



23 December 2019: ASX/Media Release (ASX: KNM)

ISSUE OF SHARES AND PERFORMANCE RIGHTS

KNeoMedia Limited ("**KNeoMedia**" or the "**Company**") (ASX: KNM) advises that new shares and performance rights in the Company have been issued today, following shareholder approvals obtained at the recent Annual General Meeting. An Appendix 3B is attached.

Performance Rights issued to Directors and senior management allow them to participate in the long-term success of the business and therefore align their interests with shareholders.

The Performance Rights are subject to a number of stringent vesting conditions including the Company achieving substantial positive cash flow and continued employment with the Company; further details can be found in the Explanatory Notice accompanying the Notice of 2019 Annual General Meeting.

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. 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.

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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 | <ul style="list-style-type: none">i) Fully paid ordinary shares (Shares)ii) Director Performance Rights (Rights) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <ul style="list-style-type: none">i) 4,041,347 Sharesii) 10,511,180 Rights |
| 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) | <ul style="list-style-type: none">i) The Shares are of the same class and rank equally with all other fully paid ordinary shares on issue.ii) 10,511,180 Director Rights under the Company's Long-Term Incentive Plan, which, subject to satisfaction of performance conditions, will vest and be converted into an equivalent number of Shares. In order to convert, the Performance Condition of \$5m gross revenue must be achieved in a period of 12 consecutive months before the Milestone Date of 31st December 2022, as well as continued employment until the revenue target is reached. |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

The grant of the Shares and Rights was approved by shareholders on the 22nd November 2019 and a summary of the terms of the issue of Shares and Rights is set out in the Notice of Meeting released to the ASX on 24th October 2019.

- 4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the 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

- i) The Shares are of the same class and rank equally with all other fully paid ordinary shares on issue.
- ii) The Rights will rank equally with all other fully paid ordinary shares on issue upon vesting and conversion.

- 5 Issue price or consideration

- i) 3,138,991 Shares were issued to a Non-Executive Director of the Company's UK subsidiary in lieu of outstanding Director fees owed to him, at a deemed issue price of \$0.0266 per Share (**Fee Shares**)
- ii) 902,356 Shares were issued to a Consultant in lieu of outstanding fees owed to him, at a deemed issue price of \$0.0266 per Share (**Consultant Shares**)
- iii) 10,511,180 Rights are issued for nil consideration.

- 6 Purpose of the issue
 (If issued as consideration for the acquisition of assets, clearly identify those assets)

- i) The Fee Shares were issued in lieu of outstanding fees owed to a Non-Executive Director of the Company's UK subsidiary.
- ii) The Consultant Shares were issued in lieu of outstanding fees owed to an external consultant for work completed.
- iii) The Rights were granted to Directors and approved by shareholders on the 22nd November 2019 and a summary of the terms is set out in the Notice of Meeting released to the ASX on 24th October 2019.

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New issue announcement

| | | |
|----|---|---|
| 6a | Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i> , and comply with section 6i | Yes |
| 6b | The date the security holder resolution under rule 7.1A was passed | 22 November 2019 |
| 6c | Number of +securities issued without security holder approval under rule 7.1 | N/A |
| 6d | Number of +securities issued with security holder approval under rule 7.1A | N/A |
| 6e | Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting) | <p>The grant of Performance Rights under the Company's Long-Term Incentive Plan (LTIP) was approved by shareholders on the 22nd November 2019 and a summary of the terms of the LTIP is set out in the Notice of Meeting released to the ASX on 24th October 2019.</p> <p>Specific approval by shareholders of the issue of Shares and Performance Rights to Directors the subject of this 3B was obtained on the 22nd November 2019. A summary of the terms of the LTIP, the Shares and the Director Rights is set out in the Notice of Meeting released to the ASX on 24th October 2019.</p> |
| 6f | Number of +securities issued under an exception in rule 7.2 | <p>4,041,347 Shares</p> <p>Director Performance Rights – 10,511,180</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. | N/A |
| 6h | If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements | N/A |

+ See chapter 19 for defined terms.

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New issue announcement

| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements | See Annexure 1 | | | | | | | | | | | |
|-------------|---|--|--------|---------------|-------------|---|------------|---|------------|--|------------|--------------------|--|
| 7 | <p>+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> | 23 December 2019 | | | | | | | | | | | |
| 8 | Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable) | <table><tr><th>Number</th><th>+Class</th></tr><tr><td>759,385,241</td><td>Fully paid ordinary shares</td></tr></table> | Number | +Class | 759,385,241 | Fully paid ordinary shares | | | | | | | |
| Number | +Class | | | | | | | | | | | | |
| 759,385,241 | Fully paid ordinary shares | | | | | | | | | | | | |
| 9 | Number and +class of all +securities not quoted on ASX (<i>including</i> the +securities in section 2 if applicable) | <table><tr><th>Number</th><th>+Class</th></tr><tr><td>5,000,000</td><td>Options exercisable at \$0.0585 on or before 20 November 2020</td></tr><tr><td>13,405,000</td><td>Options exercisable at \$0.10 on or before 28 June 2021</td></tr><tr><td>10,000,000</td><td>Options exercisable at \$0.075 on or before 28 June 2021</td></tr><tr><td>10,511,180</td><td>Performance Rights</td></tr></table> | Number | +Class | 5,000,000 | Options exercisable at \$0.0585 on or before 20 November 2020 | 13,405,000 | Options exercisable at \$0.10 on or before 28 June 2021 | 10,000,000 | Options exercisable at \$0.075 on or before 28 June 2021 | 10,511,180 | Performance Rights | |
| Number | +Class | | | | | | | | | | | | |
| 5,000,000 | Options exercisable at \$0.0585 on or before 20 November 2020 | | | | | | | | | | | | |
| 13,405,000 | Options exercisable at \$0.10 on or before 28 June 2021 | | | | | | | | | | | | |
| 10,000,000 | Options exercisable at \$0.075 on or before 28 June 2021 | | | | | | | | | | | | |
| 10,511,180 | Performance Rights | | | | | | | | | | | | |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | <p>i) Rank equally with the existing shares</p> <p>ii) The Rights will rank equally following conversion to fully paid ordinary shares</p> | | | | | | | | | | | |

