

Knosys Limited

ACN 604 777 862

Notice of 2018 Annual General Meeting and Explanatory Statement

Notice is given that the Annual General Meeting of Knosys Limited ACN 604 777 862 will be held at the offices of Norton Rose Fulbright Level 15, 485 Bourke Street, Melbourne, Victoria on 26 November 2018 commencing at 11.00am (AEDT)

NOTICE OF 2018 ANNUAL GENERAL MEETING

Notice is given that the 2018 Annual General Meeting of the Shareholders of Knosys Limited ACN 604 777 862 (**Company**) will be held at the offices of Norton Rose Fulbright, RACV Tower, Level 15, 485 Bourke Street, Melbourne, Victoria on 26 November 2018 commencing at 11.00am (AEDT).

AGENDA

The Explanatory Statement which accompanies, and forms part of, this Notice of Meeting sets out further information on the various Resolutions to be considered at the Meeting.

Terms and expressions used in this Notice of Meeting have the meaning given to them in the “Definitions” section located at the end of the Explanatory Statement.

ORDINARY BUSINESS

Item 1: Financial and other Reports

To receive and consider the Annual Financial Report of the Company, the Directors’ Report and the Auditor’s Report in respect of the financial year ended 30 June 2018.

There is no vote on this item of business.

Item 2: Adoption of the Remuneration Report for the year ended 30 June 2018 (Resolution 1) – advisory resolution only

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That the Remuneration Report for the Company for the year ended 30 June 2018 be adopted.”

Under the Corporations Act, this Resolution is advisory only and does not bind the Company or its Directors. The Directors will consider the outcome of the vote and any comments made by Shareholders at the Meeting when considering the Company’s future remuneration policies. However, Shareholders are referred to the Explanatory Statement for an explanation of the consequences of 25% or more of eligible votes being cast against this advisory Resolution.

Voting Exclusion:

In accordance with the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Company’s key management personnel (**KMP**), details of whose remuneration are included in the Remuneration Report, or by any of their closely related parties.

However, this does not prevent those KMP or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or a closely related party if:

- The person specifies the way the proxy is to vote on this Resolution in the proxy form; or
- The person voting as a proxy is chairing the Meeting and the proxy form expressly authorises the chair to exercise the proxy even if the Resolution is directly or indirectly connected with the remuneration of a member of the KMP.

Item 3: Re-election of Director – Hon. Alan Stockdale (Resolution 2)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Alan Stockdale, a director retiring by rotation in accordance with the Company’s Constitution, and being eligible for re-election, is re-elected as a Director of the Company.”

Item 4: Approval for additional 10% placement capacity (Resolution 3)

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities, in number, equal to up to 10% of the number of Shares on issue in the Company (at the time of the issue) calculated in accordance with the formula in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions and in the manner detailed in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Equity Securities (except a benefit solely by reason of being a holder of Shares) or any associate of such a person.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 3 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 5: Ratification of prior issue of Shares – May 2018 placement (LR 7.1 issue) (Resolution 4)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify and approve the prior issue by the Company under ASX Listing Rule 7.1 of 11,352,408 Shares on the terms and conditions and in the manner detailed in the Explanatory Statement.”

Voting Exclusion:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of any person who participated in the prior issue or any associate of that person.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 4 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 6: Ratification of prior issue of Shares – May 2018 placement (LR 7.1A issue) (Resolution 5)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify and approve the prior issue by the Company under ASX Listing Rule 7.1A of 8,234,939 Shares on the terms and conditions and in the manner detailed in the Explanatory Statement.”

Voting Exclusion:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any person who participated in the prior issue or any associate of that person.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 5 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 7: Approval for the issue of Options to Blue Ocean Equities Pty Limited (Resolution 6)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and all other purposes, Shareholders approve the issue of 2,000,000 Options, and any and all Shares issued on exercise of those Options, on the terms and conditions and in the manner detailed in the Explanatory Statement.”

Voting Exclusion:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 6 by a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares) or any associate of such a person. Accordingly, any vote cast in favour of Resolution 6 by Blue Ocean Equities or its nominees or their respective associates will be disregarded.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 6 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 8: Approval for the issue of Loan Funded Shares to John Thompson (Resolution 7)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,000,000 Loan Funded Shares to John Thompson (or his nominees) on the terms and conditions and in the manner detailed in the Explanatory Statement.”

Voting Exclusion:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 7 by John Thompson or his nominees or their respective associates.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 7 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Resolution 7 by a member of the Company’s KMP or a closely related party, acting as a proxy, if their appointment does not specify the way the proxy is to vote on that Resolution. However, this voting restriction does not apply if the member of the KMP or closely related party is the chair of the Meeting acting as an undirected proxy and their appointment expressly authorises the chair to exercise the proxy even if the Resolution is directly or indirectly connected with the remuneration of a member of the KMP.

OTHER BUSINESS

To consider any other business that may be lawfully brought forward.

BY ORDER OF THE BOARD



Stephen Kerr
CFO & Company Secretary
23 October 2018

Information regarding voting and proxies

Snapshot Date – Eligibility to Vote

For the purposes of voting at the Meeting, the Directors have determined that the Shareholding of each Shareholder will be as it appears in the share register at 7.00 pm (AEDT) on 24 November 2018. Accordingly, transactions registered after that time will be disregarded in determining entitlement to vote at the Meeting.

Important voting information

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

The Chair of the Meeting intends to vote all undirected proxies in favour of each Resolution. If there is a change in how the Chair intends to vote undirected proxies at the Meeting, the Company will make an appropriate announcement to ASX stating that fact and explaining the reasons for the change.

Shareholders should note that the Chair of the Meeting is not permitted to vote an undirected proxy on Resolution 1 (Adoption of Remuneration Report) or Resolution 7 (Approval to issue Loan Funded Shares) unless the proxy expressly authorises the Chair to exercise the proxy in respect of such Resolution even if it is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.

