

KNIGHTS

KNIGHTS CAPITAL GROUP LIMITED

ABN 39 072 769 174

BUY-BACK OFFER

of

ORDINARY SHARES

This is an important document. If you are in any doubt as to the action you should take, consult your financial or other professional adviser immediately.

To accept this Offer, please complete and sign the enclosed Acceptance Form and send it **along with your share certificate** in the reply paid envelope to:

**Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001**

This document comprises:

- Executive Chairman's Letter
- Summary of the Buy-Back Offer and other Material Information
- Buy-Back Offer
- Acceptance Form (loose)

BUY-BACK OFFER

Event Timetable

**Determination of Shareholders entitled to
participate in Buy-Back Offer:**

2 November 2012

Offer Period:

**5 November 2012 to 5.00 pm
(Melbourne time) 23 November
2012**

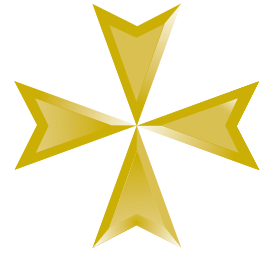
**Buy-Back Date and
cancellation of shares:**

17 December 2012

**Payment date and dispatch of
Share certificates (if required):**

from 19 December 2012

KNIGHTS CAPITAL GROUP



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PO Box 272 Floreat WA 6014
Tel: 61 8 9324 3888 Fax: 61 8 9322 8788
Email: knightsgroup@inet.net.au
Web: www.knightsgroup.com.au

KNIGHTS

1 November 2012

Dear Shareholder

Knights Capital Group Limited ("the Company") is offering all existing Shareholders an opportunity to sell up to 100% of their Shares back to the Company via an Equal Access Buy-Back Scheme at **\$0.50 (50 cents) per share ("Buy-Back Offer")**.

The total maximum number of Shares that can be bought back is 1,200,000. This equates to 4.75% of the Company's issued capital as at 1 November 2012. Shareholder approval will not be required. There will be no conditions attached to the Buy-Back Offer, save in respect of the maximum number of Shares that can be bought back by the Company.

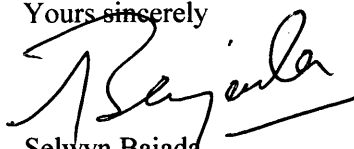
The Company's Board has considered a number of ways to return excess capital and funds to the Company's Shareholders, and has concluded that an Equal Access Buy-Back is an appropriate and fair manner to deliver benefits to both the Company and its Shareholders, whether they choose to participate or not. The Buy-Back Offer will be funded through the use of the Company's excess cash reserves.

Shareholders who wish to participate in the Buy-Back Offer should read this document carefully. **Participation is optional**. If you are in any doubt as to the action you should take, consult your financial or other professional adviser immediately.

If you accept this Buy-Back Offer, you will still be paid the final dividend of 0.5 cents per share payable 18 December 2012.

To accept this Offer, please complete and sign the enclosed Acceptance Form and return it **along with your share certificate** in the reply paid envelope so that it is received by the Company's share registry (in accordance with the instructions on the Buy-Back Offer Form) no later than **5.00pm (Melbourne time) on 23 November 2012**. Your lodgement of the Acceptance Form will not constitute an agreement until such time as the Company has processed your Acceptance Form, which will not be before Monday 17 December 2012.

Yours sincerely



Selwyn Bajada
Executive Chairman

Summary of Buy-Back Offer and Other Material Information

1.0 Purpose of this Document

This document sets out the terms of the Buy-Back Offer and other information to assist you in deciding whether you wish to participate in the Buy-Back Offer.

2.0 Number of shares you can sell in the Buy-Back Offer

You may nominate Shares for sale in the Buy-Back Offer if you were the registered holder of those Shares at the close of business on 2 November 2012. The maximum number of Shares you may nominate for sale is set out in section "B" on your personalised Acceptance Form which represents 100% of your holding of Shares. You may nominate a lesser number of Shares in section "D". A percentage **will not be** appropriate for nominees with large holdings and with many different client instructions beneath.

