



19 August 2019: ASX/Media Release (ASX: KNM)

Trading Halt Update - Cleansing Prospectus and Federal Court Application

On 28 June 2019, KNeoMedia Limited (the **Company**) issued 26,810,000 fully paid ordinary shares at \$0.05 per share (**June 2019 Placement**) to raise \$1.34m before costs under a placement to sophisticated and professional investors (**June 2019 Placement Shares**). For further details of the June 2019 Placement, refer to the Company's announcement dated 21 June 2019.

The June 2019 Placement Shares were issued without disclosure to investors under Part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**), and pursuant to the Company's placement capacity under Listing Rule 7.1A.

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

The Corporations Act provides an exception to section 707(3) where an entity issues a 'cleansing notice' under section 708A(5). The Company has become aware that the issue of the June 2019 Placement Shares was not accompanied by the issue of a cleansing notice so as to permit immediate trading in these shares. The failure to lodge a cleansing notice was inadvertent and the Company confirms that at the time of issue of the June 2019 Placement Shares, the Company was entitled to issue a cleansing notice satisfying sections 708A(5) and 708A(6) of the Act. In particular, as at 28 June 2019, for the purposes of section 708A(5)(e) of the Act:

- a. the Company was in compliance with the provisions of Chapter 2M of the Act (as they applied to the Company) and section 674 of the Act;
- b. there was no excluded information required to be disclosed under section 708A(6)(e) of the Act; and
- c. the Company's shares had not been suspended from trading on the ASX for more than five days in the previous twelve months.

Section 708A(11) of the Corporations Act provides another exemption from the general requirement under section 707(3) where:

- a. the relevant securities are in a class of securities of the company that are already quoted on ASX;
- b. a prospectus is lodged with ASIC either:
 - i. on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - ii. before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- c. the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

While it has received no related complaints, the Company is taking steps to rectify the oversight as quickly as possible.

Cleansing prospectus

The Company has today lodged with ASIC a prospectus under section 708A(11) of the Corporations Act, with the primary purpose of cleansing the June 2019 Placement Shares, so that subsequent trading in those shares is not subject to secondary trading restrictions under the Corporations Act. A copy of this prospectus will be lodged with ASX following this announcement.

Federal Court Application

The Company has today filed an application with the Federal Court of Australia seeking declaratory relief and ancillary orders relating to prior trading in the relevant June 2019 Placement Shares, so that any prior on-sales of those shares prior to the date of the prospectus will be validated and will not attract any civil liability.

The application will be heard before the Court today, **19 August 2019, at 4.00pm (AEST)**.

The Company's shares will not be able to be traded until orders are obtained from the Court. The Company otherwise continues to conduct its business activities in the ordinary course and will continue to inform the market on relevant developments.

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About KNeoMedia Limited:

KNeoMedia Limited (ASX: KNM) is a SaaS publishing company that delivers world-class education and assessment products to global markets in both special and general education classrooms via its KneoWorld portal special and general education classrooms via its KneoWorld portal. Student seat licences are sold to education departments on an annual basis and via distribution agreements. The KneoWorld platform is a story-based and game assessment learning program that provides engaging and effective ways for students to process and apply academic skills and concepts. Researched and evidence based, programs are mapped and measured to curriculum with student performance data delivered via the educator dashboard. KneoWorld is fully compliant with child online privacy protection including US COPPA and European GDPR. Our proven ability to engage, educate and assess provides a global education market opportunity selling on a business to business strategy.

For further information, please contact:

James Kellett
Chief Executive Officer
T: (03) 8622 3354 M: +61 439 805 070
E: jkellett@kneomedia.com

Sophie Karzis
Company Secretary
T: +61 3 8622 3354
E: sk@ccounsel.com.au

Released through: Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448



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