



13 February 2019

Dean Litis
Principal Adviser, Listings Compliance (Melbourne)
Level 4, 525 Collins St
Melbourne VIC 3000

By email only: dean.litis@asx.com.au

Dear Dean

KNeoMedia Limited (the Company)

We refer to your letter to the Company dated 8 February 2019 regarding the Company's Appendix 4C for the quarter ended 31 December 2018.

We respond to each of your queries as follows (adopting your numbering):

1. **(Negative operating cash flows)** The Board is aware that the Company's cash reserves are limited relative to the Company's current operating expenses. In the absence of extraordinary items, the Board expects the Company to report an improved but still negative cash flow for the current quarter. The Board has a number of funding options available to it, and continues to receive expressions of financial support from existing and potential investors. In addition, the Company continues to take steps to improve its cash flow position through the following initiatives:
 - (a) The Company has recently appointed US senior Sales Executives, and implemented new District, State and County-wide sales methodologies, in order to increase the Company's sales pipeline across all regions. While the new sales methodology has a more detailed and lengthier sales cycle, it targets larger volume sales. The Company is very confident that the increased investment made in this and previous quarter will lead to sustainable sales in the very near term.
 - (b) The Company has strengthened its efforts to secure the \$500,000 of receivables payable from New York City Department of Education from previous sales with cash collections now being pursued by KNeoMedia's well-connected partners and advisors in New York. Discussions in this regard are proceeding well and the Company is confident of a satisfactory outcome.
2. **(Cash to fund future operations)** As outlined in paragraph 1, the Company has taken steps to improve its cash flow position through strengthening sales initiatives, and the collection of outstanding receivables. In addition, the Company has a number of funding options available to it, should they be required.
3. **(Ability to meet business objectives)** The Company continues to execute its business plan, and the Board believes it can secure sufficient funding to continue to meet these objectives, for the reasons outlined above.
4. **(Compliance with Listing Rule 3.1)** The Board confirms that the Company is in compliance with Listing Rule 3.1. The Board further confirms that there is no information that should be given to ASX about its financial condition under Listing Rule 3.1 that has not already been released to the market.

5. (Please confirm that KNM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KNM with delegated authority from the board to respond to ASX on disclosure matters.) The Board confirms that the above responses have been authorised and approved in accordance with the Company's published continuous disclosure policy.

We trust this information addresses your concerns.

Yours sincerely



Sophie Karzis
Company Secretary

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8 February 2019

Ms Sophie Karzis
Company Secretary
KNeoMedia Limited
Level 9, 401 Collins Street
Melbourne VIC 3000

By email: sk@ccounsel.com.au

Dear Ms Karzis

KNeoMedia Limited ('KNM'): Appendix 4C Query

ASX refers to KNM's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019 (the 'Appendix 4C').

ASX notes that KNM has reported:

- negative net operating cash flows for the quarter of \$731,000;
- cash at the end of the quarter of \$967,000; and
- estimated cash outflows for the next quarter of \$790,000.

It is possible to conclude, based on the information in the Appendix 4C, that if KNM were to continue to expend cash at the rate indicated by the Appendix 4C, KNM may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks KNM to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does KNM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has KNM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does KNM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that KNM is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that KNM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KNM with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that KNM considers may be relevant to ASX forming an opinion on whether KNM is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.30 AM AEDT Wednesday, 13 February 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in KNM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KNM's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to KNM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that KNM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KNM's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

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Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours faithfully

Dean Litis

Principal Adviser, Listings Compliance (Melbourne)