

Knosys Limited

ACN 604 777 862

Notice of 2020 Annual General Meeting and Explanatory Statement

Notice is given that the 2020 Annual General Meeting of Knosys Limited ACN 604 777 862 will be held virtually:

Date: Wednesday, 25 November 2020 (virtual)

Time: Commencing at 2:30pm (Melbourne time)

Venue: Online (access details provided on registration)

NOTICE OF 2020 ANNUAL GENERAL MEETING

Notice is given that the 2020 Annual General Meeting (**Meeting**) of the Shareholders of Knosys Limited ACN 604 777 862 (**Company**) will be held virtually on Wednesday, 25 November 2020 commencing at 2:30 pm (Melbourne time), (access details provided upon registration, see below).

ACCESS

The Meeting will be broadcast online as a live webinar. To virtually attend the Meeting, Shareholders must **register in advance** via the following link: https://us02web.zoom.us/webinar/register/WN_v0-4PlefSSuZGEG9Rcm9Uw. In order to register for the Meeting, Shareholders will be required to provide their Securityholder Reference Number or Holder Identification Number.

After registering, Shareholders will receive a confirmation containing information on how to attend the virtual Meeting.

We recommend logging into the online platform at least 15 minutes prior to the scheduled start time for the Meeting.

More information on access and voting arrangements for the virtual Meeting are set out in the invitation letter dated 27 October 2020 sent to Shareholders in respect of the Meeting.

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.

Capitalised 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 2020.

There is no vote on this item of business.

Item 2: Adoption of the Remuneration Report for the year ended 30 June 2020 (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 2020 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 1.

Voting Exclusion:

Corporations Act

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, 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 on Resolution 1 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 Resolution 1 in the proxy form; or
- the person voting as a proxy is chairing the Meeting and the 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.

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 ASX Listing Rules 14.4 and 14.5, and being eligible for re-election, be re-elected as a Director of the Company.”

Item 4: Re-election of Director – Ms Kathrin Mutinelli (Resolution 3)

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

“That Kathrin Mutinelli, a Director appointed as an additional director of the Company on 1 September 2020, retires in accordance with the Company’s Constitution and ASX Listing Rules 14.4 and 14.5, and being eligible for re-election, be re-elected as a Director of the Company.”

Item 5: Approval for additional 10% placement capacity (Resolution 4)

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:

ASX Listing Rules

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 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, this does not apply to a vote cast in favour of Resolution 4 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with the directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- the person chairing the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the person chairing the Meeting to vote on Resolution 4 as the person chairing the Meeting decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and
 - the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

Item 6: Approval of the Loan Funded Share Plan (Resolution 5)

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That:

- (a) for the purposes of sections 257B, 259B and 260C of the Corporations Act 2001 (Cth) and for all other purposes, the terms of the Knosys Limited Loan Funded Share Plan as described in the Explanatory Statement accompanying this Notice of Meeting be approved; and
- (b) for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, the issue of Shares under that Knosys Limited Loan Funded Share Plan be approved."

Voting Exclusion

ASX Listing Rules

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of a person who is eligible to participate in the Knosys Limited Loan Funded Share Plan, and any associates of such a person.

However, this does not apply to a vote cast in favour of Resolution 5 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with directions given to the proxy or attorney to vote on Resolution 5 in that way; or
- the person chairing the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with a direction given to the person chairing the Meeting to vote on Resolution 5 as the person chairing the Meeting decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 5; and
 - the holder votes on Resolution 5 in accordance with directions given by the beneficiary to the holder to vote in that way.

Corporations Act

In accordance with the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on a resolution connected directly or indirectly with the remuneration of a member of the KMP if the person is either a member of the KMP or a Closely Related Party, and the appointment does not specify the way the proxy is to vote on Resolution 5.

However, this does not apply to a vote cast in favour of Resolution 5 by the person chairing the Meeting and the appointment expressly authorizes the person chairing the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly 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
Company Secretary
27 October 2020

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 (Melbourne time) on Monday, 23 November 2020. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and 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 to the extent permitted by law. 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 5 (Approval of the Loan Funded Share Plan) unless the proxy expressly authorises the Chair to exercise the proxy in respect of such Resolution even if, for the purpose of Resolution 1 and Resolution 5, it is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote by marking any one of "For", "Against" or "Abstain" on the proxy form for that item of business. If you have appointed the Chair 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 Resolutions even if that Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Shareholders' Questions and Comments

The Chair of the Meeting will give Shareholders as a whole at the Meeting a reasonable opportunity to ask questions about or make comments on the Company's 2020 Annual Report which includes the Remuneration 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 2020 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
GPO Box 314
Melbourne, Victoria, 3001
Telephone: +61 3 9046 9700
Email: cosec@knosys.it

2. Attend the virtual Annual General Meeting.

Please note that written questions must be received by post or by email no later than 2 business days before the Meeting i.e. by 2:30 pm (Melbourne time) on Monday, 23 November 2020.

