



20 November 2017: ASX/Media Release (ASX: KNM)

KNeoMedia Issue of Securities and Appendix 3B

Online education publisher **KNeoMedia Limited** (“**KNeoMedia**” or the “**Company**”) (ASX: **KNM**) is pleased to confirm that the second and final tranche of the capital raising placement announced by the Company on 20 October 2017 has been completed.

The placement shares have been issued to predominantly institutional and sophisticated investors, as detailed in the **attached** Appendix 3B. The Appendix 3B also reflects the issue of other securities in the Company, following shareholder approvals and ratifications obtained at KNeoMedia’s recent 2017 Annual General Meeting.

– ENDS –

About KNeoMedia Limited:

KNeoMedia Limited is an online education publishing company that delivers world-class education assessment products and games-based learning to global educational markets.

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWorld Inc., and sells on a seat licence and micro-subscription basis through the KNeoWorld.com games portal and via education departments and distribution agreements.

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 an education games portal where young and also special needs 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, arts, reasoning and memory. KNeoWorld products provide extensive analytical performance data to educators and comply with child online privacy protection. Our SaaS model provides KNeoWorld with a global education market opportunity addressing both regular and special needs students.

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

KNEOMEDIA LIMITED

ABN

41 009 221 783

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | 1. Fully paid ordinary shares (Shares).
2. Options, each to acquire one fully paid ordinary share (Options) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 70,799,197 Shares
2. 10,000,000 Options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | The Shares are of the same class and rank equally with all other fully paid ordinary shares on issue.
5,000,000 Options are exercisable at \$0.025 each on or before 3 May 2018.
5,000,000 Options are exercisable at \$0.0585 each on or before 20 November 2020. |
| 4 | Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? | The Shares are of the same class and rank equally with all other fully paid ordinary shares on issue. |

+ See chapter 19 for defined terms.

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<p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	<p>The Options will not be quoted or rank equally with any class of quoted securities. However, the underlying shares issued on exercise of the Options will rank equally with all other fully paid ordinary shares then on issue in the Company.</p>
<p>5 Issue price or consideration</p>	<p>In relation to the Shares:</p> <ul style="list-style-type: none">▪ 35,603,752 Shares were issued at \$0.045 per Share, under Tranche 2 of the capital raising placement announced by the Company on 20 October 2017 (Placement Shares).▪ 23,487,043 Shares were issued to a convertible note holder at \$0.01277 per Share, following the holder's exercise of its entitlement under the terms of the note to subscribe for new Shares at the note conversion price (Note Shares).▪ 9,000,000 Shares were issued under the Company's Long Term Incentive Plan (LTIP) for nil cash consideration (LTIP Shares).▪ 1,756,867 Shares were issued to a Non-Executive Director and a former Non-Executive Director of the Company in lieu of outstanding Director fees owed to them, at a deemed issue price of \$0.0655 per Share (Fee Shares).▪ 951,535 Shares were issued to option holders upon exercise of their options at an exercise price of \$0.025 per Share. <p>The 10,000,000 Options were issued for nil cash consideration, as part consideration for services provided by brokers which facilitated the Company's recent capital raising placements.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The Shares were issued for the following purposes:</p> <ul style="list-style-type: none">▪ The Placement Shares were issued to raise funds, under Tranche 2 of the capital raising

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placement announced by the Company on 20 October 2017.

- The Note Shares were issued to a convertible note holder pursuant to its exercise of subscription entitlements under the terms of its convertible note.
- The LTIP Shares were issued under the Company's LTIP.
- The Fee Shares were issued in lieu of outstanding fees owed to a Non-Executive Director and a former Non-Executive Director of the Company.
- 951,535 Shares were issued upon exercise of 951,535 options

The Options were issued as part consideration for services provided by brokers which facilitated the Company's capital raisings.

6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	15 November 2017
6c	Number of +securities issued without security holder approval under rule 7.1	<ul style="list-style-type: none"> ▪ 35,603,752 Placement Shares ▪ 5,000,000 Options ▪ 1,051,065 Fee Shares
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	<p>The following securities were issued with shareholder approval obtained at the Company's AGM on 15 November 2017:</p> <ul style="list-style-type: none"> ▪ 23,487,043 Note Shares ▪ 2,000,000 LTIP Shares ▪ 705,802 Fee Shares ▪ 5,000,000 Options

+ See chapter 19 for defined terms.

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6f	Number of +securities issued under an exception in rule 7.2	<ul style="list-style-type: none">▪ 951,535 Shares▪ 7,000,000 LTIP Shares
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	See Annexure 1
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	20 November 2017

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8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		588,168,644	Fully paid ordinary shares
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		5	Convertible Notes
		15,185,185	Options exercisable at \$0.045 on or before 26 June 2018
		30,289,428	Options exercisable at \$0.025 on or before 3 May 2018
		26,155,358	Options exercisable at \$0.025 on or before 21 November 2018
		5,000,000	Options exercisable at \$0.0585 on or before 20 November 2020
	10,511,180	Performance Rights	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Rank equally with the existing shares	

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A

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16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A

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28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Issue date	N/A

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1*
* The Company is only applying for quotation of the Shares (not Options) described in Part 1.

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

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40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

N/A

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

N/A

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	N/A	N/A

+ See chapter 19 for defined terms.

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Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



SOPHIE KARZIS
Company Secretary
20 November 2017

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	329,994,997 fully paid ordinary shares
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>6,981,380 shares issued on 24 March 2017</p> <p>9,406,010 shares issued on 1 May 2017</p> <p>105,139,242 shares issued on 15 June 2017</p> <p>7,049,334 Shares issued on 2 August 2017</p> <p>3,425,000 Shares issued on 4 August 2017</p> <p>2,314,286 Shares issued on 1 September 2017</p> <p>1,264,286 Shares issued on 15 September 2017</p> <p>1,668,108 Shares issued on 26 September 2017</p> <p>175,000 shares issued on 3 October 2017</p> <p>34,144,380 Shares issued on 20 November 2017</p>
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	501,562,023
Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>

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Multiply “A” by 0.15	75,234,303
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of ⁺equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>20,522,096 Shares issued on 26 October 2017</p> <p>36,654,817 Shares issued on 20 November 2017</p> <p>5,000,000 Options issued on 20 November 2017</p>
“C”	62,176,913
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	75,234,303
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	62,176,913
<p>Total [“A” x 0.15] – “C”</p>	<p>13,057,390</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	501,562,023
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	50,156,202
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
<i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	29,429,708 Shares issued on 26 October 2017
“E”	29,429,708
Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	50,156,202
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	29,429,708
Total [“A” x 0.10] – “E”	20,726,495 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.