Shareholders' Questions and Comments

The Chair of the Meeting will give Shareholders a reasonable opportunity to ask questions about or make comments on the Company's 2018 Annual Report and the management or performance of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor or their representative (who will be present at the Meeting) questions relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The 2 ways to ask the Company or the Auditor questions are detailed below. Questions submitted in writing to the Company must relate to matters which are relevant to the Annual General Meeting including matters arising from the Company's 2018 Annual Report or the management or performance of the Company. Written questions to the Auditor must relate to the content of the Auditor's Report or the conduct of the audit.

1. Post or email your question direct to the Company as follows:
Company Secretary
Knosys Limited
Suite 9.08, Level 9, 2 Queen Street
Melbourne, Victoria, 3000
Telephone: +61 3 9046 9700
Email: cosec@knosys.it
2. Attend the Annual General Meeting.

Please note that written questions must be received no later than 5 business days before the Meeting i.e. 19 November, 2018.

The Company is required by law to forward all questions to the Auditor from which the Auditor is required to prepare a list of those questions that are considered to be relevant to the conduct of the audit or the content of the Auditor's Report. The Auditor may omit questions that are the same in substance to other questions. The list of questions prepared by the Auditor will be available at the Meeting.

The Chair of the Meeting will answer as many of the frequently asked questions submitted to the Company as possible at the Annual General Meeting. Individual replies will not be sent. The Auditor will also be given a reasonable opportunity at the Annual General Meeting to answer written questions submitted to the Auditor.

Proxies

A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. The proxy may be an individual or a body corporate. A proxy need not be a Shareholder.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).

Proxy forms must be signed by the Shareholder or the Shareholder's attorney or, if the Shareholder is a company, must be signed by 2 directors or by a director and a secretary or, if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the proxy form is signed by a person who is not the registered holder of the shares (e.g. an attorney), then the relevant authority (e.g. in the case of proxy forms signed by the attorney, the power of attorney or a certified copy of the power of attorney) must either have been exhibited previously to the Company or be enclosed with the proxy form.

For an appointment of a proxy to be valid, the form appointing the proxy and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received at least 48 hours prior to the Annual General Meeting at which the proxy intends to vote as follows:

- a) **Hand Delivery** – Automic Registry Services, Level 5, 126 Phillip Street, Sydney NSW 2000;
- b) **Post** – Automic Registry Services, PO Box 5193, Sydney NSW 2000;
- c) **Online** – via our share registry at <https://investor.automic.com.au/#/loginsah> and follow the instructions on the proxy form; or
- d) **Facsimile** – +61 (02) 8583 3040

A proxy form accompanies this Notice of Annual General Meeting. Additional proxy forms are available on request from the registered office of the Company or its share registry. The proxy form contains important information and other instructions which Shareholders should carefully read.

Corporate Representatives

A Shareholder which is a body corporate and which is entitled to attend and vote at a meeting of Shareholders of the Company may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of a Company's Shareholders or in the capacity of a Shareholder's proxy. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution. The representative must present satisfactory evidence that they are authorised to act as the company's representative prior to admission to the Meeting.

EXPLANATORY STATEMENT

PURPOSE

The purpose of this Explanatory Statement (which accompanies, and forms part of, the Notice of Meeting) is to provide Shareholders with further information in respect of the business to be considered and the Resolutions to be proposed at the 2018 Annual General Meeting of Knosys Limited ACN 604 777 862 to be held at 11.00am (AEDT) on 26 November 2018 and to assist Shareholders to determine how they wish to vote on those Resolutions.

Terms and expressions used in this Explanatory Statement have the meaning given to them in the “Definitions” section located at the end of this Explanatory Statement.

Shareholders are encouraged to carefully read this Explanatory Statement and the Notice of Meeting in their entirety before deciding how to vote on each Resolution. Shareholders should consult their financial or other adviser if they are undecided about what to do.

SUMMARY OF BUSINESS OF THE MEETING

- Item 1: Consideration of the 2018 Financial and other Reports of the Company.
- Item 2: Adoption of the Remuneration Report for the year ended 30 June 2018 (Resolution 1).
- Item 3: To re-elect Hon. Alan Stockdale Levy as a Director of the Company (Resolution 2).
- Item 4: Approval for additional 10% placement capacity (Resolution 3)
- Item 5: Approval of prior issue of Shares under ASX Listing Rule 7.1 (Resolution 4)
- Item 6: Approval of prior issue of Shares under ASX Listing Rule 7.1A (Resolution 5)
- Item 7: Approval of issue of 2,000,000 Options to Blue Ocean Equities (Resolution 6)
- Item 8: Approval for the issue of 1,000,000 Loan Funded Shares to John Thompson (Resolution 7)

ORDINARY BUSINESS

Item 1: Consideration of the 2018 Financial and other Reports

The Corporations Act requires the Directors to lay before the Annual General Meeting the Annual Financial Report of the Company (which includes the Financial Statements and Directors’ Declaration), Directors’ Report (which includes the Remuneration Report) and Auditor’s Report in respect of the financial year ended on 30 June 2018.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on these reports.

Except for the non-binding advisory Resolution in respect of the Remuneration Report (refer to Resolution 1 below), there is no requirement in either the Corporations Act or the Company’s Constitution for Shareholders to vote on or approve the Annual Financial Report, Directors’ Report or Auditor’s Report.

Item 2: Adoption of the Remuneration Report for the year ended 30 June 2018 (Resolution 1)

The Remuneration Report is contained in the Directors’ Report in the 2018 Annual Report. Shareholders can access a copy of the report at the Company’s website, www.knosys.it.

The Remuneration Report provides information about the remuneration arrangements for KMP, which includes non-executive Directors and the most senior executives, for the year ended 30 June 2018.

The Remuneration Report covers the following matters:

- Details of key management personnel (KMP);
- Principles used to determine the nature and amount of remuneration;
- Description and details of non-executive Director remuneration;
- Description and details of executive remuneration;
- Executive equity ownership;
- Key terms of executive service agreements; and
- Related party information.

Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. Shareholders will be asked to vote on the Remuneration Report. The Resolution is advisory only and does not bind the Company or its Directors. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Under the Corporations Act, if at least 25% of the votes cast on the Resolution are against the adoption of the relevant Remuneration Report at 2 consecutive Annual General Meetings (each an "AGM", and any such potential 25% or more vote 'against' commonly referred to as a "first strike" or "second strike"), Shareholders will be required to vote at the second of those AGMs on a resolution (known as a "spill resolution") that another general meeting (known as a "spill meeting") be held within 90 days, at which all of the Company's Directors in office at the time of the Directors' resolution to approve the Directors' Report containing that second Remuneration Report (other than the Managing Director) will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting, those Directors who re-election as Directors is approved will remain Directors of the Company.

The Company's 2017 Remuneration Report was adopted at the Company's 2017 annual general meeting by more than 75% of the votes cast.

Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company set out in the Remuneration Report, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Voting exclusions

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the KMP, details of whose remuneration are included in the Remuneration Report or by any of their closely related parties (such as certain of their family members, dependants and companies they control).

However, this does not prevent a member of the KMP or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or any of their closely related parties if:

- The person specifies the way the proxy is to vote on Resolution 1 in the proxy form; or
- The person voting as a proxy is chairing the Meeting and the proxy form expressly authorises the Chair to exercise the proxy even if the Resolution is directly or indirectly connected with the remuneration of a member of the KMP.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 by marking any one of "For", "Against" or "Abstain" on the proxy form for that item of business. If you have appointed the chair of the Meeting as your proxy and you do not mark any of "For", "Against" or "Abstain" on the proxy form, you will be authorising the Chair to exercise any proxies held by him in respect of Resolution 1, even if that Resolution is connected directly or indirectly with the remuneration of a member of the KMP. The Chair of the Meeting intends to vote any undirected proxies held by him in favour of Resolution 1.

Item 3: Re-election of Director – Hon. Alan Stockdale (Resolution 2)

Pursuant to the Constitution, one third of the Directors are required to retire by rotation at each annual general meeting of the Company but are eligible for re-election at that meeting.

Hon. Alan Stockdale retires by rotation in accordance with the Constitution and, being eligible and having signified his candidature for the office, offers himself for re-election as a Director of the Company.

Details of Hon. Mr Stockdale's experience and expertise are contained on page 3 of the Company's 2018 Annual Report.

Recommendation

All Directors (with the exception of Mr Stockdale as an abstention) recommend Shareholders vote in favour of Resolution 2.

Item 4: Approval for additional 10% placement capacity (Resolution 3)

1. Background

ASX Listing Rule 7.1A provides that an Eligible Entity may seek shareholder approval at its annual general meeting to allow it to issue, or agree to issue, Equity Securities up to 10% of its issued capital during the 12 month period after the entity's annual general meeting at which the approval is obtained (**Additional 10% Placement Capacity**).

The Company is seeking Shareholder approval under Resolution 3 to have the ability to issue Equity Securities under the Additional 10% Placement Capacity. Once approved, the Company may issue Equity Securities under the Additional 10% Placement Capacity without any further Shareholder approval for the Period of Approval (outlined below).

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the Additional 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (described below). The Equity Securities must be in the same class as an existing class of quoted Equity Securities of the Company. The Company currently has only one class of quoted Equity Securities on issue, being Shares.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and entitled to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 3 in the Notice of Meeting. As at the date of the Notice of Meeting, the Company does not have any specific intention to use the Additional 10% Placement Capacity nor has the Company approached any particular Shareholder or any associate to participate in an issue of Equity Securities under the Additional 10% Placement Capacity. Accordingly, at the date of the Notice of Meeting, no Shareholder is precluded from voting in favour of Resolution 3.

At the 2017 annual general meeting of the Company held on 28 November 2017, Shareholders approved an Additional 10% Placement Capacity. However, that approval will shortly expire. Since the date of the last annual general meeting of the Company, 8,234,939 Equity Securities (i.e. Shares) have been issued by the Company under that Additional 10% Placement Capacity. Shareholders are being asked to ratify that issue under Resolution 5 below.

2. ASX Listing Rule 7.1A – Eligibility criteria

The Company will be an Eligible Entity for the purposes of ASX Listing Rule 7.1A provided it has a market capitalisation no greater than \$300 million (excluding restricted securities) (being, as at the date of the Notice of Meeting, approximately \$12.3 million based on the closing price of Shares on ASX on 17 October 2018) and is not included in the S&P/ASX 300 Index as at the date of the relevant special resolution under ASX Listing Rule 7.1A.

The Company is not included in that index. Accordingly, the Directors believe that the Company will be an Eligible Entity at the date of the Meeting.

If Shareholders approve Resolution 3, the maximum number of Equity Securities that the Company may issue under the Additional 10% Placement Capacity will be calculated according to the following formula (set out in ASX Listing Rule 7.1A.2) (**ASX Listing Rule 7.1A.2 Formula**):

$$(A \times D) - E$$

Where:

- A** = The number of fully paid ordinary shares on issue 12 months before the issue date or date of agreement to issue:
- plus the number of fully paid ordinary shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
 - plus the number of partly paid ordinary shares that became fully paid in the 12 months;
 - plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under ASX Listing Rule 7.1 or ASX Listing Rule 7.4; and
 - less the number of fully paid ordinary shares cancelled in the 12 months.

Note that “A” has the same meaning in ASX Listing Rule 7.1 (described below) when calculating the Company’s usual annual 15% placement capacity under that ASX Listing Rule.

D = 10%

E = The number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue that are *not* issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or ASX Listing Rule 7.4.

If the Company obtains the approval of its Shareholders to the Additional 10% Placement Capacity:

- any Shares issued under that Additional 10% Placement Capacity will not be counted in variable “A” above until their issue has been ratified under ASX Listing Rule 7.4 or 12 months has passed since their issue; and
- any Shares issued under that Additional 10% Placement Capacity are counted in variable “E” above until their issue has been ratified under ASX Listing Rule 7.4 or 12 months has passed since their issue.

The application of the immediately preceding paragraph to the Additional 10% Placement Capacity is the primary reason why Shareholders under Resolution 5 below are being asked to approve the prior issue of 8,234,939 Shares under the Additional 10% Placement Capacity approved by Shareholders at the 2017 annual general meeting of the Company.

