



## **Preliminary Final Report**

### **Appendix 4E**

## 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 2022 (**FY2022** or the **year**).

### PRELIMINARY REPORT FOR THE YEAR ENDED 30 JUNE 2022

Name of Entity	KneoMedia Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2021 to 30 June 2022
Previous corresponding reporting period:	1 July 2020 to 30 June 2021

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results from operations		% Change		\$
Revenues from ordinary activities	Increased	47.2	to	344,346
Deferred revenue (future period recognition)	Increased	17.0	to	557,290
Loss from ordinary activities after tax attributable to members	Increased	21.9	to	(3,844,432)
Net loss for the year attributable to members of parent	Increased	13.1	to	(3,168,948)
Net loss from ordinary activities after tax attributable to members, adjusted for non-cash items:	Increased	4.8	to	(2,600,652)
• Depreciation and amortisation expenses \$737,464				
• Loss on convertible notes fair value of embedded derivative \$330,000				
• Impairment of joint venture assets \$176,316				

Dividends (distributions)	Amount per share	Franked amount per share
Final/Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

### Net Tangible Assets/(Liabilities) per security

As at 30 June 2022	(0.001) cents
As at 30 June 2021	(0.001) cents

### REVIEW OF OPERATIONS AND FINANCIAL RESULTS

KneoMedia recognised revenue from ordinary activities increased 47.2% to \$344,346 (2021 \$234,006)

The New York city 'Connect All Kids' program again provided the majority of the Group's sales for the year. These contracts are for a period of three years. The revenue is recognised on a straight-line basis over the term of the contract resulting in a

deferred revenue balance of \$557,290 to be recognised over the contract life and accordingly booked as a liability until the contract term and related performance obligations have been fulfilled.

The statement of financial position reports a deficiency of net assets of \$549,520 (2021: \$344,007) resulting from the inclusion of the deferred revenue of \$557,290 (2021: \$476,187) at year end.

KneoMedia recorded an increased total comprehensive loss for the year \$3,894,589 (2021: \$3,147,444) contributing to the loss were non-cash items:

- Depreciation and amortisation expenses of \$737,464
- Loss on convertible notes fair value of embedded derivative of \$330,000
- Impairment of joint venture assets and unrecoverable deposits of \$176,316

This impairment is the write off a non-refundable deposit and a loan receivable related to the operations in the Philippines. The Company's joint venture operator in the Philippines, KneoWorld Philippines Inc, was severely impacted by COVID over the last 2 years, and the deposit and the receivable both deemed uncollectible.

Net cash outflows from operating activities totalled \$2,464,073 (2021: \$1,405,474). The increase in outflows can be attributed to the payment of outstanding payables along with an increase in the payments to suppliers and employees is related to the marketing and support of the KneoWorld SaaS platform and the engagement of specific purpose consultants.

Cash outflows from investing activities totalled \$934,600 (2021: \$701,471), a continued focus on product and content development is integral to the successful rollout of the Company's KneoWorld education platform.

Net cash provided by financial activities totalled \$3,971,192 (2021: \$992,520), as outlined above these funds were deployed in continuing and expanding the main and focused activities of the Company with expenditure remaining largely in line with previous years.

The sales achieved in New York City highlights our focus on the US education market, an addressable market of 2.5 million students in New York City and New York State alone – all of which are potential candidates for the KneoWorld content. This renewed emphasis on New York is due to the significant time, effort, and resources invested in building a more established presence in New York City where the Company has strong and established networks. These key relationships supported the rapid scale-up of operations and the successful deployment of the 'Connect All Kids' program into over 100 schools to date.

