

AdNeo Limited

Appendix 4D - Half year report

For the half year ended 31 December 2024

Name of entity:	AdNeo Limited
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the half year ended 31 December 2024
Previous corresponding period:	the half year ended 31 December 2023

Results for announcement to the market

Revenue for ordinary activities	Down	4%	to	\$2,096,041
Net loss after tax for the period attributable to members (from ordinary activities)	Up	33%	to	\$3,389,801
Net loss for the period attributable to members	Up	33%	to	\$3,389,801

Net tangible asset per share

	31 December 2024	30 June 2024
Net tangible asset per share (cents)	(4.98)	(7.34)

Dividends

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
Record date for determining entitlements to the dividend - not applicable	-	-

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities – n/a
- Details of associates and joint venture entities - n/a
- Foreign entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Interim review

The interim financial report has been reviewed by AdNeo Limited's independent auditor and the review report is attached as part of the interim report.

AdNeo Limited (formerly AD1 Holdings Limited)

ACN 123 129 162

Consolidated Financial Statements

For the Half Year Ended 31 December 2024

AdNeo Limited (formerly AD1 Holdings Limited)

ACN 123 129 162

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For the Half Year Ended 31 December 2024

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AdNeo Limited (formerly AD1 Holdings Limited)

ACN 123 129 162

Directors' Report

31 December 2024

Your directors present the consolidated financial report of AdNeo Limited ("the Company") and the entities it controlled (together, the "Group", or "AdNeo") for the half year ended 31 December 2024.

Directors

The following persons held office as directors of the Company during the half year and up to the date of this report, unless otherwise stated:

Nicholas Smedley	Interim Chairman (acting as Non-Executive Chairman from 20 January 2023)
Michael Norster	Non-Executive Director
Angus Washington	CEO and Executive Director

On 12 November 2024, the Company appointed Angus Washington as its new CEO, replacing Todd Perkinson. Angus had been a member of the Company's board since February 2024.

Principal activities and significant changes in nature of activities

During the reporting period, the Group's principal activities included:

- providing and delivering software services and technology platforms to its customers, and other related supporting and consulting services; and
- Providing strategic marketing and branding professional services.

The Group's principal activities expanded during the financial half year following the acquisition of Oliver Grace Pty Ltd ("Oliver Grace").

Review of operations

During the period, total income was \$2,097,699 (2023: \$3,060,666). The decline in total revenue is explained predominantly by a decline in Other income to \$1,652 (2023: \$883,202).

Operating revenue was down 4% to \$2,096,041 (2023: \$2,175,959). Decreases in operating revenue are due to:

- The operations of Utility Software Services (USS) being discontinued in 2024 which led to the company not receiving \$358k of revenue in comparison with the prior period.
- ApplyDirect deriving \$236k less income due to one-off project services being delivered in the prior comparative period (PCP) which were not repeated in the half-year ended 31 December 2024. During the current period, ApplyDirect completed the migration of customers over to the new 'Gen3' platform and expects that additional development engagements will start to recommence in the coming months.
- Revenue for the Art of Mentoring business remained flat on the prior comparative period at \$1,224,091 (2023: \$1,212,411). Whilst the business has achieved solid results, including signing \$720k in new total contract value (TCV) sales in Q2, the business has seen customers not renew their services, particularly in Australia, due to customer budget constraints.

AdNeo Limited (formerly AD1 Holdings Limited)

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Directors' Report

31 December 2024

Review of operations (continued)

- Following its acquisition in August 2024, Oliver Grace contributed \$503k of new revenue to the Group. In addition, Oliver Grace has been undertaking projects within the group, leading the rebranding of AD1 Holdings to AdNeo, and working on a brand refresh to Art Of Mentoring. With the rebranding of AdNeo completed, Oliver Grace's focus will shift to completing more external facing engagements.