3. Placement capacity under ASX Listing Rules 7.1 and 7.1A

The Additional 10% Placement Capacity is in addition to the Company’s usual annual 15% placement capacity under ASX Listing Rule 7.1.

Subject to a number of exceptions set out in ASX Listing Rule 7.2, in general terms, ASX Listing Rule 7.1 limits the maximum number of Equity Securities (for example, shares, options and convertible securities) a listed company may issue or agree to issue without shareholder approval in any 12 months period to 15% of its issued ordinary shares (i.e. 15% of “A” described above).

As at the date of the Notice of Meeting, the Company has 140,860,576 Shares on issue and, therefore, in addition to any other Shares which it can issue under the permitted exceptions to ASX Listing Rules 7.1 and 7.1A, it will have capacity to issue (without the approval of its Shareholders):

- (1) subject to Shareholders approving Resolutions 4 and 5, 21,129,086 Shares under ASX Listing Rule 7.1; and

(2) subject to Shareholders approving Resolutions 3, 4 and 5, 14,086,057 Shares under ASX Listing Rule 7.1A.

However, the actual number of Shares that the Company will have capacity to issue or agree to issue under ASX Listing Rule 7.1A or ASX Listing Rule 7.1 at a particular point in time will be calculated at the relevant date in accordance with the ASX Listing Rule 7.1A.2 Formula or the formula applicable to ASX Listing Rule 7.1 (as the case may be).

4. Period of Approval

Shareholder approval of the Additional 10% Placement Capacity is valid from, and therefore Equity Securities may be issued under the Additional 10% Placement Capacity from, the date of the Meeting until the first to occur of the following:

- (1) the date that is 12 months after the date of the Meeting; and
- (2) the date of the approval by Shareholders of a transaction under ASX Listing Rule 11.1.2 (Proposed change to nature or scale of activities) or ASX Listing Rule 11.2 (Change involving main undertaking),

(the **Period of Approval**).

Upon the expiry of the Period of Approval, unless the Company has before the end of the Period of Approval obtained a further approval under ASX Listing Rule 7.1A.1, its placement capacity will be governed by ASX Listing Rule 7.1 (and ASX Listing Rule 10.11, in the case of placements to related parties).

Any approval under Resolution 3 will cease to be valid if Shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2 referred to above.

5. Minimum Issue Price

Under ASX Listing Rule 7.1A.3, any Equity Securities issued under ASX Listing Rule 7.1A must be in an existing quoted class of the Eligible Entity's Equity Securities and the minimum price at which each Equity Security may be issued under the Additional 10% Placement Capacity is 75% of the volume weighted average market price for securities in that class calculated over the 15 trading days on which trades were recorded immediately before:

- (1) the date on which the price at which the securities are to be issued is agreed; or
- (2) if the securities are not issued within 5 trading days of that date, the date on which the securities are issued.

As Shares are the only class of Equity Securities of the Company quoted on ASX at the date of the Meeting, any use by the Company of the Additional 10% Placement Capacity will involve the issue of Shares and no other Equity Securities.

6. Purpose and allocation

As at the date of the Notice of Meeting, the Company does not have any specific intention to use the Additional 10% Placement Capacity.

The Company is seeking approval to take advantage of the ASX's recognition that flexibility is sometimes required if action needs to be taken swiftly. The Additional 10% Placement Capacity may be used to raise funds to support the Company's ongoing business and general working capital purposes or for the acquisition of business or other opportunities which may arise.

Ultimately, if Resolution 3 is approved, the Company's allocation policy for issues of Equity Securities under the Additional 10% Placement Capacity will be dependent on various considerations including (but not limited to) the purpose of the proposed issue, the alternative methods for raising funds that are available to the Company at the time, the effect of the proposed issue on the control of the Company, the circumstances of the Company and the prevailing market conditions at the time of the proposed issue. The identity of the placees will be determined on a

case-by-case basis at or around the time of issue. However, the placees of any Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company. It is unlikely that such a placee will be a person to whom the Company is required to issue a prospectus or other disclosure document under the Corporations Act.

The Company may issue Equity Securities under the Additional 10% Placement Capacity for cash consideration or as non-cash consideration. Where the Company issues any Equity Securities under the Additional 10% Placement Capacity for non-cash consideration (for example, where the Company acquires assets from a vendor), the Company will provide to ASX for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with the minimum issue price under ASX Listing Rule 7.1A.3 (outlined above).

If the Company issues Shares under the Additional 10% Placement Capacity, it will comply with its disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A.

7. Risk of Economic and Voting Dilution

Any issue of Equity Securities under the Additional 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Equity Securities under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the Additional 10% Placement Capacity, the economic and voting dilution of existing Shareholders through the Company using the Additional 10% Placement Capacity is as shown in the table below. The table has been prepared based on the number of Shares on issue in the Company at the date of the Notice of Meeting and the closing price of those Shares as at close of trade on ASX on 17 October 2018.

Number of Shares on Issue (variable "A" in ASX Listing Rule 7.1A.2)*	Dilution			
	Dilution based on number of Shares issued (being 10% of the number of Shares at the time of issue)	Funds raised based on an issue price of \$0.0435 (50% decrease in current issue price ²)	Funds raised based on an issue price of \$0.087 (Current issue price)	Funds raised based on an issue price of \$0.1305 (50% increase in current issue price)
140,860,576 (Current)	14,086,057	\$612,744	\$1,225,487	\$1,838,231
211,290,864 (50% increase)	21,129,086	\$919,115	\$1,838,231	\$2,757,346
281,721,152 (100% increase)	28,172,115	\$1,225,487	\$2,450,974	\$3,676,461

*The number of Shares on issue could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or securities issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1 or 7.4.

The table above uses the following assumptions:

1. The current Shares on issue are the Shares on issue as at the date of the Notice of Meeting.
2. The current issue price set out above is the closing price of the Shares on ASX on 17 October 2018.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting other than issues under an exception in ASX Listing Rule 7.2 or with Shareholder approval under ASX Listing Rule 7.1 or 7.4.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own Shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to issues under ASX Listing Rule 7.1 or exceptions to that ASX Listing Rule.