### Loss per share

	2022 \$	2021 \$
Basic and diluted loss per share	0.27 cents	0.29 cents

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
<b>Revenue</b>			
Sales revenue from providing online education		344,346	234,006
Other income	1	122	50,182
		<u>344,468</u>	<u>284,188</u>
<b>Expenses</b>			
Employee benefits expenses and Directors' fees		(891,610)	(1,018,412)
Depreciation and amortisation expenses		(737,464)	(672,984)
Marketing expenses		(738,721)	(616,699)
Other expenses	2	(1,304,049)	(1,122,618)
Finance costs		(10,740)	(7,662)
Loss on fair value of embedded derivative	7	(330,000)	-
Impairment of assets	3	(176,316)	-
		<u>(3,844,432)</u>	<u>(3,154,187)</u>
<b>Loss before income tax</b>			
Income tax expense		-	-
		<u>(3,844,432)</u>	<u>(3,154,187)</u>
<b>Loss after income tax</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)		(50,157)	6,743
		<u>(3,894,589)</u>	<u>(3,147,444)</u>
<b>Total comprehensive loss for the year</b>			
<b>Loss attributable to:</b>			
Members of the parent entity		(3,168,948)	(2,801,297)
Non-controlling interests		(675,484)	(352,890)
		<u>(3,844,432)</u>	<u>(3,154,187)</u>
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		(3,209,074)	(2,795,903)
Non-controlling interests		(685,515)	(351,541)
		<u>(3,894,589)</u>	<u>(3,147,444)</u>
<b>Loss per share (cents per share)</b>			
Basic and diluted loss per share	4	0.27	0.29

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 2022

	Note	2022 \$	2021 \$
<b>Current Assets</b>			
Cash and cash equivalents		552,997	6,579
Trade and other receivables		23,435	24,251
Prepayments and other assets		20,261	75,677
<b>Total Current Assets</b>		<b>596,693</b>	<b>106,507</b>
<b>Non-current Assets</b>			
Property, plant and equipment		7,298	9,919
Intangible assets	5	856,323	656,107
Non-refundable deposit to acquire non-controlling interest		-	50,000
Other non-current assets		3,381	129,697
<b>Total Non-current Assets</b>		<b>867,002</b>	<b>845,723</b>
<b>Total Assets</b>		<b>1,463,695</b>	<b>952,230</b>
<b>Current Liabilities</b>			
Trade and other payables	6	588,168	744,646
Deferred revenue	7	557,290	476,187
Employee benefits		69,798	61,663
Convertible notes	8	780,000	-
<b>Total Current Liabilities</b>		<b>1,995,256</b>	<b>1,282,496</b>
<b>Non-current Liabilities</b>			
Employee benefits		17,959	13,741
<b>Total Non-current Liabilities</b>		<b>17,959</b>	<b>13,741</b>
<b>Total Liabilities</b>		<b>2,013,215</b>	<b>1,296,237</b>
<b>Net Assets / (Deficiency of Net Assets)</b>		<b>(549,520)</b>	<b>(344,007)</b>
<b>Equity</b>			
Issued capital	9	27,675,653	24,074,690
Reserves		(161,662)	(49,649)
Accumulated losses		(24,590,401)	(21,581,453)
<b>Parent Entity Interest</b>		<b>2,923,590</b>	<b>2,443,588</b>
Non-controlling interest		(3,473,110)	(2,787,595)
<b>Total Equity / (Net Deficiency of Equity)</b>		<b>(549,520)</b>	<b>(344,007)</b>

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 2022

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options & Performance Rights Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>24,074,690</b>	<b>(21,581,453)</b>	<b>(313,923)</b>	<b>264,274</b>	<b>(2,787,595)</b>	<b>(344,007)</b>
Net loss for the year	-	(3,168,948)	-	-	(675,484)	<b>(3,844,432)</b>
Other comprehensive loss	-	-	(40,126)	-	(10,031)	<b>(50,157)</b>
<b>Total comprehensive loss</b>	<b>-</b>	<b>(3,168,948)</b>	<b>(40,126)</b>	<b>-</b>	<b>(685,515)</b>	<b>(3,894,589)</b>
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)
<b>Balance at 30 June 2022</b>	<b>27,675,653</b>	<b>(24,590,401)</b>	<b>(354,049)</b>	<b>192,387</b>	<b>(3,473,110)</b>	<b>(549,520)</b>