Other income recognized as at 31 December 2024 was \$1,652 (2023: \$883,202). Other income as at 31 December 2023 included sublicensing fees from Utility Software Services (USS) for \$364k (2024: \$nil). The reduction in sublicensing fees is due to USS's operations being discontinued in FY24 and the subsidiary entering voluntary administration. In addition, the Company recognised an accrual for Research and Development tax incentives at 31 December 2023 for \$491k. The Company has elected not to recognise an accrual as at 31 December 2024, instead electing to conduct its assessment of R&D activities in time for disclosure at 30 June 2025.

Consolidated expenses, before interest, depreciation, amortization and taxes, were down 8.21% to \$3,964,163 (2023: 4,318,722). These results include approximately 5 months of Oliver Grace expenses which were not included in the PCP.

Management successfully undertook cost-saving initiatives that, on an entity comparative basis (i.e. excluding the inclusion of Oliver Grace), included a 34% reduction in employee costs, 14% reduction in consulting and professional services and 68% reduction in occupancy, utilities and office costs. Included in these reductions are \$165,238 attributable to the discontinuation of the USS business on the PCP.

Corporate and Financial Update

In August 2024, AdNeo completed a capital raise of \$2,600,000 (before costs) by issuing 198,700,000 ordinary shares. \$400,000 of the funds raised were applied toward the upfront cash consideration payable on the Oliver Grace acquisition, while the balance of funds have been applied towards working capital requirements, transaction costs and the Company's expansion into North America.

On 14 November 2024, AdNeo completed a consolidation of its issued capital on the basis that every ten (10) existing shares be consolidated into one (1) share in the company. Other securities held in the company were also consolidated at this 1:10 ratio. This consolidation was approved at the extraordinary general meeting of the Company held on 4 November 2024.

Events after the reporting date

AdNeo received a gross \$780k in Jan 2025 from the ATO's Research and Development (R&D) tax incentive, which has been applied to working capital and to reduce liabilities. In addition, the Group executed a strategic cost reduction of an annualised \$1.5m, strengthening AdNeo's cash flow position and setting the business up for future M&A opportunities.

AdNeo Limited (formerly AD1 Holdings Limited)

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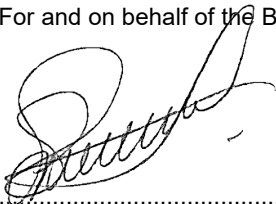
Directors' Report
31 December 2024

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2024 has been received and can be found on page 4 of the consolidated financial report.

The Director's report has been issued following a resolution of the Directors pursuant to section 306(3) of the *Corporations Act 2001*.

For and on behalf of the Board,



Mr Nicholas Smedley

Interim Chairman

Melbourne

Dated this 28th February 2025

To the Board of Directors,

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of AdNeo Limited and its controlled entities for the period ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF FCA
Director

Dated this 28th day of February 2025
Perth, Western Australia

AdNeo Limited (formerly AD1 Holdings Limited)

ACN 123 129 162

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2024

		31 December 2024	31 December 2023
	Note	\$	\$
Operating revenue	3	2,096,041	2,175,958
Other income		1,652	883,202
Interest income		6	1,506
Total revenue		2,097,699	3,060,666
Expenses			
Employee benefits expense	4	(2,259,331)	(2,800,991)
Software development and other IT expense		(480,725)	(408,700)
Consulting and professional service expense		(815,177)	(689,890)
Advertising and marketing expense		(147,319)	(132,118)
Occupancy, utilities and office expense		(57,249)	(104,247)
Depreciation and amortisation expense		(1,188,440)	(954,239)
Travel expense		(8,349)	-
Interest expense		(334,898)	(345,708)
Other expense		(196,013)	(182,773)
Total expenses		(5,487,501)	(5,618,666)
Loss before income tax		(3,389,802)	(2,558,000)
Income tax expense		-	-
Loss for the period		(3,389,802)	(2,558,000)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities		(29,830)	(24,776)
Other comprehensive income for the period, net of tax		(29,830)	(24,776)
Total comprehensive loss for the period		(3,419,632)	(2,582,776)
Loss per share			
Basic loss per share (cents)	5	(3.08)	(3.08)
Diluted loss per share (cents)	5	(3.08)	(3.08)

The accompanying notes form part of these financial statements.

