



Notice of extraordinary general meeting and explanatory statement

KNeoMedia Limited

ACN 009 221 783

Date: Tuesday 15 March 2016

Time: 11.00 am (Melbourne time)

Place: Grant Thornton
Wills Room, The Rialto
Level 30, 525 Collins Street
Melbourne, Victoria, Australia

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is given that an Extraordinary General Meeting of KNeoMedia Limited will be held at the offices of Grant Thornton, Wills Room, The Rialto, Level 30, 525 Collins Street, Melbourne, Victoria 3000 on Tuesday 15 March 2016 at 11.00 am (Melbourne time).

BUSINESS

Shareholders are invited to consider the following items of business:

Resolution 1	Ratification of issue of 7.1 Placement Shares
Description	The Company seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for an issue of shares made by the Company on 21 December 2015 under a capital raising placement pursuant to the Company's 7.1 Capacity.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>"THAT for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the issue of 18,742,641 fully paid ordinary shares in the Company on 21 December 2015 at an issue price of \$0.014 per share under a capital raising placement."</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by any person who participated in the issue of the shares and any of their associates. However, the Company need not disregard a vote if it is cast by: (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or; (b) the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

Resolution 2	Ratification of issue of 7.1A Placement Shares
Description	The Company seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for an issue of shares made by the Company on 21 December 2015 under a capital raising placement pursuant to the Company's 10% Placement Capacity.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>"THAT for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the issue of 17,407,359 fully paid ordinary shares in the Company on 21 December 2015 at an issue price of \$0.014 per share under a capital raising placement."</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by any person who participated in the issue of the shares and any of their associates. However, the Company need not disregard a vote if it is cast by: (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or; (b) the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

Resolution 3	Approval of issue of Proposed Placement Securities
Description	The Company shareholder approval for the issue of a combination of convertible notes and fully paid ordinary shares to raise a maximum of \$500,000 without using the Company's 15% placement capacity under ASX Listing Rule 7.1. Any convertible notes issued will be convertible into conversion shares.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>"THAT, for the purposes of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue of the Proposed Placement Securities, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by any person who may participate in the issue of the convertible notes and/or fully paid ordinary shares and any of their associates, and a person (or any associates of such person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by: (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

Resolution 4	Approval of the Long Term Incentive Plan (LTIP)
Description	Resolution 4 seeks shareholder approval for the Company's Long Term Incentive Plan (LTIP or Plan) for the purposes of the Listing Rules and the Corporations Act.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>"THAT, for the purposes of Exception 9 in ASX Listing Rule 7.2, sections 259B(2) and 260C(4) of the Corporations Act and for all other purposes, shareholders approve the issue of shares, performance rights or options under the Long Term Incentive Plan described in the Explanatory Memorandum accompanying this Notice as an exception to ASX Listing Rule 7.1."</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of those Directors. However, the Company need not disregard a vote if it is cast by: (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or (b) the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides, where the proxy appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Resolution 5	Approval of the issue of Performance Rights to Mr James Kellett pursuant to the LTIP
Description	Resolution 5 seeks shareholder approval for the issue of 5,255,590 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr James Kellett, the Company's Executive Chairman and CEO, or his nominee(s).
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>“THAT, for the purposes of Listing Rule 10.14 and for all other purposes, shareholder approval is given for the Company to grant 5,255,590 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr James Kellett, the Executive Chairman and CEO of the Company, or his nominee(s) pursuant to the LTIP and on the terms set out in the Explanatory Memorandum accompanying this Notice.”</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by: <ul style="list-style-type: none"> (a) The Directors of the Company, being Messrs James Kellett, Jeffrey Bennett and Frank Lieberman, and their nominee(s); (b) any associates of the persons named in sub-paragraph (a); and (c) as a proxy by a member of Key Management Personnel and a Closely Related Party of Key Management Personnel, where the proxy appointment does not specify the way the proxy is to vote. <p>However, the Company will not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form that specify how the proxy is to vote on this resolution; or (b) the chair of the Meeting, as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form that does not specify how the proxy is to vote on this resolution, but expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Resolution 6	Approval of the issue of Performance Rights to Mr Jeffrey Bennett pursuant to the LTIP
Description	Resolution 6 seeks shareholder approval for the issue of 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Jeffrey Bennett, a Non-Executive Director of the Company, or his nominee(s).
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>“THAT, for the purposes of Listing Rule 10.14 and for all other purposes, shareholder approval is given for the Company to grant 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Jeffrey Bennett, Non-Executive Director of the Company, or his nominee(s) pursuant to the LTIP and on the terms set out in the Explanatory Memorandum accompanying this Notice.”</i>

Voting Exclusion	<p>The Company will disregard any votes cast on this resolution by:</p> <ul style="list-style-type: none"> (a) The Directors of the Company, being Messrs James Kellett, Jeffrey Bennett and Frank Lieberman, and their nominee(s); (b) any associates of the persons named in sub-paragraph (a); and (c) as a proxy by a member of Key Management Personnel and a Closely Related Party of Key Management Personnel, where the proxy appointment does not specify the way the proxy is to vote. <p>However, the Company will not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form that specify how the proxy is to vote on this resolution; or (b) the chair of the Meeting, as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form that does not specify how the proxy is to vote on this resolution, but expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.
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Resolution 7	Approval of the issue of Performance Rights to Mr Frank Lieberman pursuant to the LTIP
Description	Resolution 7 seeks shareholder approval for the issue of 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Frank Lieberman, an Executive Director of the Company, or his nominee(s).
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>“THAT, for the purposes of Listing Rule 10.14 and for all other purposes, shareholder approval is given for the Company to 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Frank Lieberman, an Executive Director of the Company, or his nominee(s) pursuant to the LTIP and on the terms set out in the Explanatory Memorandum accompanying this Notice.”</i>
Voting Exclusion	<p>The Company will disregard any votes cast on this resolution by:</p> <ul style="list-style-type: none"> (a) The Directors of the Company, being Messrs James Kellett, Jeffrey Bennett and Frank Lieberman, and their nominee(s); (b) any associates of the persons named in sub-paragraph (a); and (c) as a proxy by a member of Key Management Personnel and a Closely Related Party of Key Management Personnel, where the proxy appointment does not specify the way the proxy is to vote. <p>However, the Company will not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form that specify how the proxy is to vote on this resolution; or (b) the chair of the Meeting, as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form that does not specify how the proxy is to vote on this resolution, but expressly authorises the chair to exercise

	the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.
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Resolution 8	Approval of the issue of Service Provider Shares
Description	Resolution 8 seeks shareholder approval for the issue of 4,000,000 fully paid ordinary shares to Red Hill Capital Partners (Singapore) Pte Ltd or its nominee(s) in consideration of the provision to the Company of representative services in Asia for 18 months.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an ordinary resolution: <i>“THAT for the purposes of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue of up to 4,000,000 fully paid ordinary shares in the Company to Red Hill Capital Partners (Singapore) Pte Ltd or its nominees in lieu of fees for services provided to the Company and on such terms as more particularly described in the Explanatory Memorandum accompanying this Notice.”</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution by: <ul style="list-style-type: none"> (a) Red Hill Capital Partners (Singapore) Pte Ltd and its nominee(s); (b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this resolution is passed; and (c) any associates of the persons named in sub-paragraphs (a) and (b). <p>However, the Company will not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) the chair of the meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