*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 2021

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Performance Rights Reserve	Options & Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>22,710,648</b>	<b>(18,780,156)</b>	<b>(319,317)</b>	<b>160,000</b>	<b>(2,436,054)</b>	<b>1,335,121</b>
Net loss for the year	-	(2,801,297)	-	-	(352,890)	(3,154,187)
Other comprehensive loss	-	-	5,394	-	1,349	6,743
<b>Total comprehensive loss</b>	<b>-</b>	<b>(2,801,297)</b>	<b>5,394</b>	<b>-</b>	<b>(351,541)</b>	<b>(3,147,444)</b>
Shares issued	1,000,000	-	-	-	-	1,000,000
Conversion of director fees to shares	159,016	-	-	-	-	159,016
Shares issued to corporate advisor	205,026	-	-	-	-	205,026
Vesting of share based payments	-	-	-	104,274	-	104,274
<b>Balance at 30 June 2021</b>	<b>24,074,690</b>	<b>(21,581,453)</b>	<b>(313,923)</b>	<b>264,274</b>	<b>(2,787,595)</b>	<b>(344,007)</b>

*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 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		400,934	660,337
Receipts from government grants		-	50,000
Payments to suppliers and employees		(2,865,007)	(2,115,811)
<b>Net cash used in operating activities</b>	10	<b>(2,464,073)</b>	<b>(1,405,474)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,777)	(10,308)
Payments for capitalised product development costs		(931,823)	(691,163)
<b>Net cash used in investing activities</b>		<b>(934,600)</b>	<b>(701,471)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,725,600	1,000,000
Proceeds from the issue of convertible notes		1,250,000	-
Interest received		122	182
Finance costs		(4,530)	(7,662)
<b>Net cash provided by financing activities</b>		<b>3,971,192</b>	<b>992,520</b>
<b>Net decrease in cash and cash equivalents</b>		<b>572,519</b>	<b>(1,114,425)</b>
Cash and cash equivalents at the beginning of the financial year		6,579	1,114,130
Effects of exchange rate changes on cash and cash equivalents		(26,101)	6,874
<b>Cash and cash equivalents at the end of the financial year</b>		<b>552,997</b>	<b>6,579</b>

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



## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: OTHER INCOME

	2022 \$	2021 \$
Covid 19 ATO Relief	-	50,000
Interest income	122	182
	<b>122</b>	<b>50,182</b>

### NOTE 2: CORPORATE & ADMINISTRATION EXPENSES

	2022 \$	2021 \$
Corporate costs	(434,928)	(626,601)
Consulting fees	(475,761)	(337,666)
Occupancy costs	(94,972)	(87,194)
Administration costs	(102,212)	(66,730)
Other expenses	(196,176)	(4,427)
	<b>(1,304,049)</b>	<b>(1,122,618)</b>

### NOTE 3: IMPAIRMENT OF ASSETS

	2022 \$	2021 \$
Write-off of deposit	(50,000)	-
Write-off of receivable	(126,316)	-
	<b>(176,316)</b>	-

This impairment is the write off a non-refundable deposit and a loan receivable related to the operations in the Philippines. The Company's joint venture operator in the Philippines, KneoWorld Philippines Inc, was severely impacted by COVID over the last 2 years, and the deposit and the receivable both deemed uncollectible.

### 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:

	2022 \$	2021 \$
Basic and diluted loss to profit or loss	0.27 cents	0.29 cents
Reconciliation of earnings to profit or loss		
Loss for the year	3,844,432	3,154,187
Loss attributable to non-controlling interest	(675,484)	(352,890)
<b>Earnings used to calculate basic and dilutive EPS</b>	<b>3,168,948</b>	<b>2,801,297</b>

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	1,176,086,567	953,092,998

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 4: LOSS PER SHARE (CONTINUED)

Options (163,722,634) and performance rights (13,011,180) have not been included in the calculation of diluted EPS because they are anti-dilutive.

### NOTE 5: INTANGIBLE ASSETS

	2022 \$	2021 \$
<b>Gross carrying amount</b>		
Balance as at 1 July	2,863,473	2,172,310
Additions	931,823	691,163
<b>Balance at 30 June</b>	<b>3,795,296</b>	<b>2,863,473</b>
<b>Accumulated amortisation and impairment</b>		
Balance as at 1 July	(2,207,366)	(1,539,871)
Amortisation expense	(731,607)	(667,495)
<b>Balance at 30 June</b>	<b>(2,938,973)</b>	<b>(2,207,366)</b>
<b>Net book value at 30 June</b>	<b>856,323</b>	<b>656,107</b>

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 are 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 6: TRADE AND OTHER PAYABLES

	2022 \$	2021 \$
<b>CURRENT (unsecured)</b>		
Trade payables	439,106	408,049
Other creditors and accruals	89,098	242,059
Amounts payable to related parties	59,964	94,538
	<b>588,168</b>	<b>744,646</b>

Payables for superannuation and PAYG withholding are classified as other creditors and accruals.