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 a 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 effective, 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 (i.e. 2:30 pm (Melbourne time) Monday, 23 November 2020) 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 2001;
- c) **Online** – via our share registry at <https://investor.automic.com.au/#/loginsah> and follow the instructions on the proxy form; or
- d) **Email** – meetings@automic.com.au
- e) **Facsimile** – +61 (02) 8583 3040

A proxy form accompanies this Notice of Meeting. Additional proxy forms are available on request from 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 2020 Annual General Meeting of Knosys Limited ACN 604 777 862 to be held virtually at 2:30 pm (Melbourne time) on 25 November 2020 and to assist Shareholders to determine how they wish to vote on those Resolutions.

Capitalised 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 2020 Financial and other Reports of the Company.
- Item 2: Adoption of the Remuneration Report for the year ended 30 June 2020 (Resolution 1).
- Item 3: To re-elect Hon. Alan Stockdale as a Director of the Company (Resolution 2).
- Item 4: To re-elect Ms Kathrin Mutinelli as a Director of the Company (Resolution 3)
- Item 5: Approval for additional 10% placement capacity (Resolution 4)
- Item 6: Approval of the Loan Funded Share Plan (Resolution 5)

ORDINARY BUSINESS

Item 1: Consideration of the 2020 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 2020.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions about 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 2020 (Resolution 1)

The Remuneration Report is contained in the Directors’ Report in the 2020 Annual Report. Shareholders can access a copy of the 2020 Annual 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 2020.

The Remuneration Report covers the following matters:

- details of Key Management Personnel;
- principles used to determine the nature and amount of KMP 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. Resolution 1 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.

One of the Company's core philosophies is that the attraction, development, engagement and retention of passionate team members provides a competitive advantage and differentiation within the market which the Directors believe is fundamental to the long term success of the Company. The Company's remuneration policies have been developed to provide market competitive remuneration in order to sustain the Company's competitive position and protect the interest of shareholders.

Under the Corporations Act, if at least 25% of the votes cast on a resolution that the Remuneration Report be adopted 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 whose re-election as Directors is approved will remain Directors of the Company.

The Company's 2019 Remuneration Report was adopted at the Company's 2019 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 apply to Resolution 1 as specified in the Notice of Meeting.

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.

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 6 of the Company's 2020 Annual Report.

Recommendation

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

Item 4: Re-election of Director – Ms Kathrin Mutinelli (Resolution 3)

Pursuant to the Constitution and the ASX Listing Rules, Directors appointed since the last annual general meeting of the Company must retire at the next annual general meeting of the Company but are eligible for re-election at that meeting.

Kathrin Mutinelli was appointed as an additional Director on 1 September 2020. Ms Mutinelli retires in accordance with clause 6.3(j) of the Constitution and, being eligible and having signified her candidature for the office, offers herself for re-election as a Director of the Company.

Experience

Ms Mutinelli holds an MBA and has extensive experience in developing and implementing performance-driven business strategies and driving corporate value creation as a senior executive and a consultant. Kathrin also has direct experience in developing sales strategies and targets and has been personally responsible for meeting company sales targets across the APAC region. Kathrin, is based in Brisbane, is an MBA qualified director with over 15 years of strategic, performance-driven management consulting experience. Kathrin is currently managing director of Stratico Pty Ltd, operating as a strategy advisor and providing advice to boards on risk management and board effectiveness.

Recommendation

The Directors unanimously (with the exception of Ms Mutinelli as an abstention) recommend Shareholders vote in favour of Resolution 3.

Item 5: Approval for additional 10% placement capacity (Resolution 4)

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 4 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 (defined below).

If Shareholders approve Resolution 4, 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 4 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 4 for it to be passed.

Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 4 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 4.

At the 2019 annual general meeting of the Company held on 27 November 2019, 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, 5,600,000 Equity Securities (i.e. Shares and Options) have been issued by the Company. The Company has not issued or agreed to issue any Equity Securities under the Additional 10% Placement Capacity since the date of its last annual general meeting.

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 equal to or less than \$300 million (excluding restricted securities) 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. As at the date of the Notice of Meeting, the Company has a market capitalisation of approximately \$20.1 million (based on the closing price of Shares on ASX on 16 October 2020) and is not included in the S&P/ASX 300 index. Accordingly, the Directors believe that the Company will be an Eligible Entity at the date of the Meeting.