3.0 The price the Company will pay to buy-back your Shares

The price which the Company will pay for each of your Shares is \$0.50 (50 cents).

4.0 The number of Shares the Company will buy-back

The Company may, in its complete discretion, buy-back any number of Shares up to a total of 1,200,000 (a maximum cost of \$600,000). There are 25,286,183 Shares on issue so the maximum number of Shares that may be bought back under the Buy-Back Offer represents 4.75% of the total number of Shares on issue as at 1 November 2012.

If acceptances exceed the amount of Shares the Company may buy back, then the number of each participant's Shares that will be bought back will be scaled back pro-rata by the proportion needed to ensure that no more than the specified limit will be bought back and the proportion acquired is the same for all participants. Any fractions resulting from the scale back will then be rounded down.

5.0 Accepting the Buy-Back Offer

The Buy-Back Offer will remain open for acceptance for the period commencing on 5 November 2012 and ending on 23 November 2012. The Company may extend this period by notifying shareholders online at www.knightsgroup.com.au.

To sell your Shares to the Company through the Buy-Back Offer you should:

- First decide how many Shares you want to sell. The maximum number of Shares you can nominate for sale in the Buy-Back Offer is set out in section "B" on your personalised Acceptance Form. If you wish to sell this maximum number of Shares you need only place a mark in section "C" and sign the Acceptance Form where indicated.

If you wish to nominate for sale less than your entire holding on the Record Date, write the number of Shares you wish to sell into the Buy-Back in section "D" and sign the Acceptance Form where indicated.

- Send your completed and signed Acceptance Form **and your Share certificate** to make sure it will be received before **5.00pm (Melbourne time) on 23 November 2012** to:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001

If you cannot locate your Share certificates, please contact Computershare Investor Services Pty Limited. A certificate replacement request (if required) will be provided to you subsequent to completion of the Buy-Back Offer.

Please note, if total acceptances exceed 1,200,000 Shares, the number of Shares bought back from each participant will be reduced pro-rata, and any fractions will be rounded down.

6.0 No Conditions attached to Buy-Back-Offer

The Buy-Back Offer constitutes a Buy-Back Scheme as defined in section 257B(2) of the Corporations Act. There are no conditions attached to the Buy-Back Offer, save in respect of the maximum number of Shares that may be bought back by the Company.

7.0 Do I need to do anything if I don't want to sell?

Participation in the Buy-Back Offer **is optional** and the Company's Board makes no recommendation as to whether or not you should participate in the Buy-Back Offer. You do not need to take any action if you want to keep your Shares. If you don't sell your Shares, you will have the same number of Shares after the Buy-Back Offer is completed as you had before the Buy-Back Offer, however your ownership will be marginally higher than before the Buy-Back Offer is completed. In addition, you will still benefit from any increase in earnings per share and improvement in return on equity which may result from the Buy-Back Offer.

8.0 Withdrawing or Modifying your Acceptance

You can withdraw or modify your acceptance at any time before the Closing Date. The withdrawal or modification must be in writing and must be sent to:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001

so that it is received by the Company's share registry (details above) no later than **the Closing Date**.

If you want to increase your level of acceptance and you had provided only some of your Share certificates, you will need to send additional Share certificates sufficient to cover your increased acceptance.

9.0 Effect of Acceptance

You are referred to Clause 7.0 of the Buy-Back Offer. The Company cannot dispose of the Shares it buys back. Immediately after the registration of the transfer to the Company of the Shares bought back, the Shares will be cancelled.

10.0 Payment

Shareholders can expect payment in Australian currency by direct credit or cheque posted to the address recorded on the share register within seven (7) business days of the 17 December 2012.

11.0 Advantages of this Buy-Back Offer

The advantages of this Buy-Back Offer include the following:

- All shareholders have an opportunity to participate in the Buy-Back Offer at the same price;
- Participation in the Buy-Back Offer is voluntary - shareholders have the choice of accepting the Buy-Back Offer in respect of all, some or none of their Shares;
- Shareholders who choose to participate in the Buy-Back Offer do not have to pay any brokerage or other statutory charges; and
- Shareholders who sell into the Buy-Back Offer will still be paid the final dividend of 0.5 cents per Share.