Dated 11 February 2016

By order of the Board of KNeoMedia Limited



Sophie Karzis
Company Secretary

QUESTIONS FROM SHAREHOLDERS

In order to provide an equal opportunity for all shareholders to ask questions of the Board, we ask you to submit in writing any questions to the Company.

Please send your questions to:

The Company Secretary, **KNeoMedia Limited**
Level 1, 61 Spring Street, Melbourne VIC 3000
T. 03 9286 7500
F. 03 9662 1472
E. sk@ccounsel.com.au

Written questions must be received by no later than **7.00pm (Melbourne time) on Tuesday 8 March 2016**.

Your questions should relate to matters that are relevant to the business of the Extraordinary General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum. A reasonable opportunity will also be provided to shareholders attending the Extraordinary General Meeting to ask questions of the Board, which the Chairman will seek to address to the extent reasonably practicable. However, there may not be sufficient time to answer all questions at the Extraordinary General Meeting. Please note that individual responses may not be sent to shareholders.

VOTING INFORMATION

Voting by proxy

- (a) A shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint one proxy or, if the shareholder is entitled to cast 2 or more votes at the meeting, 2 proxies, to attend and vote instead of the shareholder.
- (b) Where 2 proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the shareholder's voting rights at the meeting.
- (c) A proxy need not be a shareholder of the Company.
- (d) A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the meeting.
- (e) A proxy form accompanies this notice. If a shareholder wishes to appoint more than 1 proxy, they may make a copy of the proxy form attached to this notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a (notarially) certified copy of that power or authority by **11.00 am (Melbourne time) on Sunday 13 March 2016** at the share registry, being the office of Automic Registry Services:

- by post at:
Share Registry – Automic Registry Services
PO Box 223
West Perth, WA 6872
Australia
- by personal delivery at:
Share Registry – Automic Registry Services
Level 1
7 Ventnor Avenue
West Perth, WA 6872
Australia
- by facsimile: +61 8 9321 2337; or
- by voting on-line at:
<https://automic.7g.com.au/loginlisted.aspx>

Voting and other entitlements at the meeting

A determination has been made by the Board under regulation 7.11.37 of the *Corporations Regulations 2001* that shares in the Company which are on issue at **7.00pm (Melbourne time) on Sunday 13 March 2016** will be taken to be held by the persons who held them at that time for the purposes of the Extraordinary General Meeting (including determining voting entitlements at the meeting).

Proxy voting by the Chair

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth), imposes prohibitions on Key Management Personnel and their Closely Related Parties from voting their shares (or voting undirected proxies) on, amongst other things, remuneration matters.

However, the chair of a meeting may vote an undirected proxy (i.e. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given an express voting direction to the chair to exercise the undirected proxy, even if the resolution is connected with the remuneration of a member of Key Management Personnel. If you complete a proxy form that authorises the Chair of the Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him directions about how your vote should be cast, then you will be taken to have expressly authorised the Chair to exercise your proxy on Resolutions 4 to 7 (inclusive). In accordance with this express authority provided by you, the Chairman will vote in favour of Resolutions 4 to 7 (inclusive). If you wish to appoint the Chair of the Meeting as your proxy, and you wish to direct him how to vote, please tick the appropriate boxes on the form.

The Chair of the Meeting intends to vote all available undirected proxies in favour of each item of business.

If you appoint as your proxy any Director of the Company, except the Chairman, or any other Key Management Personnel or any of their Closely Related Parties and you do not direct your proxy how to vote on any of Resolutions 4 to 7 (inclusive), he or she will not vote your proxy on the relevant item/s of business.

EXPLANATORY MEMORANDUM TO NOTICE OF EXTRAORDINARY GENERAL MEETING

1. RATIFICATION OF PREVIOUS ISSUES OF SHARES

Resolution 1	Ratification of issue of 7.1 Placement Shares
Explanation	<p>The Company seeks shareholder ratification pursuant to ASX Listing Rule 7.1 for an issue of 18,742,641 fully paid ordinary shares on 21 December 2015. under the Company's capacity to issue shares under ASX Listing Rule 7.1, which provides that a company must not, subject to specified exceptions under ASX Listing Rule 7.2, issue or agree to issue shares during any 12 month period in excess of 15% of the number of shares on issue at the commencement of that 12 month period without shareholder approval (7.1 Capacity).</p> <p>ASX Listing Rule 7.4 sets out an exception to the limitations on the Company's capacity to issue securities pursuant to its 7.1 Capacity, by permitting the ratification of previous issues of securities which were not made under a prescribed exception under ASX Listing Rule 7.2 or with shareholder approval, provided that such issues did not breach the Company's 7.1 Capacity. If shareholders of a company approve the ratification of such previous issues of securities at a general meeting, those shares will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.</p> <p>Accordingly, if shareholders ratify the previous issue of securities made by KNeoMedia by way of approving Resolution 1, these securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.</p>
Reasons for Resolution 1	<p>The effect of the ratification sought under Resolutions 1 in accordance with ASX Listing Rule 7.4 is the reinstatement of the Company's maximum 7.1 Capacity. This will effectively enable the Company to issue further shares of up to 15% of the issued capital of the Company, if required, in the next 12 months without requiring shareholder approval.</p>
Voting Exclusions	<p>A voting exclusion statement applies to this item of business, as set out in the Notice.</p>

