



19 October 2016

ASX/Media Release

(ASX:KNM)

## Capital Raising Placement & Appendix 3B

**KNeoMedia Limited** (“**KNeoMedia**” or the “**Company**”) (**ASX: KNM**) is pleased to announce it has completed a capital raise of \$320,000 with sophisticated investors (**Placement**), as set out in the attached Appendix 3B. In keeping with the Directors’ view to minimise the size of capital raises and shareholder dilution, the Placement amount is considered appropriate to support the current market activities of the Company as Apps are being launched in multiple regions. Under the terms of the Placement, subscribers are entitled to receive one free attaching two-year \$0.025 option for every two shares subscribed, at such time as the Company has capacity under ASX Listing Rule 7.1.

The Placement was facilitated by Baker Young Stockbrokers Ltd in conjunction with Melbourne Capital Ltd who managed the previous placement.

The Company further advises that it has arranged a \$200,000 loan facility with sophisticated investors, which the Company may convert to equity on the same terms as the Placement following the Company’s 2016 Annual General Meeting.

– ENDS –

### **About KNeoMedia Limited:**

**KNeoMedia Limited** is an online games publishing company that delivers world-class edutainment games to global educational and consumer markets (education + entertainment = edutainment).

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

**Games Based Learning** is an integral part of childhood education. Growth in educational markets, combined with advances in mobile devices and connectivity, will continue to accelerate innovation, adoption, and affordability of our products around the world.

**KNeoWORLD** is a fun education games portal where young students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science and arts. **KNeoWORLD** Apps comply with child online protection and the parent approved simple subscription model provides **KNeoWORLD** with a global opportunity to quickly deploy in a product vacuum and become a market leader.

### **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 ( <b>Shares</b> )                                      |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued   | 22,857,143 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 shares on issue. |
| 4 | Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?<br>If the additional +securities do not rank equally, please state: <ul style="list-style-type: none"><li>• the date from which they do</li><li>• the extent to which they participate for the next</li></ul> | The Shares are of the same class and rank equally with all other shares on issue. |

+ See chapter 19 for defined terms.

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	<p>dividend, (in the case of a trust, distribution) or interest payment</p> <ul style="list-style-type: none"> <li>the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	
5	Issue price or consideration	The 22,857,143 Shares are issued to professional and sophisticated investors for \$0.014 per Share (total consideration: \$320,000) under a capital raising placement.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The 22,857,143 Shares are issued to raise funds. The funds raised will be used to support market activities as products are being launched in multiple regions.
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	19 November 2015
6c	Number of +securities issued without security holder approval under rule 7.1	4,435,070 Shares
6d	Number of +securities issued with security holder approval under rule 7.1A	18,422,073 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	N/A

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<p>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.</p>	<p>Yes, the issue price of the securities issued is at least 75% of the 15 day VWAP. The issue date is 19 October 2016. The VWAP as calculated under rule 7.1A.3 is \$0.015 and the issue price is \$0.014, which is greater than 75% of the VWAP. The VWAP calculation was performed internally.</p>										
<p>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</p>	<p>N/A</p>										
<p>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</p>	<p>See Annexure 1</p>										
<p>7 +Issue dates</p> <p>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.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	<p>19 October 2016</p>										
<p>8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>298,231,021</td> <td>Fully paid ordinary shares</td> </tr> </tbody> </table>	Number	+Class	298,231,021	Fully paid ordinary shares						
	Number	+Class									
298,231,021	Fully paid ordinary shares										
<table border="1"> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>											
<p>9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>31</td> <td>Convertible Notes</td> </tr> <tr> <td>15,185,185</td> <td>Options exercisable at \$0.045 on or before 26 June 2018</td> </tr> <tr> <td>32,000,143</td> <td>Options exercisable at \$0.025 on or before 3 May 2018</td> </tr> <tr> <td>10,511,180</td> <td>Performance Rights</td> </tr> </tbody> </table>	Number	+Class	31	Convertible Notes	15,185,185	Options exercisable at \$0.045 on or before 26 June 2018	32,000,143	Options exercisable at \$0.025 on or before 3 May 2018	10,511,180	Performance Rights
	Number	+Class									
	31	Convertible Notes									
	15,185,185	Options exercisable at \$0.045 on or before 26 June 2018									
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10,511,180	Performance Rights										
<table border="1"> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>											
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<table border="1"> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>											
<p>10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p>	<p>Rank equally</p>										

+ See chapter 19 for defined terms.

## Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A

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25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	*Issue date	N/A

## Part 3 - Quotation of securities

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

- 34 Type of \*securities  
(*tick one*)
- (a)  \*Securities described in Part 1\*
- (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

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+ See chapter 19 for defined terms.

## Entities that have ticked box 34(a)

### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

- 35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over
- 37  A copy of any trust deed for the additional +securities

## Entities that have ticked box 34(b)

- 38 Number of +securities for which +quotation is sought
- 39 +Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?  
  
If the additional +securities do not rank equally, please state:  
  - the date from which they do
  - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
  - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

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<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	<p>N/A</p>
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<p>42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)</p>	<table border="1"> <tr> <th style="padding: 2px;">Number</th> <th style="padding: 2px;">+Class</th> </tr> <tr> <td style="text-align: center; padding: 2px;">N/A</td> <td style="text-align: center; padding: 2px;">N/A</td> </tr> </table>	Number	+Class	N/A	N/A
Number	+Class				
N/A	N/A				

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+ 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  
19 October 2016

## 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

<b>Rule 7.1 – Issues exceeding 15% of capital</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	<b>171,851,370</b> fully paid ordinary shares
<b>Add</b> the following: <ul style="list-style-type: none"> <li>• Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2</li> <li>• Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval</li> <li>• Number of partly paid +ordinary securities that became fully paid in that 12 month period</li> </ul> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li>• <i>Include only ordinary securities here – other classes of equity securities cannot be added</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	<p>2,222,222 shares issued on 20 November 2015</p> <p>36,150,000 shares issued on 21 December 2015</p> <p>4,000,000 shares issued on 15 April 2016</p> <p>50,000,000 shares issued on 3 May 2016</p>
<b>Subtract</b> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
<b>“A”</b>	<b>264,223,592</b>
<b>Step 2: Calculate 15% of “A”</b>	
<b>“B”</b>	0.15 <i>[Note: this value cannot be changed]</i>
<b>Multiply “A” by 0.15</b>	<b>39,633,539</b>

+ See chapter 19 for defined terms.

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<b>Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used</b>	
<p><b>Insert</b> number of <sup>+</sup>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"> <li>• Under an exception in rule 7.2</li> <li>• Under rule 7.1A</li> <li>• With security holder approval under rule 7.1 or rule 7.4</li> </ul> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li>• <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	<p>3,150,000 shares issued on 15 April 2016</p> <p>32,000,143 options issued on 3 May 2016</p> <p>4,435,070 shares issued on 19 October 2016</p>
<b>“C”</b>	<b>39,585,213</b>
<b>Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1</b>	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	<b>39,633,539</b>
<p><b>Subtract “C”</b></p> <p><i>Note: number must be same as shown in Step 3</i></p>	39,585,213
<p><b>Total [“A” x 0.15] – “C”</b></p>	<p><b>48,362</b></p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

## Part 2

<b>Rule 7.1A – Additional placement capacity for eligible entities</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>“A”</b> <i>Note: number must be same as shown in Step 1 of Part 1</i>	<b>264,223,592</b>
<b>Step 2: Calculate 10% of “A”</b>	
<b>“D”</b> <i>Note: this value cannot be changed</i>	0.10
<b>Multiply “A” by 0.10</b>	<b>26,422,359</b>
<b>Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used</b>	
<b>Insert</b> 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"> <li>• This applies to equity securities – not just ordinary securities</li> <li>• Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</li> <li>• 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</li> <li>• It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	8,000,286 shares issued on 3 May 2016  18,422,073 shares issued on 19 October 2016
<b>“E”</b>	<b>26,422,359</b>
<b>Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A</b>	
<b>“A” x 0.10</b> <i>Note: number must be same as shown in Step 2</i>	<b>26,422,359</b>
<b>Subtract “E”</b> <i>Note: number must be same as shown in Step 3</i>	26,422,359
<b>Total [“A” x 0.10] – “E”</b>	<b>0</b> <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 shares issued pursuant to the placement under Listing Rule 7.1A (**7.1A Placement**) (18,422,073 shares) is 7.66%.
- (b) The Company considered the alternative options for capital raising available to it in order to raise the funds for the purposes referred to in the Appendix 3B, and determined to raise such funds under the 7.1A Placement as this was considered to be a more efficient and expedient manner to raise the funds than through other alternatives.
- (c) No underwriting arrangements were entered into in relation to the 7.1A Placement.
- (d) A fee of \$19,200 (being 6% of the total capital raised) was incurred in relation to the 7.1A Placement, payable to Baker Young Stockbrokers, a broker who facilitated the 7.1A Placement.