12.0 Reasons for the Buy-Back Offer

The principal reason for the Buy-Back Offer is to create a liquidity event for those Shareholders seeking to sell all or part of their holding of Shares. As an unlisted entity, the Company's Shares are at present illiquid.

13.0 Financial Effect of the Buy-Back Offer on the Company

There are 25,286,183 Shares on issue. Assuming the full buy-back of \$600,000 or 1,200,000 Shares occurs, this represents 4.75% of the total number of Shares on issue that may be bought back under the Buy-Back Offer. Table 1 that follows sets out the Company's Consolidated Statement of Financial Position as at 30th June, 2012 and Pro-forma position post completion of the Buy-Back Offer. The Net Asset Backing per Share as at 30 June 2012 was \$0.70.

The Company's Board considers that Buy-Back Offer is expected to improve the Company's prospective earnings per Share and return on equity over time. The precise effect of the Buy-Back Offer on prospective earnings per Share and return on equity cannot be determined at present because the number of Shares to be bought will not be known until completion of the Buy-Back Offer. However, on the basis of the Pro-forma Statement of Financial Position in Table 1, the Net Asset Backing per Share would be \$0.72 post-completion of the Buy-Back Offer, fully-subscribed.

There will be no change in the control of the Company as a result of the Buy-Back Offer.

14.0 Directors' Entitlement

Directors are entitled to participate in the Buy-Back Offer and may do so according to their own particular circumstances. The Director's holdings of Shares as at the date of this document are:

SJ Bajada	1,123,525
BA Conti	5,000

15.0 Taxation

Your tax position will vary according to your individual circumstances. A brief explanation of the Australian Tax implications of participating in the Buy-Back Offer for Australian residents, Australian complying superannuation funds and Australian corporate shareholders is set out below. This is a summary only and does not apply to Shareholders who are professional share traders, banks or insurance companies. This summary is not intended to be advice and should not be relied upon as such. You should consult your own professional adviser about the tax implications of participating in the Buy-Back Offer and for more comprehensive advice.

For tax purposes a Shareholder participating in the Buy-Back Offer will be taken to have disposed of their Shares on completion of the Buy-Back Offer, anticipated to be around 17 December 2012. The source of the funds for the Buy-Back Offer are from the Company's liquid funds. The proceeds of the Buy-Back Offer will not constitute a dividend for tax purposes.

Australian Resident Shareholder, Complying Superannuation Fund and Resident Corporate Shareholder

The buy-back of Shares by the Company constitutes the disposal of an asset for Capital Gains Tax ("CGT") purposes. A resident individual Shareholder, complying superannuation fund and resident corporate shareholder participating in the Buy-Back Offer will be deemed to have disposed of each Share for capital proceeds of \$0.50. The Shareholder's cost base in the Shares will be the amount the shareholder paid to acquire them plus any incidental costs such as stamp duty and brokerage. Broadly speaking, a capital gain will arise if the cost base of the Shares which are sold into the Buy-Back Offer is less than \$0.50 per Share. A capital loss will arise if the cost base of the Shares exceeds \$0.50 per Share. As some Shareholders acquired their Shares at prices above \$0.50 per Share it is envisaged that a capital loss will result for those Shareholders who participate in the Buy-Back Offer.

16.0 Financial Report and Information

Shareholders are referred to the copy of the Financial Report for the Company for the 12 months to 30 June 2012 which is available online at: www.knightsgroup.com.au

Since the 30 June 2012 the following material events have occurred and are incorporated in the Pro Forma Statement of Financial Position in Table 1:

- In mid-October 2012 a distribution of 8 cents per unit was paid to unitholders in the Mirvac Development Fund-Seascapes which meant the Company received \$220,640; and
- On 12 October 2012 the Company announced a final dividend of 0.5 cents per share payable 18 December 2012.

