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ASX/Media Release

KNeoMedia completes \$1.25 million capital raising to accelerate growth in Asia and North America

- **\$1.25 million capital raising to drive strategic marketing and expansion of KNeoWORLD.com Edutainment Games Portal in Asia and North America**
- **KNeoWORLD.com marketing activities to include launch of Mandarin language product, KNeoJUNIOR, in Guangdong Province China**
- **Targeting significant expansion across New York City schools following successful KNeoWORLD trial programs to over 500,000 students**
- **Funds raised allow KNeoMedia to accelerate revenue generating opportunities in China, other markets in Asia, and North America**

KNeoMedia Limited (KNeoMedia or the “Company”) (ASX: KNM) is pleased to announce it has completed a \$1.25 million capital raising with BBY Asia Pacific Group Pty Ltd to fund its growth initiatives in the North American and Chinese ‘edutainment’ market (education + entertainment = edutainment). The share placement at 2.25 cents per share, which was over-subscribed, was made to new and existing shareholders who are sophisticated investors. The placement shares are expected to be issued next week.

The funds raised will be used to accelerate the marketing of the Company’s KNeoWORLD.com Edutainment Games Portal in North America and China, and for the retirement of \$300,000 convertible notes and options.

China-focused marketing activities will include the marketing and publishing the Company’s mandarin language KNeoJUNIOR for the first time in Guangdong Province China under a distribution agreement signed in 2014 with SmartTrans Holdings Limited (ASX: SMA). It is anticipated KNeoJUNIOR will soon after be published throughout China and followed in quick succession by two further products for distribution by SmartTrans who have significant consumer reach and distribution across a number of provinces in China. The Company is also pursuing opportunities for its products in other Asian markets with an announcement expected in the coming weeks.

In North America, KNeoMedia has undertaken in-school trials in New York City over the past 12 months to validate both the efficacy of its game-based learning platform, and to confirm the engaging nature of the platform’s structure and content.

Furthermore, the successful outcome of the trial has facilitated access to 500,000 students at public, private, and catholic schools in the greater New York area via the PTA fund raising revenue model and also through the foundation-funded model. The latter involves corporate, government, and private foundations providing funds for students at less affluent schools to also adopt educational programs including the KNeoWORLD Game Based Learning Portal.

The Company has recently successfully trialed KNeoWORLD with special education needs students, including students with Autism, at schools in the New York area. A marketing and sales initiative will commence in mid-June to deliver KNeoWORLD to potentially 200,000 students at these schools.

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In March 2015, the Company announced the appointment of Carlo Spicola as head of Production and Product Development, and the outsourcing of web and application development to Blastoff of Goa, India. These appointments have significantly accelerated product development and the generation of earlier and greater revenue opportunities. Mr. Spicola and Blastoff will work closely with New York based KNeoMedia director Frank Lieberman with whom they have previously successfully commercialised online entertainment products.

KNeoMedia plans to continue building its revenue base by replicating its Chinese-focused distribution model throughout South East Asia. The Company also plans to broaden its US-focused marketing strategy to encompass additional jurisdictions outside of New York.

Commenting on the capital raising and growth prospects, KNeoMedia's Chief Executive Officer James Kellett said: "This capital raising gives us the financial flexibility to pursue immediate revenue-generating opportunities in two very large and diverse economies – China and North America. Other markets in Asia also offer potential, and we expect to announce the entry into new jurisdictions shortly. With a footprint across multiple markets, we are significantly de-risking the Company's operations by creating future revenue streams across multiple markets."

"Edutainment is a large and growing market, and by combining education with entertainment, we are confident that our portfolio of products will build sustainable future revenue streams by delivering engaging and educational content to a growing subscriber base."

"We welcome and thank our new shareholders for their support and look forward to updating all shareholders in the near term on our operational progress in North America, China, and shortly, other markets in Asia."

- ENDS -

About KNeoMedia Limited:

KNeoMedia Limited is an online games publishing company that delivers world-class edutainment games to global educational and consumer markets (education + entertainment = edutainment). KNeoMedia publishes and markets from its US-based subsidiary, KNeoWORLD Inc., and sells on a micro-subscription and Apps basis through the KNeoWORLD.com games portal, Apps Stores and via distribution agreements and education departments.

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

KNeoWORLD is a fun education games portal where young students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science and arts. KNeoWORLD Apps comply with child online protection and the parent approved simple subscription model provides KNeoWORLD with a global opportunity to quickly deploy in a product vacuum and become a market leader.

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