

PRELIMINARY FINAL REPORT

Operational Summary

and

Appendix 4E

FOR THE YEAR ENDED 30 JUNE 2023

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ASX ANNOUNCEMENT – APPENDIX 4E (ASX:KNM)

KneoMedia Limited (**KneoMedia** or the Company) (**ASX: KNM**) is pleased to report its unaudited preliminary report for the Company and its controlled entities (**the Group**) for the financial year ended 30 June 2023 (FY23 or the year).

Entity: KneoMedia Limited
 ABN: 41 009 221 783
 Reporting period: For the period ended 30 June 2023
 Previous period: For the period ended 30 June 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| Key Information | | % Change | | 2023 \$ |
|--------------------------------------------------------------------------------------------|-----------|-----------------|----|----------------|
| Total revenue from ordinary activities | Increased | 243 | to | 1,179,317 |
| Loss from ordinary activities after tax attributable to members | Decreased | 29 | to | (2,736,611) |
| Net loss for the period attributable to members of parent (after non-controlling interest) | Decreased | 28 | to | (2,278,139) |

| Net Tangible Assets | Reporting period (Cents) | Previous period (Cents) |
|----------------------------------------|---------------------------------|--------------------------------|
| Net Tangible Assets per ordinary share | (0.001) | (0.001) |

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.

| Loss per share | 2023 \$ | 2022 \$ |
|----------------------------------|----------------|----------------|
| Basic and diluted loss per share | 0.16 cents | 0.27 cents |

OPERATIONAL SUMMARY**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 major focus is currently the US market.

OPERATIONAL SUMMARY

Review of financial results

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

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

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

The statement of financial position reports a deficiency of net assets of \$1,260,576 (2022: deficiency \$549,520). Contributing to the reduction in net assets is the recognition of loans and borrowings of \$1,050,010. Trade and other payables totalled \$879,058 (2022: 588,168), with the increase a result of additional payables being carried as the Group awaits payment of a large receivable. As at 30 June 2023 trade and other receivables totalled ~\$700,000, a significant increase compared to the prior year and is reflective of the increased revenue. Post balance date this significant trade receivable was collected, refer to note 16 for details.

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

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

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

Cash outflows from investing activities totalled \$964,112 (2022: \$931,823), is in line with the Company's continued focus on product content development and regular updates to the SaaS KneoWorld platform to remain ahead of the latest technological development in the market. The continued focus on product content development is integral to the successful rollout of the Company's KneoWorld education platform and the successful attainment of larger sales contracts.

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

Review of operations

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

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

The Company continues to receive payment for its share of the deployment subject to completion of contract documentation, in line with previously deployed contracts. KneoMedia is a registered NYC supplier and it is fully engaged

OPERATIONAL SUMMARY

Review of operations (continued)

with the NYC DOE and the National Association for the Advancement of Colored People (NAACP) in finalising documentation and continuing payment tranches.

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

The KneoWorld software is now available in 11 of the 32 Districts throughout NYC with more Districts having requested participation. The growing deployment of the technology is becoming an excellent reference point and further validation for other schools in NYC, New York State and other States across the US seeking to deploy the platform.

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

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

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

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

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

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

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.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------------------|------|--------------------|--------------------|
| Revenue | | | |
| Sales revenue from providing online education | 1 | 1,179,317 | 344,346 |
| Other income | 1 | 1,750 | 122 |
| | | 1,181,067 | 344,468 |
| Expenses | | | |
| Employee benefits expenses and Directors' fees | | (954,117) | (891,610) |
| Depreciation and amortisation expenses | | (892,688) | (737,464) |
| Marketing expenses | | (719,764) | (738,721) |
| Corporate and administrative expenses | 2 | (1,063,140) | (1,304,049) |
| Finance costs | 3 | (393,116) | (10,740) |
| Gain on fair value movement of embedded derivative in convertible notes | 10 | 268,563 | (330,000) |
| Amortised cost of loan facility | | (154,419) | - |
| Impairment of assets | | (8,997) | (176,316) |
| Loss before income tax | | (2,736,611) | (3,844,432) |
| Income tax expense | | - | - |
| Loss after income tax | | (2,736,611) | (3,844,432) |
| Other comprehensive loss: | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange difference on translation of foreign operations (net of tax) | | (32,784) | (50,157) |
| Total comprehensive loss for the year | | (2,769,395) | (3,894,589) |
| Loss attributable to: | | | |
| Members of the parent entity | | (2,278,139) | (3,168,948) |
| Non-controlling interests | | (458,472) | (675,484) |
| | | (2,736,611) | (3,844,432) |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | | (2,304,366) | (3,209,074) |
| Non-controlling interests | | (465,029) | (685,515) |
| | | (2,769,395) | (3,894,589) |
| Loss per share (cents per share) | | | |
| Basic and diluted loss per share | 4 | 0.16 | 0.27 |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|--------------------------------------------------|------|--------------------|--------------|
| Current Assets | | | |
| Cash and cash equivalents | | 54,470 | 552,997 |
| Trade and other receivables | 5 | 696,511 | 23,435 |
| Prepayments and other assets | | 49,667 | 20,261 |
| Total Current Assets | | 800,648 | 596,693 |
| Non-current Assets | | | |
| Property, plant and equipment | | 1,920 | 7,298 |
| Intangible assets | 6 | 933,214 | 856,323 |
| Other non-current assets | | 3,381 | 3,381 |
| Total Non-current Assets | | 938,515 | 867,002 |
| Total Assets | | 1,739,163 | 1,463,695 |
| Current Liabilities | | | |
| Trade and other payables | 7 | 879,058 | 588,168 |
| Interest bearing loans and borrowings | 8 | 1,050,010 | - |
| Deferred revenue | 9 | 282,311 | 401,329 |
| Employee benefits | | 96,673 | 69,798 |
| Convertible notes | 10 | 511,437 | 780,000 |
| Total Current Liabilities | | 2,819,489 | 1,839,295 |
| Non-current Liabilities | | | |
| Deferred revenue | 9 | 140,528 | 155,961 |
| Employee benefits | | 39,722 | 17,959 |
| Total Non-current Liabilities | | 180,250 | 173,920 |
| Total Liabilities | | 2,999,739 | 2,013,215 |
| Net Assets / (Deficiency of Net Assets) | | (1,260,576) | (549,520) |
| Equity | | | |
| Issued capital | 11 | 28,835,023 | 27,675,653 |
| Reserves | | 711,080 | (161,662) |
| Accumulated losses | | (26,868,540) | (24,590,401) |
| Parent Entity Interest | | 2,677,563 | 2,923,590 |
| Non-controlling interest | | (3,938,139) | (3,473,110) |
| Total Equity / (Net Deficiency of Equity) | | (1,260,576) | (549,520) |