AdNeo Limited (formerly AD1 Holdings Limited)

ACN 123 129 162

Consolidated Statement of Financial Position As At 31 December 2024

	31 December 2024	30 June 2024
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	101,873	164,057
Trade and other receivables	1,228,486	1,204,851
TOTAL CURRENT ASSETS	1,330,359	1,368,908
NON-CURRENT ASSETS		
Property, plant and equipment	102,624	16,341
Other assets	6,681	-
Intangible assets	6,825,978	6,776,176
TOTAL NON-CURRENT ASSETS	6,935,283	6,792,517
TOTAL ASSETS	8,265,642	8,161,425
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,462,843	1,879,852
Borrowings	3,309,906	3,586,175
Current tax liabilities	1,054,396	1,295,121
Employee benefit obligations	208,008	134,328
Contract liabilities	1,047,185	1,064,017
Other liabilities	525,000	-
TOTAL CURRENT LIABILITIES	8,607,338	7,959,493
NON-CURRENT LIABILITIES		
Borrowings	100,262	-
Employee benefit obligations	29,991	24,937
TOTAL NON-CURRENT LIABILITIES	130,253	24,937
TOTAL LIABILITIES	8,737,591	7,984,430
NET (LIABILITIES)/ ASSETS	(471,949)	176,995
EQUITY		
Issued capital	36,829,686	34,092,386
Option reserve	3,465,072	3,392,624
Foreign currency translation reserve	(91,934)	(62,104)
Retained earnings	(40,674,773)	(37,245,911)
TOTAL EQUITY	(471,949)	176,995

The accompanying notes form part of these financial statements.

AdNeo Limited (formerly AD1 Holdings Limited)

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Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2024

	Share capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2024	34,092,386	3,392,624	(62,104)	(37,245,911)	176,995
Loss for the period	-	-	-	(3,389,802)	(3,389,802)
Prior year adjustments - R&D	-	-	-	(39,060)	(39,060)
Other comprehensive income for the year, net of tax	-	-	(29,830)	-	(29,830)
Transactions with owners in their capacity as owners					
Options granted	-	18,812	-	-	18,812
Issue of shares	2,983,500	-	-	-	2,983,500
Capital raising costs	(246,200)	-	-	-	(246,200)
Share-based payment expense	-	53,636	-	-	53,636
Balance at 31 December 2024	36,829,686	3,465,072	(91,934)	(40,674,773)	(471,949)
	Share capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2023	33,663,769	4,867,011	(31,942)	(37,604,445)	894,393
Loss for the period	-	-	-	(2,558,000)	(2,558,000)
Other comprehensive income for the year, net of tax	-	-	(24,776)	-	(24,776)
Transactions with owners in their capacity as owners					
Issue of shares	428,617	-	-	-	428,617
Share-based payment expense	-	135,157	-	-	135,157
Options expired/forfeited	-	(914,768)	-	914,768	-
Balance at 31 December 2023	34,092,386	4,087,400	(56,718)	(39,247,677)	(1,124,609)

The accompanying notes form part of these financial statements.

AdNeo Limited (formerly AD1 Holdings Limited)

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Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2024

	31 December 2024	31 December 2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,340,281	3,309,559
Payments to suppliers and employees	(3,327,493)	(4,632,949)
Government grants and R&D claims	-	999,670
Income taxes paid	-	(7,836)
Interest income	6	1,506
Interest and other costs of finance paid	(166,567)	(90,488)
Net cash (outflow) from operating activities	<u>(1,153,773)</u>	<u>(420,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,363)	(2,349)
Payments for software development	(294,182)	3,853
Acquisition of OG (net of cash acquired)	(295,952)	-
Net cash (outflow) from investing activities	<u>(591,497)</u>	1,504
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and other equity securities	1,745,000	-
Capital raising costs	(77,728)	-
Proceeds from borrowings	25,000	-
Transactions costs related to loans and borrowings	(9,186)	-
Net cash (outflow) from financing activities	<u>1,683,086</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	(62,184)	(419,034)
Cash and cash equivalents at beginning of year	164,057	1,210,930
Cash and cash equivalents at end of the period	<u>101,873</u>	<u>791,896</u>

The accompanying notes form part of these financial statements.

