	1,091,356	(3,938,139)	(1,260,576)
Net loss for the year		-	(910,059)	-	-	(181,576)	(1,091,635)
Other comprehensive loss		-	-	(23,650)	-	(6,099)	(29,749)
Total comprehensive loss		-	(910,059)	(23,650)	-	(187,675)	(1,121,384)
Shares issued	13	150,000	-	-	-	-	150,000
Expiry of options		-	192,387	-	(192,387)	-	-
Conversion of director fees to shares		135,356	-	-	-	-	135,356
Balance at 31 December 2023		29,120,379	(27,586,212)	(403,926)	898,969	(4,125,814)	(2,096,604)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	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)	(354,050)	192,387	(3,473,109)	(549,520)
Net loss for the year		-	(1,043,816)	-	-	(301,774)	(1,345,590)
Other comprehensive loss		-	-	(15,412)	-	(3,853)	(19,265)
Total comprehensive loss		-	(1,043,816)	(15,412)	-	(305,627)	(1,364,855)
Conversion of director fees to shares		133,344	-	-	-	-	133,344
Shares and options issued to corporate advisor		-	-	-	881,317	-	881,317
Transaction costs on shares issued		(342,242)	-	-	-	-	(342,242)
Balance at 31 December 2022		27,466,755	(25,634,217)	(369,462)	1,073,704	(3,778,736)	(1,241,956)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	31 Dec 23 \$	31 Dec 22 \$
Cash flows from operating activities		
Receipts from customers	2,120,975	352,335
Payments to suppliers and employees	(1,175,448)	(1,263,554)
Net cash from / (used in) operating activities	945,527	(911,219)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,134)	-
Payments for capitalised product development costs	(698,569)	(462,238)
Net cash used in investing activities	(701,703)	(462,238)
Cash flows from financing activities		
Proceeds from interest bearing loans	213,900	1,265,000
Repayment of interest bearing loans	(31,000)	(215,000)
Transaction costs related to loans	-	(45,000)
Interest received	284	570
Finance costs	(12,837)	(6,418)
Net cash provided by financing activities	170,347	999,152
Net increase / (decrease) in cash and cash equivalents	414,171	(374,305)
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	(12,440)	(9,034)
Cash and cash equivalents at the end of the financial year	456,201	169,658

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: REPORTING ENTITY

KneoMedia Limited is a public listed Company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia.

NOTE 2: BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL STATEMENTS

The interim consolidated financial report of the Group is for the six months ended 31 December 2023 and is presented in Australian dollars (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2023 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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

NOTE 3: NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The accounting policies adopted in the preparation of the interim half-yearly financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2023, except for the adoption of new standards effective as of 1 July 2023. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have a material impact on the half yearly financial statements of the consolidated entity.

NOTE 4: ESTIMATES AND JUDGEMENTS

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 evolution 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.

Valuation of the variable conversion option included in convertible notes

As disclosed in note 12 the Company had issued convertible notes with a variable equity conversion feature. Upon initial recognition, this variable conversion feature met the accounting definition of an embedded derivative; this was measured at its fair value using a Monte-Carlo simulation valuation model, with subsequent changes in fair value of this derivative taken to the profit or loss. The remaining underlying host contract at initial recognition was accordingly measured at amortised cost and will amortise back to its face value over the expected term of the loan applying the effective interest method. The key judgements applied in the valuation of the embedded derivative, aside from those inputs arising directly from the conversion clause entitlement and the Company's spot price applied at each remeasurement date included the following:

- a) an expiry date being the date of the maturity of the convertible note at 31 December 2023
- b) an expected volatility of 100%; and
- c) a risk-free rate of 3.69%.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Valuation of debt and option loan facility

As disclosed in note 10 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%

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.

At 30 June 2023 the Group has \$7,965,571 (2022: \$7,633,140) of accumulated tax losses which have not been recorded on the balance sheet due to the uncertainty of the timing of future assessable income. Unused revenue and capital losses will be available in the future to offset against income to the extent permitted by the relevant tax authorities.

NOTE 5: GOING CONCERN BASIS OF ACCOUNTING

For the period ending 31 December 2023, the Group incurred a comprehensive loss of \$1,121,384 (H1 FY23 \$1,364,855), net cash from operating activities totalled \$945,527. As at 31 December 2023 the cash balance was \$456,201 and the net current liabilities are \$3,090,525.