The consolidated statement of financial position should be read in conjunction with the accompanying notes

UNAUDITED 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.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

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

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------------|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 361,892 | 400,934 |
| Payments to suppliers and employees | | (2,290,982) | (2,865,007) |
| Net cash used in operating activities | 12 | (1,929,090) | (2,464,073) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | (2,777) |
| Payments for capitalised product development costs | | (964,112) | (931,823) |
| Net cash used in investing activities | | (964,112) | (934,600) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 1,600,000 | 2,725,600 |
| Proceeds from the issue of convertible notes | | - | 1,250,000 |
| Proceeds from interest bearing loans | | 1,615,000 | - |
| Repayment of interest bearing loans | | (660,000) | - |
| Transaction costs related to loans | | (45,000) | - |
| Capital raising costs | | (64,080) | - |
| Interest received | | 1,750 | 122 |
| Finance costs | | (13,110) | (4,530) |
| Net cash provided by financing activities | | 2,434,560 | 3,971,192 |
| Net increase / decrease in cash and cash equivalents | | (458,642) | 572,519 |
| Cash and cash equivalents at the beginning of the financial year | | 552,997 | 6,579 |
| Effects of exchange rate changes on cash and cash equivalents | | (39,885) | (26,101) |
| Cash and cash equivalents at the end of the financial year | | 54,470 | 552,997 |

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: REVENUE AND OTHER INCOME

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

NOTE 2: CORPORATE & ADMINISTRATION EXPENSES

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

NOTE 3: FINANCE COSTS

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

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Basic and diluted loss to profit or loss | 0.16 cents | 0.27 cents |
| Reconciliation of earnings to profit or loss | | |
| Loss for the year | 2,736,611 | 3,844,432 |
| Loss attributable to non-controlling interest | (458,472) | (675,484) |
| Earnings used to calculate basic and dilutive EPS | 2,278,139 | 3,168,948 |
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS | 1,409,237,477 | 1,176,086,567 |

Options (321,693,222) and performance rights (26,022,360) have not been included in the calculation of diluted EPS because they are anti-dilutive.

NOTE 5: TRADE AND OTHER RECEIVABLES

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

NOTE 6: INTANGIBLE ASSETS

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

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: INTANGIBLE ASSETS CONTINUED

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 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 7: TRADE AND OTHER PAYABLES

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

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

NOTE 8: INTEREST BEARING LOANS AND BORROWINGS

| | 2023 \$ | 2022 \$ |
|------------------------------------------------------------------|------------------|------------|
| Related party loan, at amortised cost | 406,954 | - |
| Loan bridging facility at amortised cost, net of borrowing costs | 643,056 | - |
| | 1,050,010 | - |

NOTE 9: DEFERRED REVENUE

| | 2023 \$ | 2022 \$ |
|------------------------------|----------------|----------------|
| Current deferred revenue | 282,311 | 401,329 |
| Non-current deferred revenue | 140,528 | 155,961 |
| Balance at 30 June | 422,839 | 557,290 |

Reconciliation

| | | |
|---------------------------|----------------|----------------|
| Balance as at July 1 | 557,290 | 476,187 |
| Receipts from customers | 361,358 | 398,246 |
| Revenue recognised | (495,809) | (317,143) |
| Balance at 30 June | 422,839 | 557,290 |

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

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: 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 maturity date of the notes was 31 May 2022.

For every two conversion share entitlements under the convertible loan will entitle the lender to receive one free attaching unlisted option to acquire a further ordinary share in the Company. The options have an expiry date of 31 December 2023.

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

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

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

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

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

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

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11: ISSUED CAPITAL

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

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

NOTE 12: CASH FLOW INFORMATION

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

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: 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 year 30 June 2023.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2023.

NOTE 14: CONTINGENT ASSETS AND LIABILITIES

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

NOTE 15: STATUS OF THE AUDIT

This Preliminary Financial Report is based on the Group's 2023 annual financial report, the accounts of which are in the process of being audited. It is likely that the independent audit report will be issued with an unmodified opinion.

NOTE 16: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 24 August 2023, the Company received approximately \$700,000 from the New York City Department of Education reflecting the trade receivable recognised at 30 June 2023. This is the Company's share of the first tranche of KneoWorld licences to be accessed on 40,000 Dell Chromebooks deployed as part of the 'Connect All Kids' education initiative.

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

On behalf of the board



James Kellett,
Executive Chairman

30 August 2023