7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The issue of Equity Securities under the Additional 10% Placement Capacity consists only of Shares. Based on its current issued securities, only Shares can be issued by the Company under the Additional 10% Placement Capacity.

Shareholders should note that there is a risk that:

- (1) the market price for the Company's Equity Securities may be significantly lower on the issue date than on the date of the Meeting; and
- (2) the Company's Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

8. Prior issue of Equity Securities over the last 12 months

The Company previously obtained approval under ASX Listing Rule 7.1A at its annual general meeting held on 28 November 2017.

ASX Listing Rule 7.3A.6 requires the Notice of Meeting (or this Explanatory Statement) to include details of the total number of Equity Securities issued by the Company in the 12 months preceding the date of the Meeting and the percentage they represent of the total number of Equity Securities on issue at the commencement of that 12 month period.

During that 12 month period, a total of 64,761,190 Equity Securities comprising 62,761,190 Shares and 2,000,000 Options were issued by the Company representing approximately 57% of the total number of Equity Securities (Shares, Options and Convertible Notes, with attaching Options) on issue in the Company on 28 November 2017. Details of the issues of Equity Securities in the preceding 12 month period are set out in Annexure A.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Items 5 and 6: Ratification of prior issue of Securities – May 2018 placement (LR 7.1 and 7.1A issues) (Resolutions 4 and 5)

1. Background

On 31 May 2018, the Company announced to ASX that it had completed a placement to raise \$1,371,101 (before costs) by the issue of 19,587,347 Shares issued to sophisticated and professional investors, none of whom were related parties of the Company (**Placement**).

The Company issued the Shares within the 15% annual limit set out in ASX Listing Rule 7.1 and the 10% annual limit set out in ASX Listing Rule 7.1A. By issuing those Shares under the Placement, the Company's capacity to issue further Equity Securities without Shareholder approval within those respective limits was accordingly reduced.

Resolutions 4 and 5 seek Shareholder approval for the prior issue of the Shares to the places noted above. They are proposed as ordinary resolutions and will be passed if more than 50% of the votes cast by Shareholders entitled to vote are in favour of the Resolutions. Shareholders' attention is drawn to the voting exclusion statement in relation to Resolutions 4 and 5 in the Notice.

2. ASX Listing Rules 7.1, 7.1A and 7.4

Subject to a number of exceptions, in general terms, ASX Listing Rule 7.1 limits the number of Equity Securities (for example, shares, options and convertible securities) that a listed company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued ordinary shares (**15% share issue capacity**).

ASX Listing Rule 7.1A provides that certain eligible companies may seek shareholder approval at its annual general meeting (**AGM**) to issue up to a further 10% of its fully paid ordinary securities on issue at the start of the 12 month period commencing on the date of the AGM (**10% share issue capacity**). The Company is an eligible company and sought and received Shareholder approval to the 10% share issue capacity at its AGM on

28 November 2017. The Shareholder approval is valid until the earlier of 12 months from the date of the AGM (that is, until 28 November 2018) or, if the Company undertakes a significant transaction requiring Shareholder approval under ASX Listing Rule 11.1.2 or 11.2, the date the Shareholders approve that transaction.

Without Shareholder approval pursuant to ASX Listing Rule 7.4, the issues will be counted towards the Company's 15% share issue capacity and 10% share issue capacity respectively and will therefore reduce the Company's capacity to issue securities in the future without obtaining Shareholder approval. ASX Listing Rule 7.4 allows a listed entity like the Company to subsequently approve in general meeting a prior issue of securities thereby allowing those securities to be treated as if they had been issued with shareholder approval.

Accordingly, these Resolutions seek Shareholder approval to allow the Company to substantially refresh its 15% share issue capacity (Resolution 4) and 10% share issue capacity (Resolution 5).

By refreshing its 15% share issue capacity and its 10% share issue capacity, the Company will retain the flexibility to issue new Shares and other Equity Securities in the future up to the 15% share issue capacity (without the need to obtain prior Shareholder approval) and to issue new Shares up to the 10% share issue capacity (without the need to obtain any further Shareholder approval, assuming Shareholders approve Resolution 3).

3. Information required for Shareholder approval under ASX Listing Rules

In accordance with ASX Listing Rule 7.5, the following information is provided for Shareholders:

- (1) 11,352,408 Shares were issued under the Company's ASX Listing Rule 7.1 (15%) capacity on 31 May 2018;
- (2) 8,234,939 Shares were issued under the Company's ASX Listing Rule 7.1A (10%) capacity on 31 May 2018;
- (3) All Shares were issued at \$0.07 per Share.
- (4) The Shares rank equally with all other Shares on issue in the Company.
- (5) The Shares were issued to a number of sophisticated and professional investors, none of whom were related parties of the Company.
- (6) The funds were raised to assist with the funding of the repayment of Convertible Notes and for working capital purposes.
- (7) A voting exclusion statement is included in the Notice of Meeting.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 4 and 5.

Item 7: Approval of issue of 2,000,000 Options to Blue Ocean Equities Pty Limited (Resolution 6)

1. Background

Resolution 6 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 2,000,000 Options to the Lead Manager of the Company's May 2018 Placement and the Rights Issue completed in August 2018 (or its nominees), in consideration for its services in managing the Placement and Rights Issue and underwriting the Rights Issue, in addition to a 6% management fee.

A summary of ASX Listing Rule 7.1 is set out in relation to Items 4, 5 and 6 above.

The effect of this Resolution will be to allow the Company to issue the Options during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% share issue capacity.

Under the terms of the agreement with Blue Ocean Equities, if Shareholders do not approve the issue of the Options, the Company will be obliged to instead pay to Blue Ocean Equity a cash based fee of \$100,000 in consideration for the services provided.