Board Recommendation	<p>The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company under ASX Listing Rule 7.1.</p> <p>The Directors consider it to be appropriate and prudent for approval to be sought at the Extraordinary General Meeting, in respect of the relevant issues of securities made by the Company in the last 12 months. The Directors believe this approval will enhance the Company's flexibility to raise equity capital, should the Directors consider that it is in the best interests of the Company to do so.</p> <p>In particular, the Directors note that if this approval is not obtained at the Extraordinary General Meeting, the Company may be required to incur the additional costs and delay of convening another extraordinary general meeting of the Company if the Directors propose to issue securities which do not fall under an exception to the 15% rule in ASX Listing Rule 7.2.</p> <p>On the basis of the foregoing, the Directors unanimously recommend that shareholders vote in favour of Resolution 1.</p>												
Chairman's available proxies	<p>The Chairman intends to vote all available proxies in favour of Resolution 1.</p>												
Information required to be provided under the ASX Listing Rules 7.5	<p>In accordance with ASX Listing Rule 7.5, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.4, the following information is provided to shareholders:</p> <table data-bbox="464 994 1406 1680"> <tr> <td data-bbox="464 994 758 1059">No. of securities issued</td> <td data-bbox="758 994 1406 1059">18,742,641 fully paid ordinary shares</td> </tr> <tr> <td data-bbox="464 1093 758 1158">Issue price per security</td> <td data-bbox="758 1093 1406 1158">The 7.1 Placement Shares were issued at an issue price of \$0.014 per share.</td> </tr> <tr> <td data-bbox="464 1191 758 1234">Recipients of issue</td> <td data-bbox="758 1191 1406 1234">The Placement Subscribers.</td> </tr> <tr> <td data-bbox="464 1267 758 1368">Terms of securities</td> <td data-bbox="758 1267 1406 1368">Fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.</td> </tr> <tr> <td data-bbox="464 1402 758 1585">Use of funds raised</td> <td data-bbox="758 1402 1406 1585">The funds raised were used to further capitalise on the Company's operations in Australia, China and the US, in order to fast track the uptake of its edutainment (education + entertainment) products in these markets and deliver revenue in the near term, and for general working capital requirements.</td> </tr> <tr> <td data-bbox="464 1619 758 1680">Voting Exclusion Statement</td> <td data-bbox="758 1619 1406 1680">A voting exclusion statement applies to this item of business, as set out in the Notice.</td> </tr> </table>	No. of securities issued	18,742,641 fully paid ordinary shares	Issue price per security	The 7.1 Placement Shares were issued at an issue price of \$0.014 per share.	Recipients of issue	The Placement Subscribers.	Terms of securities	Fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.	Use of funds raised	The funds raised were used to further capitalise on the Company's operations in Australia, China and the US, in order to fast track the uptake of its edutainment (education + entertainment) products in these markets and deliver revenue in the near term, and for general working capital requirements.	Voting Exclusion Statement	A voting exclusion statement applies to this item of business, as set out in the Notice.
No. of securities issued	18,742,641 fully paid ordinary shares												
Issue price per security	The 7.1 Placement Shares were issued at an issue price of \$0.014 per share.												
Recipients of issue	The Placement Subscribers.												
Terms of securities	Fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.												
Use of funds raised	The funds raised were used to further capitalise on the Company's operations in Australia, China and the US, in order to fast track the uptake of its edutainment (education + entertainment) products in these markets and deliver revenue in the near term, and for general working capital requirements.												
Voting Exclusion Statement	A voting exclusion statement applies to this item of business, as set out in the Notice.												

Resolution 2	Ratification of issue of 7.1A Placement Shares
Explanation	The Company seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for an issue of 17,407,359 fully paid ordinary shares on 21 December 2015. The shares were issued under a placement to professional and sophisticated investors.
ASX Listing Rules	<p>On 21 December 2015, the Company issued 36,150,000 fully paid ordinary shares (Placement Shares) in the Company to professional and sophisticated investors, at an issue price of \$0.014 per share (Placement).</p> <p>18,742,641 of the Placement Shares were issued under the Company's 7.1 Capacity and are the shares the subject of Resolution 1 (7.1 Placement Shares). The remaining 17,407,359 Placement Shares (7.1A Placement Shares) were issued pursuant to the Company's 10% capacity under ASX Listing Rule 7.1A. As shareholders will be aware, the Company sought and received shareholder approval under ASX Listing Rule 7.1A at the 2015 Annual General Meeting to issue shares of up to an additional 10% of its issued capital by way of placements over a 12 month period, in addition to its ability to issue securities under the 15% Limit (10% Placement Capacity).</p> <p>The Company seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 7.1A Placement Shares.</p>
Reason for resolution	<p>The effect of ratification (in accordance with ASX Listing Rule 7.4) of the issue of the 7.1A Placement Shares is the reinstatement of the Company's maximum capacity under ASX Listing Rule 7.1A. This will effectively enable the Company to issue further shares of up to an additional 10% of the issued capital of the Company (to the extent permitted by and subject to the conditions prescribed by ASX Listing Rule 7.1A).</p> <p>Save for as otherwise set out in this Notice, the Directors do not currently have any specific intention to make any further issue of shares under ASX Listing Rule 7.1A in the next 12 months.</p> <p>However, the Directors consider it to be appropriate and prudent for approval to be sought at the Extraordinary General Meeting, in respect of the relevant issue of shares made by the Company in the last twelve months. The Directors believe this approval will enhance the Company's flexibility to finance its operations through raising equity capital, should the Directors consider it to be in the best interests of the Company to do so.</p> <p>In particular, the Directors note that if this approval is not obtained at the Extraordinary General Meeting, the Company may be required to incur additional costs and delay of convening another extraordinary general meeting of the Company if the Directors propose to issue securities which do not fall under an exception to the 15% rule in ASX Listing Rule 7.2.</p>

Information required to be provided under the ASX Listing Rules 7.5	<p>In accordance with ASX Listing Rule 7.5, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.4, the following information is provided to shareholders:</p> <p>No. of securities issued 17,407,359 fully paid ordinary shares</p> <p>Issue price per security The 7.1A Placement Shares were issued at an issue price of \$0.014 per share.</p> <p>Recipient of issue The Placement Subscribers.</p> <p>Terms of securities Fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.</p> <p>Use of funds raised The funds raised were used to further capitalise on the Company's operations in Australia, China and the US, in order to fast track the uptake of its edutainment (education + entertainment) products in these markets and deliver revenue in the near term, and for general working capital requirements.</p> <p>Voting Exclusion Statement A voting exclusion statement applies to this item of business, as set out in the Notice.</p>
Board Recommendation	<p>The Directors unanimously recommend that shareholders vote in favour of this resolution.</p>
Chairman's available proxies	<p>The Chairman of the Meeting intends to vote all available proxies in favour of this resolution.</p>