AdNeo Limited (formerly AD1 Holdings Limited)

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

1 Basis of preparation

The consolidated interim financial statements of AdNeo Ltd ("AdNeo" or the "Group") for the six (6) months ended 31 December 2024 are presented in Australian Dollars(\$), which is the functional currency of the Group. 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 financial statements of the Group for the year ended 30 June 2024 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 _____ 2025.

(a) Going concern

During the period the Group incurred a loss of \$3,389,802 and had net cash out flows from operating activities of \$1,153,773. The financial position of the Group at 31 December 2024 shows an excess of current liabilities over current assets of \$7,276,979. These conditions indicate a material uncertainty that may cast doubt about the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has prepared a cash flow forecast for the next 16 months from the date of this report, indicating that the Group is expected to have a positive cash balance by the end of June 2026.
- In January 2025, AdNeo received a gross amount of \$780,000 from the ATO for the Company's FY24 Research and Development Tax Incentive. These funds were applied to working capital and to reduce the Company's liabilities.
- In January 2025, management executed a cost reduction strategy to an annualised value of \$1.5million.
- Management anticipates several new business opportunities and reactivations in March and April 2025, which are expected to contribute positively to the Group's financial position. The group has identified some clients that are at risk, with the US Department of Labor being a notable example. The timing of the renewal of this contract is uncertain as a result of the reported program cuts and funding freezes currently being undertaken by the US Government and its Department of Government Efficiency (DOGE).
- The successful acquisition of the award-winning creative agency, Oliver Grace ("OG"), in August 2024 contributes accretive annual revenues of \$1.6 million, with significant growth potential and performance-based earn-out milestones.
- Current payment arrangements have been assessed and modeled to determine their impact on cash flow
- The Directors believe that there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance its portfolio through the ongoing support of key shareholders and lenders.

AdNeo Limited (formerly AD1 Holdings Limited)

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

1 Basis of preparation (continued)

The Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(b) Basis for preparation

These interim financial statements include the assets and liabilities of AdNeo Limited and its controlled entities as a whole as at the end of the period and the consolidated results and cash flows for the period.

The interim financial statements of the controlled entities are prepared for the same reporting period as AdNeo Limited, using consistent accounting policies.

2 Segment information

The Group operates in one segment, being the provision and delivery of software services and technology platforms to its customers, and other related supporting and consulting services. The segment details are therefore fully reflected in the body of the interim financial report.

3 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	31 December 2024	31 December 2023
	\$	\$
SaaS and Managed Services - USA	326,201	-
IT Development and Consulting - USA	8,460	-
SaaS and Managed Services	1,666,809	1,972,356
IT Development and Consulting	94,571	203,602
	2,096,041	2,175,958
Services at a point in time	891,818	1,178,242
Services transferred over time	1,204,223	997,716
	2,096,041	2,175,958

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

3 Revenue from contracts with customers (continued)

(b) Information of major customers

The Group had the following major customers with revenues amounting to 10 percent or more of the total group revenues:

	31 December 2024	31 December 2023
	\$	\$
Blue NRG	-	40%
DLB*	9%	-

*Less than 10%

4 Expenses

	31 December 2024	31 December 2023
	\$	\$
<i>Employee benefit expense</i>		
Share-based payment	72,448	135,157
Salaries and wages	1,612,974	2,260,477
Superannuation	139,926	206,676
Other employee related expenses	433,983	198,681
Total	2,259,331	2,800,991

5 Loss per share

(a) Basic & diluted loss per share

	31 December 2024	31 December 2023
	\$	\$
Basic loss per share	(3.08)	(3.08)
Diluted loss per share	(3.08)	(3.08)

(b) Reconciliation of loss used in calculating loss per share

	31 December 2024	31 December 2023
	\$	\$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted loss per share	(3,389,802)	(2,558,000)

AdNeo Limited (formerly AD1 Holdings Limited)

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

5 Loss per share (continued)

(c) Weighted average number of shares used as denominator

	31 December 2024	31 December 2023
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	110,152,567	82,981,242

The loss per share for 2023 being disclosed has been restated to reflect the 1:10 consolidation that took place on 14 November 2024, following approval at the Company's extraordinary general meeting held on 4 November 2024, in accordance with AASB 133 Earnings per Share.