2. Information required for Shareholder approval under ASX Listing Rules

In accordance with ASX Listing Rule 7.3, the following information is provided for Shareholders:

- (1) The maximum number of securities proposed for issue is 2,000,000 Options.
- (2) No issue price is payable on the issue of the Options.
- (3) The allottees will be Blue Ocean Equities or its nominees, none of whom will be related parties of the Company.
- (4) The Options will have an exercise price of \$0.12, an expiry date of 3 years after their issue date, and otherwise be on the terms and conditions set out in Annexure B. The Options will not be quoted on ASX.
- (5) No funds will be raised by the issue of the Options. Any funds raised on the exercise of the Options will be applied to the working capital requirements of the Company.
- (6) The Options will be issued on one date no later than three months after Shareholder approval.

Recommendation

The Directors unanimously recommend that the Shareholders vote in favour of this Resolution 6.

Item 8: Approval for issue of Loan Funded Shares to John Thompson (Resolution 7)

1. Background

The Company is proposing to issue Shares to Mr John Thompson in accordance with approval sought under Resolution 7.

Mr Thompson was appointed as CEO of Knosys in July 2016 and accepted the invitation to join the Board of the Company on 26 September 2018. Mr Thompson has led the Company successfully since his appointment as CEO, building a strong team, improving and developing the Knosys product, winning new customers and, in the last financial year, achieving excellent growth in revenues and licence numbers.

The Company has agreed a remuneration package for Mr Thompson that comprises a cash and equity component, namely a base salary package of \$301,000 per annum (plus statutory superannuation), an available cash bonus of up to \$100,000 (dependent of achievement of annual KPIs set by the Board) and, subject to Shareholder approval, an equity component of 1,000,000 Shares in the form of Loan Funded Shares on substantially the same terms and conditions applying to Loan Funded Shares issued under the Knosys Loan Funded Share Plan (the **Plan**), as approved at the 2017 annual general meeting of the Company. A summary of the terms and conditions of the Plan is set out in Annexure C.

Subject to the same terms as set out in the Plan, including but not limited to Mr Thompson remaining employed by the Company, the Loan Funded Shares for Mr Thompson will vest in 4 tranches:

- 250,000 Shares will vest on 30 June 2019;
- 250,000 Shares will vest if the 20-day VWAP of the Company's Shares as at 30 June 2019 is 12 cents or more;
- 250,000 Shares will vest if the 20-day VWAP of the Company's Shares as at 30 June 2019 is 16 cents or more; and
- 250,000 Shares will vest if the 20-day VWAP of the Company's Shares as at 30 June 2019 is 20 cents or more.

The Shares will be subject to forfeiture if the above vesting conditions are not met. The Shares will also be subject to forfeiture on the same terms as set out in the Plan. Mr Thompson will be advanced a Loan under the same terms as set out in the Plan to acquire the Loan Funded Shares.

The proposed issue of Loan Funded Shares to Mr Thompson is to occur outside of the Plan in order to maintain the Company's capacity to issue securities under the Plan to eligible participants within the 5% limit across its employee incentive schemes.

2. Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Mr Thompson by virtue of being a Director is a related party of the Company. Accordingly, any financial benefit given to him must either be approved by Shareholders or fall within an applicable exception.

The Board considers that the proposed issue of 1,000,000 Loan Funded Shares to Mr Thompson (or his nominees) represents reasonable remuneration for Mr Thompson in relation to the equity component of his total remuneration package. Accordingly, it is the Board's view that the exception contained in section 211 of the Corporations Act applies and therefore the Company is not seeking Shareholder approval for the giving a financial benefit to Mr Thompson for the purposes of Chapter 2E of the Corporations Act.

Even though the giving of the proposed financial benefit to Mr Thompson does not require the approval of Shareholders under Chapter 2E of the the Corporations Act as a relevant exception applies, Shareholders will nevertheless be given the opportunity to approve the proposed issue of Loan Funded Shares due to the application of ASX Listing Rule 10.11 (referred to below).

3. ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of the Shares involves the issue of securities to a related party of the Company namely Mr Thompson, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that none of the exceptions set out in ASX Listing Rule 10.12 applies in the current circumstances and therefore Shareholder approval under that ASX Listing Rule is required.

4. Information required for Shareholder approval under ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, the following information is provided to Shareholders:

- (a) The Shares will be issued to John Thompson (and/or his nominees).
- (b) The maximum number of Shares to be issued is 1,000,000.
- (c) The issue of all of the Shares will occur no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (d) The Shares will be issued under substantially the same terms as the Company's Loan Funded Share Plan. Subject to ASX granting a waiver of the application of ASX Listing Rule 10.13.5 (if ASX determines such a waiver is required), the issue price of the Shares to be acquired has been determined by the Board to be the higher of:
 - (i) the closing price of Shares on ASX on the date of the Annual General Meeting, and
 - (ii) \$0.08.

The issue price does not impact upon the number of Shares that will be issued. The Company will seek the abovementioned waiver and will advise Shareholders in due course of ASX's decision in that regard. Mr Thompson will be lent the funds to acquire the Shares under the terms of the Plan.

- (e) No funds will be raised from the issue of the Shares, as the Company will provide a Loan to Mr Thompson for their acquisition. The terms of the Loan granted to Mr Thompson will be subject to substantially same terms and conditions as those that apply to eligible persons under the Plan. While the Company, by making the Loan, is financially assisting Mr Thompson to acquire Shares, the Directors are of the view that the giving of that assistance does not materially prejudice the Company or its Shareholders or the Company's ability to pay its creditors. If, and to the extent, the Loan is repaid, the amount repaid will be applied to the working capital requirements of the Company.

The primary purpose of the issue of the Shares is to align Mr Thompson's interest with that of Shareholders and to provide a remuneration package that will both motivate and reward his performance in his role with the Company as CEO.

The Board (except Mr Thompson, who has a material personal interest in the outcome of the Resolution on the basis that he is to be issued Loan Funded Shares should Resolution 7 be passed) recommend Shareholders vote in favour of the Resolution as they believe that it is in the interests of the Company to reward and incentivise Mr Thompson in this manner.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Shares under Resolution 7 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Shares under Resolution 7 will not be included in the use of the Company's annual 15% share issue capacity pursuant to ASX Listing Rule 7.1.