Resolution 3	Approval of issue of Proposed Placement Securities
Explanation	<p>Whilst at this point in time there has been no determination by the Directors to place any of the Proposed Placement Securities, the Directors are of the view that it is prudent to seek approval for the Proposed Placement at the Extraordinary General Meeting in order to provide maximum flexibility for the Company to raise a maximum of \$500,000 through the issue of either convertible notes, fully paid ordinary shares, or a combination of both to a number of professional and sophisticated investors.</p> <p>Accordingly, Resolution 3 seeks shareholder approval pursuant to Listing Rule 7.1 for the issue of the convertible notes (New Convertible Notes) and/or fully paid ordinary shares (New Placement Shares) as soon as is practicable after the Extraordinary General Meeting, and in any event within 3 months after the Extraordinary General Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity under ASX Listing Rule 7.1.</p> <p>The New Convertible Notes will be convertible into ordinary shares in KNeoMedia (Conversion Shares).</p>

<p>Proposed Placement facility to lapse if not utilised</p>	<p>Given the current challenging environment for capital raising and based on advice to the Company from its advisors and the knowledge that ongoing funding of the Company's activities will be required, the Directors are of the view that it is prudent at this time to seek approval for the Proposed Placement facility; however, at this point in time, there has been no determination to place any of the Proposed Placement Securities, and accordingly, if approved by shareholders, but not utilised by the Company, the Proposed Placement facility will lapse within 3 months after the date of the Extraordinary General Meeting.</p>										
<p>Purpose of funds raised</p>	<p>The funds raised by the issue of the Proposed Placement Securities will be applied to fund the Company's broader marketing of KNeoWORLD and on-going working capital requirements of the Company.</p>										
<p>ASX Listing Rules</p>	<p>ASX Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.</p> <p>The effect of Resolution 3 will be to allow the Company to issue the Proposed Placement Securities during the period of 3 months after the Extraordinary General Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.</p>										
<p>Specific information required by ASX Listing Rule 7.3</p>	<p>In accordance with ASX Listing Rule 7.3, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.1, the following information is provided to shareholders:</p> <table border="0" data-bbox="475 929 1422 2011"> <tr> <td data-bbox="475 929 762 1025"> <p>Maximum no. of securities to be issued</p> </td> <td data-bbox="762 929 1422 1249"> <p>If the Company issues only New Convertible Notes: the maximum number of New Convertible Notes to be issued will be 10, each with a face value of \$50,000 (aggregate face value: \$500,000). If the Company issues only New Placement Shares: the maximum number of New Placement Shares will be 50,000,000. The Company may issue a combination of New Convertible Notes and New Placement Shares which will not exceed a total aggregate amount of \$500,000 being raised.</p> </td> </tr> <tr> <td data-bbox="475 1272 762 1368"> <p>Date by which securities will be issued</p> </td> <td data-bbox="762 1272 1422 1458"> <p>The Company will issue the Proposed Placement Securities as soon as is practicable after the Extraordinary General Meeting, and in any event no later than 3 months after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).</p> </td> </tr> <tr> <td data-bbox="475 1480 762 1576"> <p>Issue price per security</p> </td> <td data-bbox="762 1480 1422 1756"> <p>Any New Convertible Notes will be issued at a subscription price of \$50,000 per note (aggregate subscription price: \$500,000). Any New Placement Shares will be allotted at an issue price that is not less than 80% of the average market price of KNeoMedia shares for the last five days on which sales of the shares are recorded before the day on which the issue will be made.</p> </td> </tr> <tr> <td data-bbox="475 1778 762 1874"> <p>Basis on which allottees will be determined</p> </td> <td data-bbox="762 1778 1422 1964"> <p>The Directors intend that the Proposed Placement Securities will be issued and allotted to various sophisticated investors and professional investors introduced to the Company by the Company's advisors and/or invited by the Company to participate in the issue.</p> </td> </tr> <tr> <td data-bbox="475 1986 762 2022"> <p>Terms of securities</p> </td> <td data-bbox="762 1986 1422 2022"> <p>Summaries of the terms of the New Convertible</p> </td> </tr> </table>	<p>Maximum no. of securities to be issued</p>	<p>If the Company issues only New Convertible Notes: the maximum number of New Convertible Notes to be issued will be 10, each with a face value of \$50,000 (aggregate face value: \$500,000). If the Company issues only New Placement Shares: the maximum number of New Placement Shares will be 50,000,000. The Company may issue a combination of New Convertible Notes and New Placement Shares which will not exceed a total aggregate amount of \$500,000 being raised.</p>	<p>Date by which securities will be issued</p>	<p>The Company will issue the Proposed Placement Securities as soon as is practicable after the Extraordinary General Meeting, and in any event no later than 3 months after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).</p>	<p>Issue price per security</p>	<p>Any New Convertible Notes will be issued at a subscription price of \$50,000 per note (aggregate subscription price: \$500,000). Any New Placement Shares will be allotted at an issue price that is not less than 80% of the average market price of KNeoMedia shares for the last five days on which sales of the shares are recorded before the day on which the issue will be made.</p>	<p>Basis on which allottees will be determined</p>	<p>The Directors intend that the Proposed Placement Securities will be issued and allotted to various sophisticated investors and professional investors introduced to the Company by the Company's advisors and/or invited by the Company to participate in the issue.</p>	<p>Terms of securities</p>	<p>Summaries of the terms of the New Convertible</p>
<p>Maximum no. of securities to be issued</p>	<p>If the Company issues only New Convertible Notes: the maximum number of New Convertible Notes to be issued will be 10, each with a face value of \$50,000 (aggregate face value: \$500,000). If the Company issues only New Placement Shares: the maximum number of New Placement Shares will be 50,000,000. The Company may issue a combination of New Convertible Notes and New Placement Shares which will not exceed a total aggregate amount of \$500,000 being raised.</p>										
<p>Date by which securities will be issued</p>	<p>The Company will issue the Proposed Placement Securities as soon as is practicable after the Extraordinary General Meeting, and in any event no later than 3 months after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).</p>										
<p>Issue price per security</p>	<p>Any New Convertible Notes will be issued at a subscription price of \$50,000 per note (aggregate subscription price: \$500,000). Any New Placement Shares will be allotted at an issue price that is not less than 80% of the average market price of KNeoMedia shares for the last five days on which sales of the shares are recorded before the day on which the issue will be made.</p>										
<p>Basis on which allottees will be determined</p>	<p>The Directors intend that the Proposed Placement Securities will be issued and allotted to various sophisticated investors and professional investors introduced to the Company by the Company's advisors and/or invited by the Company to participate in the issue.</p>										
<p>Terms of securities</p>	<p>Summaries of the terms of the New Convertible</p>										

