



15 June 2017: ASX/Media Release (ASX: KNM)

KNeoMedia Strengthens Balance Sheet and Appendix 3B

- **\$700,000 of convertible notes converted with has reduced KNM's remaining debt to ~\$175,000**
- **An additional \$700,000 raised from placement of entitlement shares attached to convertible notes**
- **New funds and growing cash flows allow KNM to scale up roll-out into NY Public School system and broader US education market**

Online education publisher **KNeoMedia Limited ("KNeoMedia" or the "Company") (ASX: KNM)** is pleased to advise that holders of convertible notes with a total face value of \$700,000 have converted their notes (and accrued interest) into fully paid ordinary shares in KNeoMedia, substantially reducing the Company's debt and future interest expenses. There are now \$175,000 worth of convertible notes remaining and KNeoMedia has no other debt.

The convertible note holders also held entitlements to subscribe for new fully paid ordinary shares in KNeoMedia equal to the value of the notes converted. The Company is pleased to confirm that the note holders have elected to exercise their subscription entitlements, with the result that the Company has raised \$700,000 in new funds. New shares to the total value of \$400,000 have been issued in accordance with the accompanying Appendix 3B, and the balance of new shares to the value of \$300,000 will be issued subject to shareholder approval which the Company intends to seek at a general meeting

These conversions and take-up of new share entitlements demonstrates a high level of confidence in KNeoMedia's near-term growth prospects, and is a major turning point in terms of consolidating the capital structure. The new funding and growing cash flows from sales provide the Company with the necessary flexibility to fast-track and scale up the rollout of the Company's education content into the New York Public School network, where it is achieving good success and growing visibility, and into the wider US education market where inquiry is also growing. As well, progress in the Philippines is also favourable.

KNeoMedia has now sold a total of 5,200 additional Seat Licences across 21 individual schools, including 2,700 sales in May, and anticipates continuing sales this month and thereafter. Sales momentum will be supported by an expanded sales team, which is not expected to add materially to the cost base, and the previously announced expansion of education products to include Pre-K and AIS students which greatly increases the target market.

KNeoMedia's Chief Executive Officer James Kellett said: "KNeoMedia is now exceptionally well placed with a stronger balance sheet, growing cash flows, and cash at bank to deliver sustainable and material growth by accelerating sales of our education content into the New York Public School system and the wider US education market. Our immediate priority is to deliver greater scale in the New York market and we expect to report on more sales shortly. We have a well-defined market in the US and this is our focus at this time."

– 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 and consumer markets.

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWORLD Inc., and sells on a seat licence and 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 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 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.

For further information, please contact:

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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 | Fully paid ordinary shares (Shares). |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 105,139,242 Shares |
| 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. |
| 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: | 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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<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>5 Issue price or consideration</p>	<ul style="list-style-type: none"> ▪ 54,803,103 Shares have been issued upon the conversion of convertible notes with a total face value of \$700,000 (Convertible Notes). These Shares have been issued at a conversion price of \$0.01277 per Share (Conversion Price). ▪ 19,020,079 Shares have been issued upon conversion of accrued interest payable on the Convertible Notes. These Shares have been issued at a conversion price of \$0.01597 per Share. ▪ 31,316,060 Shares have been issued to a number of holders of the Convertible Notes at the Conversion Price, pursuant to the right of those holders under the terms of the Convertible Notes to subscribe for additional new Shares in the Company on a 1-for-1 basis at the Conversion Price.
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<ul style="list-style-type: none"> ▪ 73,823,182 Shares have been issued upon the conversion of principal and interest of the Convertible Notes. ▪ 31,316,060 Shares have been issued to raise funds of approximately \$400,000; these Shares have been issued to some Convertible Notes holders pursuant to their subscription entitlements under the terms of the Convertible Notes.
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>

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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	22,086,248 Shares
6d	Number of +securities issued with security holder approval under rule 7.1A	9,229,812 Shares
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A
6f	Number of +securities issued under an exception in rule 7.2	73,823,182 Shares have been issued under Exception 4 of ASX Listing Rule 7.2
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.	Yes, the issue price of the securities is at least 75% of the 15 day VWAP. The issue date is 15 June 2017. The VWAP as calculated under ASX Listing Rule 7.1A.3 is \$0.01249 and the issue price is \$0.01277, which is greater than 75% of the VWAP. The VWAP calculation was performed internally.
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 <small>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.</small>	15 June 2017

+ See chapter 19 for defined terms.