If Shareholders approve Resolution 4, 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 (**relevant period**):
- *plus* the number of fully paid ordinary shares issued in the relevant period under an exception in ASX Listing Rule 7.2 (other than exception 9, 16 or 17);
 - *plus* the number of fully paid ordinary shares issued in the relevant period on the conversion of convertible securities within ASX Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the ASX Listing Rules to have been approved under ASX Listing Rule 7.1 or 7.4;
 - *plus* the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within ASX Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before commencement of the relevant period; or
 - the agreement or issue was approved, or taken under the ASX Listing Rules to have been approved, under ASX Listing Rule 7.1 or 7.4;
 - *plus* the number of any other fully paid ordinary securities issued in the relevant period with approval under ASX Listing Rule 7.1 or 7.4;
 - *plus* the number of partly paid ordinary shares that became fully paid in the relevant period;
 - *less* the number of fully paid ordinary shares cancelled in the relevant period.

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 relevant period where the issue or agreement has *not* been subsequently approved by holders of ordinary securities under 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 approved 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 approved under ASX Listing Rule 7.4 or 12 months has passed since their issue.

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 148,835,576 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) 22,325,336 Shares under ASX Listing Rule 7.1; and
- (2) subject to Shareholders approving Resolution 4, 14,883,557 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;
- (2) the time and date of the Company’s next annual general meeting; and
- (3) 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 4 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 cash 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 by the Company and the recipient of the securities; or
- (2) if the securities are not issued within 10 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 policy

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 it invited any Shareholder to participate in an issue of Equity Securities under 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 from time to time.

Ultimately, if Resolution 4 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 and 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. Placees could, in certain circumstances, also include vendors of assets or businesses into the Company or its subsidiaries. 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 only for cash consideration.

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 4 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 16 October 2020.

| 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 \$0.0675 (50% decrease in current issue price ²) | Funds raised based on an issue price of \$0.135 (Current issue price) | Funds raised based on an issue price of \$0.2025 (50% increase in current issue price) |
| 148,835,576 (Current) | 14,883,557 | \$1,004,640 | \$ 2,009,280 | \$3,013,920 |
| 223,253,364 (50% increase) | 22,325,336 | \$1,506,960 | \$3,013,920 | \$4,520,881 |
| 297,671,152 (100% increase) | 29,767,115 | \$2,009,280 | \$4,018,561 | \$6,027,841 |

*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 16 October 2020.
3. The Company issues the maximum possible number of Equity Securities under the Additional 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 27 November 2019.

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 under Listing Rule 7.1A.2 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, no Equity Securities were issued or agreed to be issued under listing Rule 7.1A.2 by the Company.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

Voting exclusions apply to Resolution 4 as specified in the Notice of Meeting.

Item 6: Approval of Loan Funded Share Plan (Resolution 5)

1. Background

The Directors believe that it is important that managers and staff have the opportunity to participate in ownership of the Company, as ownership of Shares by employees tends to incentivise employees in ways that best align the interests of those employees with the interests of Shareholders. Share loan plans are becoming more prevalent amongst small businesses and start-ups and are proving effective in achieving alignment of staff and shareholder interests.

Such plans can better suit the employee and essentially involve employees being issued with or buying on-market Shares at the prevailing share price. Where Shares are issued to employees (which is the intended norm in the case of the Company) at the Company's prevailing share price, the purchase of Shares is funded by a book entry loan to the employee concerned and there is no cash outflow for the Company. In most circumstances, the employee is liable for tax only if and when the Shares are sold at a profit. Proceeds from any share sale are first used to repay the loan. The loan terms are set out below.

Subject to the approval of Shareholders, the Company will adopt an employee incentive scheme known as the Knosys Limited Loan Funded Share Plan (the **Plan**), pursuant to which fully paid ordinary shares in the Company may be acquired by certain key personnel and Directors using financial assistance given by the Company.

The Plan should constitute an 'employee share scheme' for the purposes of the Corporations Act as it provides for the acquisition (subject to vesting conditions) of Shares in the Company. If an employee share scheme has been approved by Shareholders then any financial assistance that the Company might give to acquire its own shares (eg providing an interest-free loan) is exempted from the prohibition in section 260A of the Corporations Act. Section 260A requires financial assistance that might be considered to materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors to be approved by Shareholders under section 260B and advance notice to be provided to ASIC. The provision of an interest-free loan to participants may be considered financial assistance for the purposes of the Corporations Act. Accordingly, the Board considers it desirable and appropriate to seek Shareholder approval for the Plan for the purposes of section 260C(4).