	<p>Use of funds raised</p> <p>Voting Exclusion Statement</p>	<p>Notes and Conversion Shares are set out below. The New Placement Shares will be fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.</p> <p>The funds raised by the issue of the Proposed Placement Securities will be applied to fund the Company's broader marketing of KNeoWORLD and on-going working capital requirements of the Company.</p> <p>A voting exclusion statement applies to this item of business, as set out in the Notice.</p>
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Terms of New Convertible Notes

The terms of the New Convertible Notes are summarised as follows:

1. Each New Convertible Note has a face value of \$50,000;
2. Each New Convertible Note is unsecured, non-transferable without KNeoMedia's consent, and will not be listed on the ASX;
3. Each New Convertible Note has a maturity date of 12 months from the date of issue of the Convertible Note (**Maturity Date**). The principal sum of the New Convertible Note will be repayable upon expiry if not redeemed prior to that time;
4. Each New Convertible Note bears interest at a rate of 10% per annum on the face value of the note if such interest is paid in cash; alternatively and at the note holder's election, the note will bear interest at 15% per annum on the face value of the note if interest is capitalised and paid out in shares. Interest will accrue and will be payable (whether in cash or shares) in arrears upon conversion or redemption.
5. If the Company is suspended from listing on the ASX, and this is not rectified by the Company within 7 days, the New Convertible Note becomes immediately redeemable. Any amounts (whether principal or interest) unpaid in these circumstances will bear interest at 20% per annum;
6. Conversion will occur at the election of the note holder. The number of conversion shares issued will be calculated on the basis of the face value of the New Convertible Note(s) divided by the conversion price, which will be not less than 80% of the average market price of KNeoMedia shares for the last five days on which sales of the shares are recorded before the day on which the issue will be made (**Conversion Price**);
7. The New Convertible Note must be redeemed by the Company at its issue price by the Maturity Date if it has not been converted by such date;
8. The maximum number of shares that may be issued upon conversion of the New Convertible Notes, assuming that all 10 New Convertible Notes are issued, will be 500,000 divided by the Conversion Price. The number of shares to be issued as a result of conversion of the New Convertible Notes will be adjusted to reflect any bonus issues, capital returns or other reconstructions in the manner provided by the ASX Listing Rules. Conversion Shares issued on the conversion of the New Convertible Notes will have the same terms and rank equally in all respects with existing shares in the Company. KNeoMedia will apply to ASX for quotation of the Conversion Shares;
9. In the event that the conversion of a New Convertible Note would result in a breach of any law without the approval of a governmental agency or the shareholders of the Company, and such consent or approval is withheld or not forthcoming, then the sole remedy of the note holder will be to demand repayment of the issue price of each New Convertible Note, within 10 days of the date of receipt of any such notice. In the event that the Company fails to repay the issue price, interest at the rate of 20% per annum, calculated daily, will accrue on the amount outstanding, from the date of the default in payment, to the date of repayment in full;
10. The Company undertakes not to do any of the following without seeking the prior written majority consent of the note holders;
 - (a) dispose of a material asset;
 - (b) undertake a share buy-back;
 - (c) undertake any capital restructure or reduction; or
 - (d) subordinate the New Convertible Notes to other secured or unsecured

	creditors.
Board Recommendation	The Directors unanimously recommend that shareholders vote in favour of this resolution.
Chairman's available proxies	The Chairman of the Meeting intends to vote all available proxies in favour of this resolution.

Resolution 4	Approval of the Long Term Incentive Plan (LTIP)
Explanation	Item 4 seeks shareholder approval for the Company's Long Term Incentive Plan (LTIP) for the purposes of the Listing Rules and the Corporations Act.
ASX Listing Rules	<p>Listing Rule 7.1 provides that a company may not issue Equity Securities, or agree to issue Equity Securities, without the approval of shareholders, if the number of Equity Securities to be issued in any 12 month period (including shares issued on the exercise of any options) exceeds 15% of the issued capital of the company preceding the issue.</p> <p>Listing Rule 7.2 contains a number of exceptions to the prohibition contained in Listing Rule 7.1. In particular, under Exception 9 in Listing Rule 7.2, any Equity Securities issued under an employee incentive scheme within three years of the date on which shareholders approve the issue of those Equity Securities are not counted for the purposes of Listing Rule 7.1. Resolution 4 is designed to satisfy the requirements of Listing Rule 7.2.</p>
Corporations Act	<p>Section 259B(1) of the Corporations Act prohibits a company from taking security over its shares except as permitted by section 259B(2). Section 259B(2) states that a company may take security over shares in itself under an employee share scheme that has been approved by resolution passed at a general meeting of the company.</p> <p>Section 260A(1)(c) of the Corporations Act prohibits a company from financially assisting a person to acquire shares in itself except as permitted by section 260(C). Section 260(C)(4) provides for special exemption for approved employee shares schemes and states that financial assistance is exempted from section 260(A) if a resolution is passed at a general meeting of the company.</p> <p>Accordingly shareholder approval is sought under Resolution 4 to ensure compliance with these sections of the Corporations Act.</p>
Purpose of LTIP	<p>The purpose of the LTIP is to provide incentives to management and directors of the Company who are integral to the operations and ongoing success of the Company. These incentives are designed to encourage greater productivity from directors and management and to better enable the Company to retain its management personnel in a highly competitive industry.</p> <p>Should Resolution 4 be passed, the Company will have the necessary flexibility to issue securities as an incentive to management personnel, and the issue of securities under the LTIP will not be included within the Company's placement capacity pursuant to Listing Rule 7.1.</p> <p>A summary of the LTIP is provided below.</p>

Details of the LTIP

General

The LTIP is intended to retain and motivate the Company's management team.

Under the LTIP, the Board has the discretion to offer shares or grant options and performance rights to eligible employees (which includes directors) of the Company or a related body corporate. An offer of shares may be accompanied by an offer of a loan (acquisition loan) from the Company or a related body corporate to acquire the shares.

Note: there is no current proposal to offer shares or acquisition loans under the LTIP.

Both options and performance rights give a participant in the LTIP a right to acquire shares in the Company subject to the achievement of both time based and performance based vesting conditions, with options requiring the payment of an exercise price to acquire the shares and a performance right not requiring the payment of an exercise price.