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 |

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| | | |
|----|--|-----|
| 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.</small> <small>Cross reference: rule 7.7.</small> | N/A |
| 19 | Closing date for receipt of acceptances or renunciations | N/A |
| 20 | Names of any underwriters | N/A |
| 21 | Amount of any underwriting fee or commission | N/A |
| 22 | Names of any brokers to the issue | N/A |
| 23 | Fee or commission payable to the broker to the issue | N/A |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders | N/A |
| 25 | If the issue is contingent on security holders' approval, the date of the meeting | N/A |
| 26 | Date entitlement and acceptance form and offer documents will be sent to persons entitled | N/A |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | N/A |

+ See chapter 19 for defined terms.

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| | | |
|----|---|-----|
| 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*

**The Company is only applying for quotation of the Shares the subject of this Appendix 3B.*

(b) ☐ All other *securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the *securities are *equity securities, the names of the 20 largest holders of the additional *securities, and the number and percentage of additional *securities held by those holders

36 ☐ If the *securities are *equity securities, a distribution schedule of the additional *securities setting out the number of holders in the categories

- 1 - 1,000
- 1,001 - 5,000
- 5,001 - 10,000
- 10,001 - 100,000
- 100,001 and over

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37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

| | | |
|----|--|-----|
| 38 | Number of +securities for which +quotation is sought | N/A |
|----|--|-----|

| | | |
|----|---|-----|
| 39 | +Class of +securities for which quotation is sought | N/A |
|----|---|-----|

| | | |
|----|---|-----|
| 40 | <p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | N/A |
|----|---|-----|

| | | |
|----|--|-----|
| 41 | <p>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> | N/A |
|----|--|-----|

| 42 | Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38) | Number | +Class |
|----|---|--------|--------|
| | | N/A | N/A |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

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
23 December 2019

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

| Rule 7.1 – Issues exceeding 15% of capital | |
|---|---|
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| Insert number of fully paid ⁺ ordinary securities on issue 12 months before the ⁺ issue date or date of agreement to issue | 654,574,564 fully paid ordinary shares |
| Add the following: <ul style="list-style-type: none"> Number of fully paid ⁺ordinary securities issued in that 12-month period under an exception in rule 7.2 Number of fully paid ⁺ordinary securities issued in that 12-month period with shareholder approval Number of partly paid ⁺ordinary securities that became fully paid in that 12-month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items | 4,041,347 Shares issued on 23 December 2019 |
| Subtract the number of fully paid ⁺ ordinary securities cancelled during that 12 month period | Nil |
| “A” | 658,615,911 |
| Step 2: Calculate 15% of “A” | |
| “B” | 0.15 [Note: this value cannot be changed] |

⁺ See chapter 19 for defined terms.

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| | |
|--|--|
| Multiply “A” by 0.15 | 98,792,386 |
| Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used | |
| <p>Insert number of ⁺equity securities issued or agreed to be issued in that 12-month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | <p>32,500,000 Shares issued on 11 April 2019</p> <p>23,405,000 Options issued on 28 June 2019</p> <p>41,458,330 Shares issued on 18 October 2019</p> <p>1,000 Shares issued on 18 October 2019</p> |
| “C” | 97,364,330 |
| Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1 | |
| <p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p> | 98,792,386 |
| <p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p> | 97,364,330 |
| Total [“A” x 0.15] – “C” | <p>1,428,056</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p> |

Part 2

| Rule 7.1A – Additional placement capacity for eligible entities | |
|--|--|
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| “A” <i>Note: number must be same as shown in Step 1 of Part 1</i> | 658,615,911 |
| Step 2: Calculate 10% of “A” | |
| “D” <i>Note: this value cannot be changed</i> | 0.10 |
| Multiply “A” by 0.10 | 65,861,591 |
| Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used | |
| Insert number of *equity securities issued or agreed to be issued in that 12-month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items | 26,810,000 Shares issued on 28 June 2019 |
| “E” | 26,810,000 |
| Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A | |
| “A” x 0.10 <i>Note: number must be same as shown in Step 2</i> | 65,861,591 |
| Subtract “E” <i>Note: number must be same as shown in Step 3</i> | 26,810,000 |
| Total [“A” x 0.10] – “E” | 39,051,591 <i>Note: this is the remaining placement capacity under rule 7.1A</i> |

+ See chapter 19 for defined terms.