Section 257B(1) of the Corporations Act sets out the procedure for various forms of share buy-back, including an "employee share scheme buy-back". In order for the Company to undertake a buy-back of Shares under the Plan (in circumstances where Shares are forfeited by participants under the Plan in accordance with their terms of issue) using the employee share scheme buy-back procedure under the Corporations Act, the Plan must be approved by shareholders. Accordingly, shareholders are asked to approve the Plan in order for the Company to undertake a buy-back of Shares under the Plan using the employee share scheme buy-back procedure.

Approval of the Plan for the purposes of section 259B(2) of the Corporations Act will allow the Company to take security over its own shares under the Plan. The rules of the Plan provide the option for the Company to obtain security over its own shares and it is envisaged that vested Plan shares may be subject to restrictions on disposal. Approval of the Plan for the purposes of s259B(2) of the Corporations Act removes any doubt about the efficacy of such restrictions on the basis they may constitute a 'security' over the shares.

Under ASX Listing Rule 7.1, a listed company must not issue or agree to issue Equity Securities exceeding 15% of its ordinary securities on issue in the previous 12 months unless it obtains the approval of its shareholders. An exception to ASX Listing Rule 7.1 is that any issue under an employee incentive scheme within 3 years of the scheme being approved by members will not be counted when determining whether the 15% limit has been exceeded (Exception 13 in ASX Listing Rule 7.2). In addition, to the extent that Shares are issued under the Plan as an approved employee incentive scheme, those Shares are added to the denominator on which the 15% placement limit prescribed by ASX Listing Rule 7.1 is calculated.

Accordingly, Resolution 5 seeks the approval of Shareholders for:

- the establishment of the Plan for the purposes of sections 257B, 259B(2) and 260C(4) of the Corporations Act and for all other purposes; and
- the issue of Shares under the Plan for the purposes of Exception 13(b) of ASX Listing Rule 7.2 and for all other purposes.

Shareholders should note that any proposal to issue Shares under this Plan to Directors or other related parties will be conditional upon the approval of Shareholders at a subsequent general meeting. Shares cannot be issued to Directors without Shareholder approval.

The Plan is designed to support the achievement of the Company's business strategy by linking key personnel rewards to improvements in the financial performance of the Company and aligning the interests of those individuals with those of Shareholders. Participants benefit only to the extent that the share price of the Company (plus any dividends which may be paid to Shareholders) exceeds the market value at which the Loan Funded Shares were acquired.

A summary of the Plan is set out below.

2. Summary of Plan Terms and Conditions

Key personnel and Directors selected by the Board at its discretion will be offered the opportunity to participate in the Plan. Loan Funded Shares offered under the Plan may be issued to the participant or purchased on-market, at the discretion of the Board. It is the Board's present intention that Loan Funded Shares will be issued to participants.

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 Loan Funded 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 may not be quoted on ASX and, at the discretion of the Company, may be the subject of a "holding lock", restricting the participant's ability to trade the Loan Funded Shares while subject to the restrictions of the Plan..

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 relevant 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 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 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:

- 5 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.

Maximum number of Shares to be offered

The maximum number of Shares that may be granted pursuant to the Plan following its approval by Shareholders (in addition to the number of shares and options issued under the Company's existing Employee Share Plan and Employee Share Option Plan, each of which are summarised in the Company's prospectus dated 22 July 2015) is 7,441,778, being 5% of the total issued share capital of the Company currently on issue.

Recommendation

Noting that Directors are eligible to participate in the Plan, the Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

Voting exclusions apply to Resolution 5 as specified in the Notice of Meeting.

DEFINITIONS

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

1. **Annual General Meeting or Meeting** means the 2020 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. **Board** means the board of Directors of the Company.
5. **Chair** means the chair of the Meeting.
6. **Closely Related Parties** is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as companies controlled by the KMP.
7. **Company** means Knosys Limited ACN 604 777 862.
8. **Constitution** means the constitution of the Company.
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 of Meeting.
13. **Key Management Personnel or KMP** comprise all persons having authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities, directly or indirectly, including any Director (whether executive or otherwise).
14. **Loan** means a loan from the Company to a participant provided pursuant to the Plan.
15. **Loan Funded Share** means a Share that is subject to a Loan or to any conditions under the Plan.
16. **Notice or Notice of Meeting** means the document which comprises the Company's Notice of 2020 Annual General Meeting of Shareholders and which is accompanied by this Explanatory Statement.
17. **Options** means options to acquire unissued Shares.
18. **Plan** means the Knosys Limited Loan Funded Share Plan, the subject of Resolution 5.
19. **Plan Rules** means the rules governing the Plan
20. **Resolutions** means the resolutions set out in the Notice of Meeting.
21. **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
22. **Shares** means a fully paid ordinary share in the Company.

A reference to time in the Notice of Meeting and this Explanatory Statement is to Melbourne time.