The Directors have assessed there is a material uncertainty related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Included in the Directors going concern cash flow assessment:

- is the continued execution and fulfilment of the existing revenue contract milestones and related cash inflows associated to the Connect ALL Kids education program with the New York City Department of Education.
- The execution and utilisation of external party funding solutions as required to support working capital cash flow requirements.
- Renegotiation of existing external and related borrowings to assist with cash flow management including:
 - Director support that the related party loan (refer to note 10) will not be called upon for repayment for a period of at least 12 months
 - An in principle agreement to extend the loan bridging facility term to 31 May 2024
 - An in principle agreement to extend the convertible notes to 31 May 2024 with these obligations expected to be settled through the issuance of new equity

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 6: REVENUE AND OTHER INCOME

	31 Dec 23 \$	31 Dec 22
Sales revenue from providing online education	880,545	248,791
Interest income	284	570
	880,829	249,361

NOTE 7: CORPORATE & ADMINISTRATION EXPENSES

	31 Dec 23 \$	31 Dec 22 \$
Corporate costs	(191,805)	(235,166)
Consulting fees	(115,131)	(102,334)
Occupancy costs	(34,929)	(50,382)
Administration costs	(73,472)	(61,652)
Other expenses	30,632	(39,740)
	(384,705)	(489,274)

NOTE 8: FINANCE COSTS

	31 Dec 23 \$	31 Dec 22 \$
Loan option funding interest	206,943	127,109
Related party loan interest	22,064	1,103
Bank charges and interest	17,032	8,461
	246,039	136,673

NOTE 9: INTANGIBLE ASSETS

	31 Dec 23 \$	30 June 23 \$
Gross carrying amount		
Balance as at 1 July	4,759,408	3,795,296
Additions	698,570	964,112
Balance	5,457,978	4,759,408
Accumulated amortisation and impairment		
Balance as at 1 July	(3,826,194)	(2,938,973)
Amortisation expense	(519,641)	(887,221)
Balance	(4,345,835)	(3,826,194)
Net book value	1,112,143	933,214

The intangible assets recognised by the Group is product development costs. 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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 10: INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 23	30 June 23
	\$	\$
Loan bridging facility at amortised cost, net of borrowing costs ^(a)	850,000	643,056
Related party loan, at amortised cost ^(b)	461,918	256,954
	1,311,918	900,010

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

a) Loan Bridging Facility

In the previous financial year, 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. As at 31 December 2023, the loan liability was unpaid. The loan bears interest at 15%, with a repayment amount due and payable of \$1,150,000 at term. 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. As at 31 December 2023 the contractual cash repayable is \$850,000, following repayment of \$300,000 in the year to 30 June 2023.

The loan is carried at its amortised cost as at 31 December 2023 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 at November 2023. Other transaction costs of \$45,000 have been allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds received.

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

Loan interest expense of \$206,943 was recognised in the period and is a non cash expense.

On 28 February 2024 the loan was renegotiated with an in principle agreement to extend the term to 31 May 2024.

b) Related Party Loans

On 10 July 2023, the group executed a loan arrangement for up to \$214,000 with a related party of the group. The loan was fully drawn with \$31,000 repaid in the same period.

The loan is unsecured and the proceeds have been used to meet short-term expenditure needs. The loan is to be repaid following receipts from customers or any capital raising proceeds subsequent to the loan date. The loan carries interest at 10.0% per annum, calculated on any outstanding balance payable. The group consider the loan amount to be short term in nature and repayable within 12 months of initial draw down. There were no loan costs incurred in executing the loan.

This loan is in addition to a loan arrangement with the same related party for up to \$255,000 executed in the previous financial year with the same terms.

The loans are carried at amortised cost with the financial liability of \$461,518 recognised as at 31 December 2023 including \$23,618 in accrued interest.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 11: DEFERRED REVENUE

	31 Dec 23 \$	30 June 23 \$
Current deferred revenue	861,284	282,311
Non-current deferred revenue	78,221	140,528
Balance	939,505	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. Revenue contracts for platform sales range from one to three years. The increase from 30 June 2023 is reflective of increased sales.

NOTE 12: CONVERTIBLE NOTES

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

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

At the maturity date of 31 May 2022 convertible notes with a face value of \$850,000 were converted into fully paid ordinary shares. The maturity date for the remaining 18 convertible notes with a face value of \$450,000 are extended to 31 December 2023 all other terms remained the same. On 28 February, the maturity date for the remaining convertible notes were extended in principle to 31 May 2024.

The table below demonstrates the movement in the convertible note liability since 30 June 2023.

	31 Dec 23 \$	30 June 23 \$
Reconciliation		
Opening convertible notes at fair value:	511,437	780,000
Add: Change in fair value of embedded derivative	(61,437)	(268,563)
Balance	450,000	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 December 2023. The table below demonstrates the value of the embedded derivative and host liability.

