



21 November 2016

ASX/Media Release

(ASX: KNM)

Appendix 3B – issue of new securities

KNeoMedia Limited (“KNeoMedia” or the “Company”) (ASX: KNM) advises that new shares and options in the Company have been issued today, following shareholder approvals and ratifications obtained at the recent Annual General Meeting.

The Company thanks and welcomes those new and existing sophisticated investors who have participated in the capital raisings and securities issues which are set out in the attached Appendix 3B.

– 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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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. 31,763,976 Shares
2. 31,214,287 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) | 1. The Shares are of the same class and rank equally with all other shares on issue.
2. The Options are exercisable at \$0.025 each on or before 5.00pm (Melbourne time) on 21 November 2018. |
| 4 | 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: <ul style="list-style-type: none">the date from which they do | 1. The Shares are of the same class and rank equally with all other fully paid ordinary shares on issue.
2. The Options will not be quoted or rank equally with any class of quoted securities. However, the shares issued on exercise of |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

<ul style="list-style-type: none">• 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 rank equally with all other fully paid ordinary shares then on issue in the Company.</p>
5 Issue price or consideration	<ol style="list-style-type: none">1. The Shares are issued as follows:<ul style="list-style-type: none">▪ 3,192,548 Shares are issued to Non-Executive Director Mr Jeffrey Bennett in lieu of Directors fees at a deemed issue price of \$0.01811 per Share (Bennett Shares).▪ 14,285,714 Shares are issued to the Company's Executive Chairman Mr James Kellett, in repayment of a \$200,000 loan from Mr Kellett to the Company, at an issue price of \$0.014 per Share (Kellett Shares).▪ 14,285,714 Shares are issued at a deemed issue price of \$0.014 per Share (Capital Raising Shares).2. The Options are issued for nil cash consideration.
6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<ol style="list-style-type: none">1. The Shares are issued for the following purposes:<ul style="list-style-type: none">▪ The Bennett Shares are issued lieu of payment of accrued Director's fees to Mr Jeffrey Bennett.▪ The Kellett Shares are issued in repayment of a \$200,000 loan to the Company from Mr James Kellett.▪ The Capital Raising Shares are issued to retire debt owed by the Company through conversion of such debt.2. The Options are issued for the following purposes:<ul style="list-style-type: none">▪ 7,142,857 Options are issued as free attaching Options (on a 1 for 2 basis) to the Kellett Shares (Kellett Attaching Options).▪ 7,142,858 Options are issued as free attaching Options (on a 1 for 2 basis) to

Appendix 3B
New issue announcement

		<p>the Capital Raising Shares (Capital Raising Attaching Options).</p> <ul style="list-style-type: none"> ▪ 11,428,572 Options are issued as free attaching Options (on a 1 for 2 basis) to the 22,857,143 Shares in the Company which were issued on 19 October 2016 under a capital raising placement, pursuant to the terms of that placement (October Placement Attaching Options). ▪ 5,500,000 Options are issued in consideration for services provided to the Company in relation to past placements (Service Provider Options).
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	15 November 2016
6c	Number of +securities issued without security holder approval under rule 7.1	<ul style="list-style-type: none"> ▪ 11,428,572 October Placement Attaching Options ▪ 5,500,000 Service Provider Options
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 2016 Annual General Meeting held on 15 November 2016 (2016 AGM):</p> <ul style="list-style-type: none"> ▪ 14,285,714 Capital Raising Shares ▪ 7,142,858 Capital Raising Attaching Options
6f	Number of +securities issued under an exception in rule 7.2	<p>The following securities were issued under Exception 14 of ASX Listing Rule 7.2 pursuant to shareholder approval obtained at the 2016 AGM:</p> <ul style="list-style-type: none"> ▪ 3,192,548 Bennett Shares ▪ 14,285,714 Kellett Shares ▪ 7,142,857 Kellett Attaching Options

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

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.

21 November 2016

8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)

Number	+Class
329,994,997	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
31	Convertible Notes
15,185,185	Options exercisable at \$0.045 on or before 26 June 2018
32,000,143	Options exercisable at \$0.025 on or before 3 May 2018
31,214,287	Options exercisable at \$0.025 on or before 21 November 2018
10,511,180	Performance Rights

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Rank equally

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
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

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

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
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

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 the subject of this Appendix 3B**
- (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
- 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

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	N/A
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	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	N/A	N/A

Appendix 3B

New issue announcement

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
21 November 2016

+ See chapter 19 for defined terms.

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	171,851,370 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>2,222,222 shares issued on 20 November 2015</p> <p>36,150,000 shares issued on 21 December 2015</p> <p>7,150,000 shares issued on 15 April 2016</p> <p>58,000,286 shares issued on 3 May 2016</p> <p>31,763,976 shares issued on 21 November 2016</p>
Subtract the number of fully paid ⁺ ordinary securities cancelled during that 12 month period	Nil
“A”	307,137,854
Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	46,070,678

Appendix 3B
New issue announcement

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>4,435,070 shares issued on 19 October 2016</p> <p>11,428,572 October Placement Attaching Options issued on 21 November 2016</p> <p>5,500,000 Service Provider Options issued on 21 November 2016</p>
“C”	21,363,642
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>	46,070,678
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	21,363,642
<p>Total [“A” x 0.15] – “C”</p>	<p>24,707,036</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

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>	307,137,854
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	30,713,785
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> 	18,422,073 shares issued on 19 October 2016
“E”	18,422,073
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>	30,713,785
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	18,422,073
Total [“A” x 0.10] – “E”	12,291,712 <i>Note: this is the remaining placement capacity under rule 7.1A</i>