The Board has the discretion to amend the rules of the LTIP (including respectively in respect of previous awards of shares, options or performance rights) but not so as to reduce the rights of participants, except where necessary to correct obvious errors or mistakes or to comply with legal requirements or where agreed by the participant.

Awards under the LTIP are made at the Board's discretion.

Eligibility

The rules allow for offers under the LTIP to be made to any employee of the Company or a related body corporate, including directors, or such other person as the Board determines. However, it has been the case and it is currently intended to continue to be the case that participation in the LTIP will only be offered to the Company's senior executive leadership team including directors.

Issue of shares and grant of options and performance rights

Shares, options and performance rights may be issued under the LTIP subject to vesting conditions, including time and performance based hurdles.

The Board determines the details of the vesting conditions attaching to shares, options and performance rights under the LTIP prior to offers of participation being made. Shares, options or performance rights will only vest (under normal circumstances) upon satisfaction of the time and performance based vesting conditions. If those conditions are not met, shares will be bought back or the options or performance rights will generally expire and not be capable of exercise.

No amount is payable on the grant of options or performance rights offered under the LTIP.

Delivery of shares

Shares in the Company will be delivered to participants upon exercise of vested options or performance rights. On exercise, the Company may deliver shares by new issue or by purchasing shares for transfer to participants. No exercise price is payable on the exercise of performance rights unless otherwise determined by the Board at the date of grant.

Buy-back of shares

	<p>The LTIP provides for the buy-back of shares offered under the LTIP in certain circumstances, including on the forfeiture of the shares. Buy-back proceeds must be applied towards the repayment of any acquisition loan used to acquire the shares.</p> <p>Change of control</p> <p>On a change of control of the Company, the Board has discretion to waive the vesting conditions applicable to unvested options and performance rights, subject to such terms and conditions as it determines.</p> <p>Plan limits</p> <p>Issues of shares including on exercise of options or performance rights granted under the LTIP will be subject to a cap of 5% of the issued share capital of the Company, inclusive of shares that may be issued under other employee incentive schemes of the Company for employees and non-executive directors, but disregarding offers made outside of Australia, made under a prospectus or other disclosure document or which do not require a disclosure document.</p> <p>Expiry of options and performance rights</p> <p>Unless otherwise determined by the Board in its discretion, options and performance rights which have not been exercised will expire and cease to exist on the expiry date specified at the date of grant or upon the Board making a determination that the options or performance rights are to be forfeited.</p> <p>Restrictions on shares and forfeiture conditions</p> <p>Shares, options and performance rights, and shares delivered on exercise, may be subject to forfeiture (subject to lifting at the discretion of the Board) if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Company or a related body corporate. In addition, the Board can decide, on the offer of shares or the grant of options or performance rights under the LTIP the circumstances under which the shares, options or performance rights are to be forfeited in additional circumstances, such as the termination or cessation of employment.</p> <p>Shares delivered on exercise of options or performance rights may be subject to disposal restrictions (subject to removal at the discretion of the Board).</p> <p>Hedging economic exposure prohibited</p> <p>Without limiting the prohibitions in Part 2D.7 of the Corporations Act (ban on hedging remuneration of key management personnel), the terms of the LTIP prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under the LTIP.</p>
<p>Securities issued under LTIP</p>	<p>Since the date of the last approval by shareholders of the LTIP, being the 2013 Annual General Meeting on 29 November 2013, 4,666,667 performance rights (post-consolidation) have been issued under the LTIP. All of these performance rights have now lapsed or been cancelled and so as at the date of this Notice of Meeting and Explanatory Memorandum, there are no performance rights on issue.</p> <p>Under Resolutions 5 to 7 (inclusive), it is proposed that Messrs Kellett, Bennett and Lieberman be issued performance rights pursuant to the LTIP.</p>
<p>Voting Exclusion</p>	<p>A voting exclusion statement applies to this item of business, as set out in the Notice.</p>

Board Recommendation	As the Directors may participate in the LTIP they do not provide any recommendation to shareholders in relation to this Resolution 4.
Chairman's available proxies	The Chairman of the Meeting intends to vote all available proxies in favour of this item of business.

Resolutions 5 to 7 (inclusive)	Approval of the issue of Performance Rights to Messrs Kellett, Bennett and Lieberman pursuant to the LTIP
Description	<p>Resolutions 5 to 7 (inclusive) seek shareholder approval for the issue of:</p> <ol style="list-style-type: none"> 5,255,590 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr James Kellett, the Company's Executive Chairman and CEO, or his nominee(s) (Kellett Performance Rights); 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Jeffrey Bennett, a Non-Executive Director of the Company, or his nominee(s) (Bennett Performance Rights); and 2,627,795 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Frank Lieberman, an Executive Director of the Company, or his nominee(s) (Lieberman Performance Rights).
Shareholder Approval	<p>Shareholder approval of the issue of the Kellett Performance Rights, Bennett Performance Rights and Lieberman Performance Rights is sought for all purposes under the Corporations Act and the ASX Listing Rules, including for the following purposes:</p> <p>ASX Listing Rules</p> <p>In general, Listing Rule 10.14 provides that a company must not permit a director, an associate of a director, or a person whose relationship with the Company is, in ASX's opinion, such that approval should be obtained, to acquire securities under an employee incentive scheme without shareholder approval.</p> <p>In accordance with the Listing Rules, shareholders are being asked under Resolutions 5 to 7 (inclusive) to approve the grant of the Kellett Performance Rights, Bennett Performance Rights and Lieberman Performance Rights under the LTIP (collectively the Performance Rights), and to the extent those Performance Rights vest, the underlying ordinary shares (Performance Shares).</p> <p>In considering the issue of performance rights to Mr Jeffrey Bennett, a Non-Executive Director, the Board acknowledges that the grant of performance rights to a Non-Executive Director is contrary to the ASX Corporate Governance Principles and Recommendations which recommend that non-executive directors should normally be remunerated by way of fees, should not participate in schemes designed for remuneration of executives and should not receive options or performance rights. However, the Board considers the grant of the Bennett Performance Rights constitutes cost effective consideration to Mr Bennett for his ongoing commitment and contribution to the Company and constitutes reasonable remuneration to the Director in the circumstances of the Company and the Directors (including their responsibilities as Directors of the Company).</p> <p>Corporations Act</p> <p>Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties of a public company. Section 208 of the Corporations Act prohibits</p>

a public company giving a financial benefit to a related party unless one of a number of exceptions applies or shareholder approval is obtained.