DEFINITIONS

Unless the context requires otherwise, the terms below have the following meanings in the Notice and Explanatory Statement:

1. **Annual General Meeting or Meeting** means the 2018 annual general meeting of the Company convened by the Notice of Meeting and any adjournment or postponement of it.
2. **ASX** means, as the context requires, the Australian Securities Exchange or ASX Limited.
3. **ASX Listing Rules** means the listing rules of ASX (as amended or waived from time to time).
4. **Blue Ocean Equities** means Blue Ocean Equities Pty Ltd.
5. **Board** means the board of Directors of the Company.
6. **Company** means Knosys Limited ACN 604 777 862.
7. **Constitution** means the constitution of the Company.
8. **Convertible Notes** means the convertible notes issued by the Company on 26 May 2017 and 30 June 2017.
9. **Corporations Act** means the *Corporations Act 2001* (Cth).
10. **Director** or **Directors** means a director or the directors of the Company from time to time.
11. **Equity Securities** has the meaning given in the ASX Listing Rules and includes for example shares, options and convertible securities.
12. **Explanatory Statement** means this Explanatory Statement accompanying the Notice.
13. **Loan** means a loan from the Company to a participant provided pursuant to the Plan and includes a loan in relation to the proposed issue of Shares under Resolution 7. .
14. **Loan Funded Share** means a Share that is subject to a Loan or to any conditions under the Plan and includes a Share proposed to be issued under Resolution 7.
15. **Notice** or **Notice of Meeting** means the document which comprises the Company's Notice of Annual General Meeting and the accompanying Explanatory Statement.
16. **Options** means options to acquire unissued Shares.
17. **Plan** means the Loan Funded Share Plan approved by the Company at the 2017 annual general meeting of the Company.
18. **Plan Rules** means the rules governing the Plan
19. **Resolutions** means the resolutions set out in the Notice of Meeting.
20. **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
21. **Shares** means a fully paid ordinary share in the Company.
22. **VWAP** means the volume weighted average market price.

A reference to time in the Notice and Explanatory Statement is to Australian Eastern Daylight Time (AEDT).

ANNEXURE A

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price / Discount	Consideration	
6 February 2018	1,000,000 1,000,000	Shares Options	Shares and Options issued on conversion of convertible notes. Options expired on 31 May 2018.	Nil	Total cash consideration	Nil
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	N/A
19 February 2018	3,250,000	Shares – issued as Loan Funded Shares	Share issued to executives and staff as determined by the Board	Nil	Total cash consideration	Nil
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Nil. Current value based on the binomial model calculation is \$147,885
20 March 2018	1,000,000 1,000,000	Shares Options	Shares and Options issued on conversion of convertible notes. Options expired on 31 May 2018.	Nil	Total cash consideration	Nil
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	N/A
31 May 2018	19,587,347	Shares	Issue via placement to sophisticated investors and clients of Blue Ocean Equities Pty Limited	\$0.07 Nil discount	Total cash consideration	1,371,101
					Amount of cash consideration spent and description of what consideration was spent on	All funds used to assist with the funding of the repayment of Convertible Notes and for working capital purposes
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	N/A
7 August 2018	37,923,843	Shares		\$0.07	Total cash consideration	\$2,654,669

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price / Discount	Consideration	
			Issued pursuant to a 7 for 19 Right Issue.	Nil discount	Amount of cash consideration spent and description of what consideration was spent on	\$250,000 used for working capital purposes, payment of capital raising costs and to accelerate investment in the Company's sales, marketing, product development and customer success teams in order to drive APAC customer and revenue growth
					Intended use for remaining cash consideration	To accelerate investment in the Company's sales, marketing, product development and customer success teams in order to drive APAC customer and revenue growth
					Non-cash consideration paid and current value of that non-cash consideration	N/A

ANNEXURE B – TERMS AND CONDITIONS OF OPTIONS

- (a) Each Option entitles the holder to subscribe for one Share upon the exercise of each Option.
- (b) The exercise price of each Option is \$0.12 (**Exercise Price**).
- (c) The Options will expire three years after their issue date (**Expiry Date**).
- (d) The Options are exercisable at any time on or prior to the Expiry Date.
- (e) The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) in multiples of 10,000 Options (unless all Options are being exercised) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (f) Shares issued on exercise of the Options will rank equally with the then issued fully paid ordinary shares of the Company.
- (g) The Company will not apply to ASX for quotation of the Options.
- (h) If the Shares of the Company are quoted on the ASX at the time of exercise of the Options, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- (i) After an Option is validly exercised, the Company must, within 15 Business Days of the Notice of Exercise and receipt of cleared funds equal to the sum payable on the exercise of the Option issue the Shares and, if the Shares of the Company are quoted on ASX, do all such acts, matters and things to obtain the grant of official quotation of the Shares on ASX no later than 5 Business Days after issuing the Shares.
- (j) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to the Company shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue in accordance with the ASX Listing Rules.
- (k) If the Company makes a bonus issue of shares or other securities to existing Company shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (i) the number of Shares over which the Option is exercisable will be increased by the number of shares or other securities which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (ii) no change will be made to the Exercise Price.
- (l) If the Company makes an issue of Shares pro rata to the existing Company shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula (or the formula which otherwise complies with the ASX Listing Rules at the time):
$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$
 - O = the old Exercise Price of the Option.
 - E = the number of underlying Shares into which one Option is exercisable.
 - P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
 - S = the subscription price of a Share under the pro rata issue.

- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.
- (m) If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.
- (n) The Options are only transferable with the prior written approval of the Board and subject to compliance with the Corporations Act.
- (o) Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The Notice of Exercise with the appropriate remittance should be lodged at the Company's share registry.
- (p) Option holders agree to become members of the Company, if they exercise an Option and to be bound by the constitution of the Company.