As the Group is still loss making, options over ordinary shares outstanding at 31 December 2024 and 31 December 2023 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

6 Intangible Assets

	31 December 2024	30 June 2024
	\$	\$
Goodwill	3,479,098	2,258,052
Software & licences	3,186,853	4,313,725
Customer contracts	160,027	204,399
Total	6,825,978	6,776,176

	Goodwill	Software and licenses	Customer contracts	Total
	\$	\$	\$	\$
As at 30 June 2024				
Cost	3,953,191	8,864,053	548,588	13,365,832
Accumulated amortisation/impairment	(1,695,139)	(4,550,328)	(344,189)	(6,589,656)
Net book value	2,258,052	4,313,725	204,399	6,776,176
Movements:				
Opening net book value	2,258,052	4,313,725	204,399	6,776,176
Acquisition via business combination	1,221,046	-	-	1,221,046
Amortisation	-	(1,126,872)	(44,372)	(1,171,244)
Impairment	-	-	-	-
Closing net book value	3,479,098	3,186,853	160,027	6,825,978

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

7 Borrowings

	31 December 2024	30 June 2024
	\$	\$
CURRENT		
Unsecured liabilities:		
Convertible notes	3,309,906	3,586,175
Total current borrowings	3,309,906	3,586,175
NON-CURRENT		
Borrowing	100,262	-
Total non-current borrowings	100,262	-

8 Share capital

(a) Ordinary shares

	31 December 2024	31 December 2024	30 June 2024	30 June 2024
	Shares	\$	Shares	\$
Ordinary shares - fully paid	146,406,946	36,829,686	898,648,377	34,092,386
	146,406,946	36,829,686	898,648,377	34,092,386

(b) Movements in ordinary share capital

	No. of shares	\$
31 December 2024		
Opening balance as at 30 June 2024	898,648,377	34,092,386
Issue of new ordinary shares - 13 Aug placement	198,700,000	993,500
Pre-consolidation of shares (Date)	1,097,348,377	35,085,886
Consolidation/Split of shares (14 Nov 2024)	109,734,838	35,085,886
Issue of new ordinary shares - 30 Nov placement	9,000,000	450,000
Issue of new ordinary shares - 04 Dec placement	22,800,000	1,140,000
Issue of new ordinary shares - 31 Dec placement (Acquisition of OG)	4,872,108	400,000
Capital Raising Cost	-	(246,200)
Closing balance	146,406,946	36,829,686

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

8 Share capital (continued)

	Number of shares	\$
30 June 2024		
Opening balance as at 30 June 2023	812,925,053	33,663,769
Shares issued - Nov 30 placement	40,000,000	200,000
Shares issued - Nov 30 placement	6,000,000	30,000
Shares issued - Dec 31 placement	39,723,324	198,617
As at 30 June 2024	898,648,377	34,092,386

(c) Details of movements in ordinary shares

Details		No. of shares	Issue price \$	Amount \$
31 December 2024			-	
31-Dec-24	Issue of new ordinary shares (acquisition of OG)	4,872,108	0.0821	400,000
04-Dec-24	Issue of new ordinary shares	22,800,000	0.0500	1,140,000
04-Dec-24	Issue of new ordinary shares	9,000,000	0.0500	450,000
14-Nov-24	Movement due to consolidation of shares	(987,613,539)	-	-
13-Aug-24	Issue of new ordinary shares	198,700,000	0.0050	993,500
		<u>(752,241,431)</u>	-	<u>2,983,500</u>
30 June 2024				
29-Dec-23	Issue of new ordinary shares	39,723,324	0.0050	198,617
30-Nov-23	Issue of new ordinary shares	6,000,000	0.0050	30,000
30-Nov-23	Issue of new ordinary shares	40,000,000	0.0050	200,000
		<u>85,723,324</u>	-	<u>428,617</u>

9 Reserve

(a) Options reserve

	31 December 2024	31 December 2024	30 June 2024	30 June 2024
	Options	\$	Options	\$
Options over ordinary shares	46,333,333	3,465,072	213,333,333	3,392,624
	<u>46,333,333</u>	<u>3,465,072</u>	<u>213,333,333</u>	<u>3,392,624</u>

The reserve is used to recognise:

- The fair value of options issued to employees but not exercised; and
- The fair value of options issued for goods and services received but not exercised.