A “financial benefit” is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. The giving of a financial benefit to a related party of a public company is ordinarily prohibited by Chapter 2E of the Corporations Act. One exception to the general rule is where the benefit constitutes “reasonable remuneration” in respect of the duties and responsibilities of the related party in the management of the public company.

Currently, the Company’s Executive Chairman and CEO Mr James Kellett receives Directors’ fees of \$168,000 per annum excluding superannuation, Non-Executive Director Mr Jeffrey Bennett receives Directors’ fees of \$42,000 per annum excluding superannuation and Executive Director Mr Frank Lieberman receives Directors’ fees of \$42,000 per annum excluding superannuation.

The remuneration that the Directors receive for performing their duties as a Director is below the average remuneration levels for directors of companies with similar size to the Company’s. The grant of the Performance Rights is a cash free, effective and efficient way to provide the Directors with an appropriate and market level of Directors’ remuneration.

An alternative to the issue of the Performance Rights would be to increase the Directors’ cash remuneration. However, given the current stage of development of the Company, and the necessity for cash resources to be preserved and directed into the growth of the Company’s business, the Board considers the issue of the Performance Rights to be an appropriate cash-free method of remunerating the Directors for their commitment and contribution to the Company.

On this basis, in the view of the Board, the issue of the Performance Rights constitutes “reasonable remuneration” in respect of the Directors and, as the provision of such a benefit is expressly permitted by section 211(1) of the Corporations Act, the Board does not consider the Company is required to seek shareholder approval in order to give the Directors the financial benefit that is inherent in the issue to them of the Performance Rights.

Accordingly, Resolutions 5 to 7 (inclusive) do not seek approval for the purposes of Chapter 2E of the Corporations Act.

<p>Terms of Performance Rights</p>	<p>All Performance Rights the subject of Resolutions 5 to 7 (inclusive) have the same terms and vesting conditions, which include the following:</p> <ul style="list-style-type: none"> ▪ The Performance Rights are subject to the following vesting conditions (Performance Hurdles): <ul style="list-style-type: none"> ○ KNeoMedia’s achievement of \$5 million gross revenue during any given 12 consecutive months (Revenue Hurdle); and ○ The holder continues as a Director until the date that the Revenue Hurdle is achieved. ▪ The Performance Rights will lapse if the Performance Hurdles are not achieved by 31 December 2019 (Performance Hurdle Expiry Date). ▪ Subject to the satisfaction of the Performance Hurdles in relation to each Director, the relevant Director will receive one share in the Company for each vested Performance Right. Any Performance Right which does not vest according to the vesting requirements by the Performance Hurdle Expiry Date will lapse. ▪ No cash consideration is payable for the issue of the Performance Rights, or on the issue of the underlying Performance Shares upon the vesting of the Performance Rights. ▪ Subject to the Listing Rules, the Board has discretion in circumstances of death, disability or bona fide redundancy to vary the service condition and reduce the number of Performance Rights for a lesser period of service, in accordance with the LTIP. ▪ The Performance Rights issued will not be listed on ASX and will not be transferable, except as permitted under the LTIP.
<p>Disclosures made for the purposes of Listing Rule 10.15</p>	<p>To enable shareholder approval to be effectively obtained under Listing Rule 10.14, the following information is provided in respect of the Kellett Performance Rights, Bennett Performance Rights and Lieberman Performance Rights:</p> <p>(a) The number of Performance Rights to be granted to Messrs Kellett, Bennett and Lieberman if Resolutions 5 to 7 (inclusive) are approved is 5,255,590; 2,627,795; and 2,627,795 respectively, each exercisable for one ordinary share in KNeoMedia. The maximum number of shares that may be issued upon exercise of the Kellett Performance Rights the subject of Resolution 5 is 5,255,590; the maximum number of shares that may be issued upon exercise of the Bennett Performance Rights the subject of Resolution 6 is 2,627,795; and the maximum number of shares that may be issued upon exercise of the Lieberman Performance Rights the subject of Resolution 7 is 2,627,795. Upon exercise of the Performance Rights, the underlying Performance Shares will rank equally with all other ordinary shares of the Company on issue.</p> <p>(b) The price payable on the issue of each Performance Right is nil. Once the Performance Hurdles are met, the Performance Rights vest and each of Messrs Kellett, Bennett or Lieberman may call for the underlying Performance Shares to be issued to him.</p> <p>(c) All persons referred to in ASX Listing Rule 10.14 who have received securities under the LTIP since the last approval are:</p> <ul style="list-style-type: none"> ▪ Mr James Kellett, who received 1,633,333 performance rights (post-consolidation) for nil consideration (these performance rights have now been cancelled and will be replaced by the Kellett Performance

	<p>Rights if Resolution 5 is approved);</p> <ul style="list-style-type: none"> ▪ Mr Jeffrey Bennett, who received 666,667 performance rights (post-consolidation) for nil consideration (these performance rights have now been cancelled and will be replaced by the Bennett Performance Rights if Resolution 6 is approved); ▪ Mr Andrew Plympton, who received 666,667 performance rights (post-consolidation) for nil consideration (these performance rights lapsed upon resignation of the Director); and ▪ Dr Nigel Finch, who received 666,667 performance rights (post-consolidation) for nil consideration (these performance rights lapsed upon resignation of the Director). <p>(d) The names of the persons referred to in Listing Rule 10.14 entitled to participate in the LTIP are Messrs James Kellett, Jeffrey Bennett and Frank Lieberman.</p> <p>(e) Voting exclusion statements apply to Resolutions 5 to 7 (inclusive) and are included in the Notice.</p> <p>(f) There is no loan proposed in relation to the proposed award of the Performance Rights to Messrs James Kellett, Jeffrey Bennett and Frank Lieberman.</p> <p>(g) Subject to approval, it is proposed that the Performance Rights be granted to Messrs James Kellett, Andrew Plympton and Jeffrey Bennett within 1 month of the Meeting, but in any event no later than 12 months after the date of the Meeting.</p> <p>(h) Details of any Performance Rights issued under the LTIP will be published in each annual report of the Company relating to the period in which the Performance Rights were issued and, where applicable, it will be noted that approval for the issue of the Performance Rights was obtained under Listing Rule 10.14.</p>
Details of the LTIP	See pages 9 and 10 of this Explanatory Memorandum for details of the LTIP.
Other Information	The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass Resolutions 5 to 7 (inclusive).