### NOTE 7: DEFERRED REVENUE

	2022 \$	2021 \$
Balance as at July 1	476,187	49,857
Receipts from customers	398,246	662,066
Revenue recognised	(317,143)	(235,736)
<b>Balance at 30 June</b>	<b>557,290</b>	<b>476,187</b>

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

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 8: 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 30 September 2022 all other terms remained the same.

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

	2022 \$	2021 \$
<b>Reconciliation</b>		
Opening convertible notes at face value	-	
Addition of convertible notes at face value:	1,300,000	
Add: Change in FV of embedded derivative	48,000	
Add: Amortisation of convertible notes fair value	282,000	-
Conversion of convertible notes to shares	(850,000)	-
<b>Balance at 30 June</b>	<b>780,000</b>	-

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 30 June 2022. The table below demonstrates the value of the embedded derivative and host liability.

	2022 \$	2021 \$
Convertible note – host (face) liability at amortised cost	450,000	-
Convertible note – fair value of embedded derivative	330,000	-
<b>Balance at 30 June</b>	<b>780,000</b>	-
<b>Actual value payable on conversion of notes</b>	<b>450,000</b>	

The fair value of the convertible notes is valued using the Black Scholes pricing model. Significant unobservable inputs in applying this technique include the Company's share price used to calculate the 15-day VWAP.

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 9: ISSUED CAPITAL

	2022		2021	
			\$	\$
1,345,877,673 (2021: 988,246,660) fully paid ordinary shares			27,675,653	24,074,690
<b>a. Ordinary Shares</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>	<b>No.</b>
At the beginning of reporting period	24,074,690	988,246,660	22,710,648	906,444,065
Shares issued during the year:				
Conversion of director fees to shares	113,476	9,311,239	159,016	7,302,595
Shares issued (capital raising)	2,725,600	274,433,335	1,000,000	62,500,000
Shares issued to corporate advisor	60,000	4,800,000	205,026	12,000,000
Exercise of convertible notes	850,000	69,086,439	-	-
Transaction costs on shares issued	(148,113)	-	-	-
<b>At reporting date</b>	<b>27,675,653</b>	<b>1,345,877,673</b>	<b>24,074,690</b>	<b>988,246,660</b>

### NOTE 10: CASH FLOW INFORMATION

	2022		2021	
			\$	\$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>				
Loss after income tax			(3,844,432)	(3,154,187)
Non-cash flows in profit:				
Depreciation & amortisation			737,464	672,984
Foreign exchange			(24,515)	(26)
Shares issued in lieu of directors fees			113,476	159,016
Shares issued in lieu of corporate fees			-	309,300
Cost of borrowing in financing activities			4,408	7,480
Convertible notes received in lieu of fees			50,000	
Fair value of movement in conversion rights			48,000	-
Amortisation of convertible notes fair value			282,000	-
Impairment of assets			176,316	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and term receivables			816	220,784
(Increase)/decrease in other assets			55,416	(57,905)
Increase/(decrease) in deferred revenue			81,103	426,330
Increase/(decrease) in trade payables and accruals			(156,478)	(38,324)
Increase/(decrease) in current provisions			8,135	35,333
Increase/(decrease) in non-current provisions			4,218	13,741
<b>Net cash flow outflow from operations</b>			<b>(2,464,073)</b>	<b>(1,405,474)</b>

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 11: 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 2022

#### Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2022

### NOTE 12: CONTINGENT ASSETS AND LIABILITIES

The Group had no material contingent assets and liabilities as at 30 June 2022 (2021: nil).

### NOTE 13: STATUS OF THE AUDIT

This Preliminary Financial Report is based on the Group's 2022 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 14: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 July 2022, 18 convertible notes with a face value of \$450,000 had their maturity date extended to 30 September 2022. It is expected that the remaining note holders will convert their notes into shares on or before the extended maturity date.

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 2022