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

9 Reserve (continued)

(b) Movements in options reserve

	No. of options	\$
31 December 2024		
Opening balance	213,333,333	3,392,624
Consolidation Ratio (10:1)	0.10	-
	<hr/>	<hr/>
Consolidation/Split of options (14 Nov 2024)	21,333,333	3,392,624
Issue of new options over ordinary shares	12,500,000	10,020
Issue of new options over ordinary shares	12,500,000	8,792
Share based payments expense	-	53,636
	<hr/>	<hr/>
Closing balance	46,333,333	3,465,072
30 June 2024		
Opening balance	299,633,333	4,867,011
Share based payments expense	-	196,670
Options forfeited/expired	(86,300,000)	(1,671,057)
	<hr/>	<hr/>
Closing balances	213,333,333	3,392,624

(c) Details of movements in options reserve

		No. of options	Amount \$
31 December 2024			
31-Dec-24	Share-based payment expense	-	53,636
04-Dec-24	Options issued	12,500,000	10,020
04-Dec-24	Options issued	12,500,000	8,792
		<hr/>	<hr/>
		25,000,000	72,448
30 June 2024			
30-Jun-24	Options forfeited	86,300,000	(1,671,057)
30-Jun-24	Share-based payment expense	-	196,670
		<hr/>	<hr/>
		86,300,000	(1,474,387)

AdNeo Limited (formerly AD1 Holdings Limited)

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

10 Share based payments

The Company's Employee and Executive Incentive Plan ("EEIP") is designed to provide long-term incentives for eligible employees to deliver long-term shareholder returns. Under the EEIP, participants are granted options over ordinary shares. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits

(a) Options granted during the period

	31 December 2024	31 December 2024 Average exercise price	30 June 2024	30 June 2024 Average exercise price
	No. of options	\$	No. of options	\$
Opening balance	213,333,333	0.16	299,633,333	0.16
Consolidation Ratio (10:1)	0.10	-	-	-
Consolidation/Split of options (14 Nov 2024)	21,333,333	-	-	-
Granted during the year	25,000,000	-	-	-
Forfeited/Expired during the year	-	0.16	(86,300,000)	0.16
Total	46,333,333	0.16	213,333,333	0.16

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 December 2024	30 June 2024
	\$	\$
Expense from options granted in current period	18,812	-
Expense from options granted in prior period	53,636	196,670
	<u>72,448</u>	<u>196,670</u>

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

11 Investment in controlled entities

The Group's principal subsidiaries at 31 December 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership held by the group		Ownership interest held by non-controlling interest	
		2024 %	2023 %	2024 %	2023 %
<i>Ultimate parent entity</i>					
AdNeo Limited (formerly AD1 Holdings Limited)	Australia				
<i>Controlled entities</i>					
Utility Software Services Pty Ltd	Australia	100	100	-	-
Art of Mentoring Holdings Pty Ltd	Australia	100	100	-	-
Art of Mentoring Pty Ltd	Australia	100	100	-	-
Art of Mentoring Inc	United States	100	100	-	-
Oliver Grace Pty Ltd	Australia	100	-	-	-

12 Related Party Transactions

The Group has the following transactions with Blue NRG and Capital Heights. Blue NRG's director is Michael Norster, while Capital Heights' director is Nicholas Smedley.

	31 December 2024	31 December 2023
	\$	\$
Payment for M&A and corporate advisory services	340,012	66,000
Directors' Loans	25,000	-
Other services	983	59,156
Payment for electricity supplied	-	967
Revenue from contract with customer	-	871,002
Total	365,995	997,125

All transactions were made on nominal commercial terms and conditions and at market rates.