Resolution 8	Approval of issue of Service Provider Shares
Explanation	Resolution 8, which is an ordinary resolution, seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 4,000,000 fully paid ordinary shares in the Company, to Red Hill Capital Partners (Singapore) Pte Ltd in lieu of fees payable to it for provision to the Company of representative services in Asia for 18 months, without using the Company's 15% placement capacity under ASX Listing Rule 7.1.
Reason for Resolution 8	The effect of Resolution 8 will be to allow the Company to issue the Service Provider Shares during the period of 3 months after the Extraordinary General Meeting (or a longer period if allowed by ASX) without using the Company's 7.1 Capacity.
Specific information required by ASX	In accordance with ASX Listing Rule 7.3, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.1, the following information is provided to shareholders:

Listing Rule 7.3	Maximum no. of securities to be issued	4,000,000 fully paid ordinary shares.
	Date by which securities will be issued	If shareholder approval is obtained for Resolution 8, the Company will issue the Service Provider Shares as soon as is practicable after the Extraordinary General Meeting, or in any event no later than 3 months after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).
	Issue price per security	The Service Provider Shares will be issued for nil cash consideration and at a deemed issue price of \$0.0175 per share.
	Recipient of issue	The Service Provider Shares will be issued to Red Hill Capital Partners (Singapore) Pte Ltd.
	Terms of securities	The Service Provider Shares are fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.
	Use of funds raised	No funds will be raised from the issue of the Service Provider Shares as they are being issued for nil cash consideration but as consideration for the services provided by Red Hill Capital Partners (Singapore) Pte Ltd.
	Voting Exclusion Statement	A voting exclusion statement applies to this item of business, as set out in the Notice.

DEFINITIONS

10% Placement Capacity	Means the Company's capacity to issue Shares under ASX Listing Rule 7.1A.
7.1 Placement Shares	Means the 18,742,641 fully paid ordinary shares the subject of Resolution 1 which were issued to the 7.1 Placement Subscribers on 21 December 2015 under ASX Listing 7.1.
7.1 Placement Subscribers	Means the professional and sophisticated investors who subscribed to the Placement and received the 7.1 Placement Shares.
7.1A Placement Shares	Means the 17,407,359 fully paid ordinary shares the subject of Resolution 2 which were issued to the 7.1A Placement Subscribers on 21 December 2015 under ASX Listing 7.1A.
7.1A Placement Subscribers	Means the professional and sophisticated investors who subscribed to the Placement and received the 7.1A Placement Shares.
Bennett Performance Rights	Means the performance rights the subject of Resolution 6 which are proposed to be issued to Mr Jeffrey Bennett, a Non-Executive Director of KNeoMedia.
Corporations Act	Means the Corporations Act 2001 (Cth).
Company or KNeoMedia	Means KNeoMedia Limited ACN 009 221 783.
Conversion Shares	Means the underlying fully paid ordinary shares which are to be issued upon conversion of the New Convertible Notes.
Closely Related Party (of a member of KMP of an entity)	Has the definition given to it by section 9 of the Corporations Act, and means: a) a spouse or child of the member; or b) a child of the member's spouse; or c) a dependant of the member or of the member's spouse; or d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or e) a company the member controls; or f) a person prescribed by the regulations for the purposes of this definition (nothing at this stage).
Equity Security	Means: a) a share; b) a right to a share or option; c) an option over an issued or unissued security;

	<p>d) a convertible security;</p> <p>e) any security that ASX decides to classify as an equity security.</p>
Kellett Performance Rights	Means the performance rights the subject of Resolution 5 which are proposed to be issued to Mr James Kellett, Executive Chairman and CEO of KNeoMedia.
Key Management Personnel or KMP	Means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
Lieberman Performance Rights	Means the performance rights the subject of Resolution 7 which are proposed to be issued to Mr Frank Lieberman, an Executive Director of KNeoMedia.
Long Term Incentive Plan or LTIP	Means the Company's Long Term Incentive Plan.
New Convertible Notes	Means a maximum of 10 convertible notes in the Company for which shareholder approval is sought under Resolution 3.
New Placement Shares	Means a maximum of 50,000,000 fully paid ordinary shares in the Company for which shareholder approval is sought under Resolution 3.
Performance Rights	Means the Kellett Performance Rights, Bennett Performance Rights and Lieberman Performance Rights.
Placement	Means the capital raising placement which occurred on 21 December 2015 under which 36,150,000 fully paid ordinary shares were issued to various professional and sophisticated investors at an issue price of \$0.014 per share to raise \$506,100.00.
Placement Shares	Means the 36,150,000 fully paid ordinary shares issued under the Placement.
Placement Subscribers	Means the various professional and sophisticated investors who received the Placement Shares.
Proposed Placement	Means the proposed placement of the Proposed Placement Securities the subject of Resolution 3 to raise up to an aggregate maximum of \$500,000.
Proposed Placement Securities	Means the securities in the Company proposed to be issued under the Proposed Placement, which may be New Convertible Notes, New Placement Shares, or a combination of both.
Service Provider Shares	Means the 4,000,000 fully paid ordinary shares the subject of Resolution 8.

-ENDS-

Holder Number

Security Holder Appointment of Proxy – Extraordinary General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

(Name of Proxy)

OR

The Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair’s nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Extraordinary General Meeting to be held at 11:00am (Melbourne time) on 15 March 2016 at Grant Thornton, Wills Room, The Rialto, Level 30, 525 Collins Street, Melbourne, Victoria, Australia and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 4 to 7 (except where I/we have indicated a different voting intention below) even though Resolutions 4 to 7 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the “for,” “against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Ratification of issue of 7.1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of the issue of Performance Rights to Mr James Kellett pursuant to the LTIP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of issue of 7.1A Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of the issue of Performance Rights to Mr Jeffrey Bennett pursuant to the LTIP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of issue of Proposed Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of the issue of Performance Rights to Mr Frank Lieberman pursuant to the LTIP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of the Long Term Incentive Plan (LTIP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of the issue of Service Provider Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director or
Sole Director / Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

Note: If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

ATTENDING THE MEETING

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

LODGEMENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – Automic Registry Services Suite 1a, Level 1 7 Ventnor Avenue West Perth WA 6005; or
- b) **Post** - to Automic Registry Services, PO Box 223, West Perth WA 6872; or
- c) **Online** - via our share registry @ <https://automic.7g.com.au/loginlisted.aspx> and follow the below instructions:

1. Security Code – using the dropdown box select "KneoMedia Limited"
2. SRN/HIN – enter your personal holder number
3. Enter your postcode if your holding has a registered address in Australia or your Country if it is registered overseas
4. Click the "Login" button
5. Click on the "Voting" tab to commence registering your voting intention

PROXY FORMS RECEIVED LATER THAN THIS TIME WILL BE INVALID