ANNEXURE C – SUMMARY OF TERMS AND CONDITIONS OF LOAN FUNDED SHARES

Loan Funded Shares

Participants will acquire Loan Funded Shares at market value as at the grant date using a loan provided by the Company. The Loan will be interest-free and limited recourse in accordance with the loan terms and the Plan Rules.

The Plan Rules require the loan to be repaid before a participant can sell their Shares.

Vesting Conditions of Loan Funded Shares

The Board has the discretion to impose such vesting conditions in relation to the Loan Funded Shares as it deems appropriate. These may include conditions relating to continued employment or service, performance (of the participant or the Company) and the occurrence of specific events.

Restrictions on Disposal of Loan Funded Shares

A participant must not sell, transfer, encumber or otherwise deal with a Loan Funded Share unless otherwise permitted under the Plan or determined by the Board. The Loan Funded Shares will not be quoted on ASX and, at the discretion of the Company, will be the subject of a “holding lock”, restricting the participant’s ability to trade the Shares.

Forfeiture of Loan Funded Shares

Forfeiture conditions apply at all times while each participant holds Loan Funded Shares, such that the participant will forfeit their interest in the Loan Funded Shares where the participant is determined by the Board to:

- be a leaver (with some qualification as set out below);
- be in breach of any terms of the Loan; or
- fail to satisfy the Vesting Conditions.

Leavers

If a participant ceases to be employed or engaged by the Company Group or, if a Director, ceases to be a Director, the Board will determine within which category of ‘Leaver’ (as defined below) that participant falls, and will make a determination in respect of vesting and forfeiture of the Loan Funded Shares held by that participant as set out below:

Type of Leaver	Defined as...	Unvested Loan Fund Shares	Vested Loan Fund Shares
Good Leaver	<p>A participant who ceases employment for reasons of ill-health, total and permanent disability, death, redundancy, retirement (with the agreement of the Board), or the sale by the Company of the business in which the participant is employed such that it is no longer a member of the Company Group.</p> <p>Also includes, in the case of a Director, a person who retires from that position for reasons of ill-health or total and permanent disability, or dies.</p>	<p>Will vest pro-rata based on the portion of the vesting period which has expired as at the date on which employment, engagement or directorship ceases (Cessation Date), and having regard to the extent to which any vesting conditions have been satisfied, all as determined by the Board. Any Loan Funded Shares which remain unvested following the Board’s determination are forfeited.</p>	<p>May be retained, subject to repayment of the balance of the Loan by the earlier of its maturity date or the date which is 6 months from the Cessation Date (or 12 months in the case of cessation of employment, engagement or directorship due to death).</p>

Type of Leaver	Defined as...	Unvested Loan Fund Shares	Vested Loan Fund Shares
Bad Leaver	<p>A participant who ceases employment in circumstances of:</p> <ul style="list-style-type: none"> • breach of the loan agreement or serious/ persistent breach of employment/engagement; • grave misconduct or recklessness in the discharge of duties; • actual or potential disqualification from managing corporations under the Corporations Act; or • directly competes with the Company's business as employee, contractor, director or substantial owner within 6 months of ending employment/ engagement with the Company. <p>Also includes, in the case of a Director, a participant who retires or resigns as a Director without prior approval from the Board, or is removed from the Board by Shareholder vote.</p>	Will be forfeited.	Any vested Loan Funded Shares that remain subject to any condition, or remain held in trust, or if the Loan balance is outstanding and not repaid within 7 days of cessation, will be forfeited.
Leaver	A participant who ceases employment, engagement or directorship, and who is not a Good Leaver or Bad Leaver	Will be forfeited (unless the Board determines otherwise).	May be retained, subject to repayment of the balance of the Loan by earlier of its maturity date or the date which is 6 months from the Cessation Date.

Change in control of the Company

If the Company becomes, or in the opinion of the Board is likely to become, subject to a change of control, unvested Loan Funded Shares will vest pro-rata based on the portion of the vesting period which has expired as at the relevant date and, provided the terms of the Loan are complied with, participants may dispose of their vested Loan Funded Shares by:

- selling their Loan Funded Shares; or
- requesting the Company buy-back their Loan Funded Shares.

Loan Terms

Participants will be invited to purchase Shares using loan funds under a loan agreement with the Company. The Loan must always be repaid if the participant wishes to benefit from the Shares. Participants only benefit from growth in share price.

The Loan commences on the grant date and, subject to the Board's discretion to permit the Loan to continue for a further specified period, must be repaid by the earliest of the following:

- five years from the grant date;
- the date the participant ceases employment, engagement or directorship with the Company;
- the date the Loan Funded Shares are forfeited;
- the date the Board determines any of the vesting conditions will not be satisfied;
- the date the Company is wound up; or
- the date, other than above, that the participant and the Company agree to in writing.

The Loan is interest-free and fee-free, and limited recourse. Limited recourse means the repayment amount will be the lesser of the outstanding Loan value and the market value of the Loan Funded Shares that were acquired using the Loan. If the participant's Loan Funded Shares are of lower value than the Loan balance at the time that they are

required to repay the Loan, that participant's Loan Funded Shares will be disposed of at market value and the proceeds applied in full satisfaction of the Loan obligations.

The participant may repay the Loan before the repayment date. The Loan must be repaid in full (or arrangements for the repayment of the Loan entered into to the satisfaction of the Board), and the vesting conditions satisfied, before the Loan Funded Shares can be disposed of.

If dividends are paid by the Company on the participant's Loan Funded Shares, the Company will apply the after-tax value of the dividends to the repayment of the Loan.

When the Loan is due for repayment, the Company may sell or buy-back some or all of the participant's Loan Funded Shares to satisfy the outstanding Loan balance. The proceeds from any sale or buy-back of the Loan Funded Shares will be applied to repay the outstanding Loan balance and any excess funds after costs and expenses will be returned to the participant if they are entitled to them under the terms of the Plan Rules and the Loan.

If you are attending the meeting in person, please bring this with you for Securityholder registration.

[ReplaceNoImages]

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
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[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: [CompanyASXCode]

Your proxy voting instruction must be received by **11.00am (AEDT) on Saturday 24 November 2018**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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 Voting 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.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting 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.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