13 Other liabilities

	31 December 2024	30 June 2024
	\$	\$
<i>Other current liabilities</i>		
Deferred Consideration - Deferred Amount	275,000	-
Deferred Consideration - Deferred Share Value	250,000	-
Total	525,000	-

Contingent consideration relates to the acquisition of Oliver Grace. Refer to Note 14 Business Combinations for further details.

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

14 Business Combination

Contingent On 8th August 2024, the Group successfully completed the acquisition of Oliver Grace Pty Ltd. The first tranche of the acquisition, consisting of \$400k in cash, was paid. Additionally, 4,872,108 completion shares, valued at \$400k, were issued on 31st December 2024.

The total consideration for the acquisition also includes a deferred payment of \$275k and \$250k worth of shares, both payable on the first anniversary of completion. An earnout of up to \$325k in cash and shares valued at up to \$350k will be paid, contingent upon the revenue performance of the company.

The Group anticipates significant synergies in terms of cost savings, as well as potential revenue growth, arising from the integration of the two businesses.

	31 December 2024
Purchase consideration	\$
Cash paid	400,306
Completion Shares	400,000
Contingent Consideration - Deferred Amount	275,000
Contingent Consideration - Deferred Share Value	250,000
Total purchase consideration	<u>1,325,306</u>
	31 December 2024
	\$
Current assets	
Cash and cash equivalents	104,354
Trade and other receivables	157,454
Total Current Assets	<u>261,808</u>
Non-current assets	
Intangible assets	4,597
Property, plant and equipment	101,629
Other non-current assets	2,570
Total Non-current Assets	<u>108,796</u>
Total Assets	<u>370,605</u>
	116,241
Trade and other payables	39,083
Employee benefits	<u>155,324</u>
Total Current Liabilities	<u>155,324</u>

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Notes to the Financial Statements For the Half Year Ended 31 December 2024

14 Business Combination (continued)

Borrowings	<u>111,021</u>
Total Non-Current Liabilities	<u>111,021</u>
Total Liabilities	<u><u>266,345</u></u>
Net identifiable assets acquired	<u>104,260</u>
Add: Goodwill	<u>1,221,046</u>
Cash used to acquired the business	<u>1,325,306</u>
Less: Cash and cash equivalents	<u>(104,354)</u>
Net cash used	<u><u>1,220,952</u></u>

The Earn-Out Payment is contingent on the Company's performance, with the full Earn-Out of \$325,000 and \$350,000 worth of shares payable if Revenue exceeds \$2.5M and EBITDA is at least 20% of Revenue. If Revenue and EBITDA are within 10% of the target, the Earn-Out is proportionally reduced. If they fall more than 10% below the target, the Earn-Out is nil.

The Earn-Out Payment, being contingent, was excluded from the consideration in calculating the Goodwill.

The Company has opted to recognise a provisional Goodwill amount until such time as the measurement period has lapsed.

15 Events Occurring After the Reporting Date

AdNeo received a gross \$780k in Jan 2025 from the ATO's Research and Development (R&D) tax incentive, which has been applied to working capital and to reduce liabilities. In addition, the Group executed a strategic cost reduction of an annualised \$1.5m, strengthening AdNeo's cash flow position and setting the business up for future M&A opportunities.

AdNeo Limited (formerly AD1 Holdings Limited)

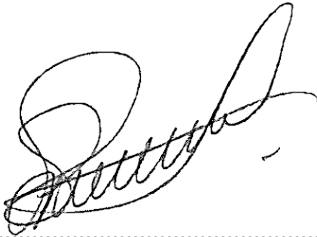
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Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2024 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



.....

Mr Nicholas Smedley
Interim Chairman

Dated this 28th February 2025

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ADNEO LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of AdNeo Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2024, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of material accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AdNeo Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* 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.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$3,389,802 during the half year ended 31 December 2024. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company 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 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 Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF FCA
Director

Dated this 28th day of February 2025
Perth, Western Australia