



9 July 2018

Dear Option Holder

Knosys Limited
ABN 96 604 777 862
Partially Underwritten Non-renounceable Rights Issue

On 29 May 2018, Knosys Limited (KNO:ASX) (**Knosys** or **Company**) announced a proposed capital raising of approximately \$4.02 million (before costs) by way of a oversubscribed share placement to raise approximately \$1.37 million of 19,587,347 Knosys shares to sophisticated investors (**Placement**) and a 7 for 19 non-renounceable rights issue to raise approximately \$2.65 million of up to approximately 37,924,059 new Knosys shares at an issue price of \$0.07 per share (**New Shares**) (**Rights Issue**).

The Placement was successfully concluded on 31 May 2018. The Placement was conducted using the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A of 11,352,408 shares and 8,234,939 shares respectively and the issue price represented a discount of approximately 11.9% to the 15-day VWAP of Knosys shares (to 29 May 2018). Blue Ocean Equities Pty Limited (**Blue Ocean Equities**) acted as Lead Manager to the Placement.

In addition to being able to apply for New Shares under the Rights Issue, eligible shareholders (described below) who take up their full entitlement will also be able to apply for New Shares that are not subscribed for under the Rights Issue under a shortfall facility. Further details of the shortfall facility will be set out in the Offer Document sent to eligible shareholders.

Application of the Funds

The funds raised from the Placement were used to repay the holders of convertible notes which matured on 31 May 2018. Funds raised from the subsequent Rights Issue will be used to accelerate investment in the Company's sales, marketing, product development and customer success teams in order to drive APAC customer and revenue growth. The costs of the Rights Issue and Placement will also be paid out of the funds raised.

KNO Chief Executive Officer, Mr. John Thompson said "We are delighted to have received strong demand for the Placement from our new and existing sophisticated investors. The Board also considered it important to allow existing shareholders the same opportunity to invest further in the Company's growth hence the decision to undertake a Rights Issue."

"The funds raised from this capital raising will enable the Company to exploit its recent successful contract announcements with Singtel and Optus by recruiting additional business development and marketing employees. These additional employees will focus primarily on making sales of our leading software platform, Knowledge/Q. We will also commence a broader digital marketing campaign and sponsorship of industry conferences during the year to build brand awareness of Knosys. Our growth aspirations include expansion into Singapore with the opening of a local office to enable us to better engage with customers and partners and grow our sales footprint in the APAC region. We also intend to continue to invest in ongoing product innovation focusing on integrations and enhancements to simplify usage and drive adoption of the Knosys software platform."

Rights Issue details and Offer Document

The Rights Issue will be made to eligible Knosys shareholders without disclosure under Part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**) pursuant to section 708AA of the Corporations Act, as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

The Company will dispatch a copy of the Offer Document and a personalised Entitlement and Acceptance Form to eligible shareholders in accordance with the below timetable. Once available, the Offer Document will also be lodged on the ASX Market Announcements Platform which is available on



the ASX website at www.asx.com.au (ASX code: KNO). It will also be available on the Company's website at www.knosys.it.

The Rights Issue is non-renounceable, which means that entitlements to participate in the Rights Issue cannot be sold or transferred. Therefore, to the extent that an eligible shareholder does not take up all or part of their entitlement under the Right Issue, that entitlement (or the relevant proportion not taken up) will lapse and the New Shares, the subject of that entitlement (or the relevant proportion not taken up), will be made available under the proposed shortfall facility or otherwise taken up by Blue Ocean Equities as underwriter as referred to below.

Indicative timetable for the Rights Issue

Summary of key Rights Issue dates*	
Announcement of the Rights Issue	Wednesday, 29 May 2018
Securities quoted on an "ex" entitlement basis	Wednesday, 11 July 2018
Record Date to determine entitlement to New Shares	7:00pm (Melbourne time) on Thursday, 12 July 2018
Dispatch of Offer Document and personalised Entitlement and Acceptance Forms to shareholders	No later than Tuesday, 17 July 2018
Closing Date	5:00pm (Melbourne time) on Tuesday, 31 July 2018
New Shares quoted on a deferred settlement basis	Wednesday, 1 August 2018
Allotment of New Shares	Tuesday, 7 August 2018
Normal trading of New Shares expected to commence on ASX	Wednesday, 8 August 2018
Holding statements expected to be despatched to shareholders	Tuesday, 14 August 2018

*These dates are indicative only and are subject to change. Knosys reserves the right, subject to the Corporations Act and the ASX Listing Rules, and, if required, the consent of the underwriter, to amend this indicative timetable. In particular, Knosys reserves the right to extend the Closing Date or to withdraw the Rights Issue without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment of New Shares.

Eligible Shareholders

A person will be eligible to participate in the Rights Issue if:

- (a) the person is a registered holder of Knosys shares at 7:00pm (Melbourne time) on Thursday, 12 July 2018 (**Record Date**); and
- (b) the person's registered address is in Australia or New Zealand.

The Company has decided that it is not reasonable to make offers of New Shares under the Rights Issue to holders of Knosys shares with registered addresses in other jurisdictions on the Record Date,



having regard to the number of such holders, the number and value of New Shares they would otherwise be offered and the costs of complying with the legal requirements, and the requirements of a regulatory authority, in those places.

To the extent that a person holds Knosys shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.

Rights attaching to New Shares

The New Shares issued pursuant to the Rights Issue will rank equally in all respects from the date of allotment with existing fully paid ordinary shares on issue in the Company.

Partially Underwritten

The Rights Issue is partially underwritten by Blue Ocean Equities to the extent of approximately 47% of the Rights Issue.

As underwriter and Lead Manager, Blue Ocean Equities will receive a fee equal to 6% of the proceeds of the Rights Issue and Placement and either \$100,000 in cash or, subject to Knosys shareholder approval, if required, 2 million options with an issue price of \$0.12 per option and expiring on the 3rd anniversary of their date of issue.

Option Holders

Your holding of options in Knosys does not entitle you to participate in the Rights Issue unless you exercise your options before the Record Date.

If you wish to participate in the Rights Issue in respect of options which you hold, you will need to exercise those options and pay the applicable exercise price in accordance with the terms of your options before the Record Date.

If you do not wish to participate in the Rights Issue (in respect of your options), you do not need to take any action in respect of your options prior to the Record Date.

Anyone who wishes to participate in the Rights Issue will need to follow the instructions contained in the Offer Document and, if applicable, complete the Entitlement and Acceptance Form that will accompany the Offer Document.

If you have any questions relating to the Rights Issue, please contact the Company.

The directors of Knosys encourage you to consider this letter carefully and, if necessary, seek advice from your professional adviser.

Yours sincerely

A handwritten signature in black ink, appearing to read "J238" followed by a long horizontal stroke.

John Thompson
Chief Executive Officer