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	Number	+Class
8	451,521,629	Fully paid ordinary shares

	Number	+Class
9	7	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
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Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
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12	Is the issue renounceable or non-renounceable?	N/A
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13	Ratio in which the +securities will be offered	N/A
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14	+Class of +securities to which the offer relates	N/A
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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
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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
28	Date rights trading will begin (if applicable)	N/A

+ See chapter 19 for defined terms.

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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*

(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

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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

N/A

39 +Class of +securities for which quotation is sought

N/A

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
15 June 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	275,373,878 fully paid ordinary shares
Add the following: <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>31,763,976 shares issued on 21 November 2016</p> <p>4,902,534 shares issued on 24 March 2017</p> <p>5,321,688 shares issued on 1 May 2017</p> <p>73,823,182 shares issued on 15 June 2017</p>
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	391,185,258
Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	58,677,788

+ See chapter 19 for defined terms.

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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 options issued on 21 November 2016</p> <p>5,500,000 options issued on 21 November 2016</p> <p>2,078,846 shares issued on 24 March 2017</p> <p>22,086,248 shares issued on 15 June 2017</p>
“C”	45,528,736
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>	58,677,788
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	45,528,736
<p>Total [“A” x 0.15] – “C”</p>	<p>13,149,052</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>	391,185,258
Step 2: Calculate 10% of “A”	
“D” <i>Note: this value cannot be changed</i>	0.10
Multiply “A” by 0.10	39,118,525
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert 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"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • 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 • It may be useful to set out issues of securities on different dates as separate line items 	18,422,073 shares issued on 19 October 2016 4,084,322 shares on 1 May 2017 9,229,812 shares on 15 June 2017
“E”	31,736,207
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>	39,118,525
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	31,736,207
Total [“A” x 0.10] – “E”	7,382,318 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

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KNeoMedia Limited provides the following information as required under ASX Listing Rule 3.10.5A:

- (a) Dilution to existing shareholders as a result of the issue of 9,229,812 shares pursuant to ASX Listing Rule 7.1A (**7.1A Shares**) is 2.04%.
- (b) The 7.1A Shares were issued to the holders of convertible notes, pursuant to the terms of the convertible notes which entitle the holders to subscribe for additional shares at the time of conversion. Accordingly, the Company was contractually required to issue these shares, which is the reason why the Company issued these shares for cash as a placement under ASX Listing Rule 7.1A, rather than as or in addition to a pro rata issue or other type of issue in which existing ordinary shareholders would have been eligible to participate.
- (c) No underwriting arrangements were entered into in relation to the issue of the 7.1A Shares.
- (d) No fees or costs were incurred in connection with the issue of the 7.1A Shares.



ASX Release

KNEOMEDIA LIMITED

(ASX: KNM)

15 June 2017

To: Australian Securities Exchange Limited

Filed by: KNeoMedia Limited
Ref: Sophie Karzis
Tel: (03) 9286 7501

Notice Pursuant to Section 708A(5)(e) of the Corporations Act

KNeoMedia Limited ACN 009 221 783 (the **Company**) gives notice under section 708A(5)(e) of the Corporations Act as follows:

- (a) On 15 June 2017, the Company issued 105,139,242 fully paid ordinary shares in the Company.
- (b) The shares were issued without disclosure to the investors under Part 6D.2 of the Corporations Act.
- (c) As at the date of this notice the Company has complied with:
 - (i) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and
 - (ii) Section 674 of the Corporations Act.
- (d) As at the date of this notice there is no excluded information required to be disclosed under section 708A(6)(e) of the Corporations Act.

Dated: 15 June 2017

Signed for **KNeoMedia Limited**:

A handwritten signature in blue ink, appearing to read 'Sophie Karzis', written over a horizontal line.

Sophie Karzis
Company Secretary