	31 Dec 23 \$	30 June 23 \$
Convertible note – host liability at amortised cost	450,000	450,000
Convertible note – fair value of embedded derivative	-	61,437
Balance	450,000	511,437

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

The fair value of the embedded derivative is measured using significant observable inputs (level 2 hierarchy). As at 31 December 23 there has been no change in the Group's valuation process, valuation techniques and types of inputs used in the fair value measurement at the end of the reporting period and in comparison to prior period. There have been no transfers between levels of fair value hierarchy at the end of the period.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 13: ISSUED CAPITAL

	31-Dec-23 \$	31-Dec-23 No:
Ordinary Shares		
At the beginning of reporting period	28,835,023	1,504,785,318
Shares issued during the year		
Conversion of director fees to shares	135,356	13,486,018
Shares issued to directors ^(a)	150,000	15,000,000
At reporting date	29,120,379	1,533,271,336

(a) Issue of placement shares from February 2023 capital raising to Furneaux Management Pty Ltd, a related party of James Kellett and Hixon Pty Ltd a related party of Director Jeff Bennett as approved at the AGM.

NOTE 14: SHARE BASED PAYMENTS**Performance rights**

Performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (LTIP). The table below discloses the performance rights granted to Directors and Senior Executives. 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 vesting conditions require gross revenues of \$6,000,000 to be achieved in any given 12-month consecutive period as well as continued employment, with the performance rights expiring on 30 November 2025.

	Grant date	No. granted ('000)	Fair value at grant date (\$)	Expiry date	Number lapsed	Balance at 31 Dec 23 ('000)	Vested ('000)	Unvested ('000)
James Kellett	30 Nov 2022	10,511	0.0200	30 Nov 2025	-	10,511	-	10,511
Franklin Lieberman	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Jeffrey Bennett	30 Nov 2022	5,256	0.0200	30 Nov 2025	-	5,256	-	5,256
Damian O'Sullivan	30 Nov 2022	5,000	0.0200	30 Nov 2025	-	5,000	-	5,000
Total						26,023	-	26,023

The fair value of the performance rights was determined using the share price at grant date:

Performance Rights issued 30 November 2022

Share Price at grant date	\$0.020
Valuation	\$520,447

In determining the number of equity instruments expected to vest at 31 December 2023, the probability of achieving the vesting conditions of the performance rights was assessed as 0%, resulting in a nil expense incurred in the period.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Options

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

Grant date	Expiry Date	Exercise Price (\$)	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
27 Sept 2022	27 Sept 2026	0.040	40,000,000	-	-	40,000,000
30 Nov 2022	30 Nov 2026	0.025	15,000,000	-	-	15,000,000
30 Nov 2022	30 Nov 2026	0.050	15,000,000	-	-	15,000,000
10 Feb 2023	31 Dec 2024	0.025	6,000,000	-	-	6,000,000

NOTE 15: CONTINGENT LIABILITIES

There are no outstanding contingent liabilities as at 31 December 2023 (30 June 2023: Nil).

NOTE 16: DETAIL OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE YEAR**Control gained over entities**

There was no control gained over entities in the half year ended 31 December 2023

Loss of control of entities

There was no disposal of subsidiary entities in the half year ended 31 December 2023

NOTE 17: SUBSEQUENT EVENTS

On 28 February 2024, 18 convertible notes with a face value of \$450,000 were extended in principle to 31 May 2024, all other terms remained the same.

On 28 February 2024 the loan bridging facility was renegotiated with an in principle agreement to extend the term to 31 May 2024, all other terms remained the same.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

In the opinion of the Directors of KneoMedia Limited:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



James Kellett
Executive Chairman

29 February 2024

Independent auditor's review report to the members of KneoMedia Limited

Report on the review of the half-year financial report



Disclaimer of conclusion

We do not express a conclusion on the accompanying half-year financial report of KneoMedia Limited (the Company) and its subsidiaries (the Group). Because of the significance of the matter described in the *Basis for Disclaimer of Conclusion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the half-year financial report.

We were engaged to review the half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, and
- the directors' declaration.

Basis for Disclaimer of Conclusion

We draw attention to Note 5 in the half-year financial report, which indicates that the Group incurred a total comprehensive loss of \$1,121,384 during the half year ended 31 December 2023, had a net current asset deficiency of \$3,090,525 as at 31 December 2023 and, for the period, the Group's net cash inflows from operations was \$945,527.

The Group's ability to continue as a going concern is dependent on a number of factors including but not limited to maintaining an appropriate mix of working capital and longer-term funding of the business. As at the date of this report, the Group has been unable to confirm its ability to secure an appropriate mix of current and longer term external financial commitments and complete capital raising activities to provide sufficient funding to support the Group as a going concern. As described in Note 5, the Directors believe that the Group will be able to complete its capital raising activities which will allow it to extend its current financial liabilities and continue to have the support of its creditors and external financiers, however, at the date of this review report the Group and its Directors have been unable to provide sufficient appropriate evidence of sufficient committed funding for the cash requirements of the Group for twelve months from the date of this review report.

We have been unable to obtain alternative evidence which would provide sufficient appropriate review evidence as to whether the Group may be able to complete its capital raising activities, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this review report.

Responsibilities of the directors for the financial report

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to conduct a review of the half-year financial report in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and to issue a review report. However, because of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the half-year financial report.

We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



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



R. P. Burt

Director

Melbourne, 29 February 2024