TABLE 1**HISTORICAL AND PRO FORMA STATEMENT OF FINANCIAL POSITION**

	Pro Forma Note		30 June 2012 \$	Pro Forma \$
CURRENT ASSETS				
Cash Assets	1		471,409	300,000
TOTAL CURRENT ASSETS			1,149,731	775,822
NON-CURRENT ASSETS				
Investments			20,164,571	20,164,571
TOTAL NON-CURRENT ASSETS			20,482,938	20,482,938
<u>TOTAL ASSETS</u>			<u>21,632,669</u>	<u>21,258,760</u>
TOTAL CURRENT LIABILITIES	2		547,157	420,716
TOTAL NON-CURRENT LIABILITIES			3,386,089	3,386,089
TOTAL LIABILITIES			3,933,246	3,806,805
<u>NET ASSETS</u>			<u>17,699,423</u>	<u>17,451,955</u>
SHAREHOLDERS' EQUITY				
Contributed equity	3		29,881,928	29,281,928
Reserves			714,965	714,965
Accumulated losses			12,897,470	12,544,937
<u>TOTAL EQUITY</u>			<u>17,699,423</u>	<u>17,451,955</u>

Notes to Pro-Forma Statement of Financial Position:

1. After payment of final dividend of 0.5 cents per Share on 18 December 2012; receipt of Seascapes distribution; receipt of deferred consideration from Formation sale (included in trade receivables as at 30 June 2012); and maximum Buy-Back of 1,200,000 Shares at \$0.50 cents per share;
2. Adjustment to provision following payment of final dividend for 30 June 2012; and
3. Adjustment following cancellation of 1,200,000 Buy-Back Shares.

Buy-Back Offer

1.0 The Offer

1.1 The Buy-Back Offer

Knights Capital Group invites you to sell it up to 100% of Your Knights Capital Group Shares that you held on the Record Date, and on the terms and conditions set out below. You may nominate for sale under the Buy-Back Offer, any or all of Your Knights Capital Group Shares. Shares nominated for sale must continue to be held until the Buy-Back Date.

1.2 Maximum Buy-Back and Scale Back

Knights Capital Group may, in its complete discretion, buy-back any number of Shares up to a maximum of 1,200,000. If acceptances under the Buy-Back Offer exceed the amount of Shares the Company decides to buy-back, then the number of each participant's Shares that will be bought back will be reduced pro-rata by the proportion needed to ensure that no more than the specified maximum limit will be bought back and the proportion sold and cancelled, from those offered for sale, is the same for all the participants. Any fractions resulting from this scale back will be rounded down. The scale back (if required) will be calculated after the close of the Offer Period.

1.3 Consideration

The price which Knights Capital Group will pay for each of your Shares is \$0.50 (50 cents).

2.0 Offer Period

The Buy-Back Offer will remain open for acceptance during the period commencing on **5 November 2012 and ending at 5.00pm (Melbourne time) on 23 November 2012.**

The Directors may extend the Offer Period. If the Directors decide to extend the Offer Period, Shareholders will be notified online at www.knightsgroup.com.au

3.0 How to Accept the Buy-Back Offer

3.1 Certificated Holdings

You may only accept the Buy-Back Offer by completing and signing the Acceptance Form in accordance with the instructions and, together **with your Share certificate**, forwarding it to:

**Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001**

so that it is received by the Company's share registry (details above) before **5.00pm (Melbourne time) on 23 November 2012.**

3.2 Not accepting the Buy-Back Offer

You may choose not to accept the Buy-Back Offer and continue to hold all Your Knights Capital Group Shares. In this case, no action is required of you.

3.3 Withdrawing or Modifying Your Acceptance

You can withdraw or revoke or modify your acceptance at any time before the Closing Date. The withdrawal or modification must be in writing and must be sent to:

**Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001**

so that it is received by the Company's share registry (details above) no later than the **Closing Date.**

If you want to increase your level of acceptance and you had provided only some of your Share certificates, you will need to send additional Share certificates sufficient to cover your increased acceptance.

3.4 Accepting for too many Shares

If you purport to accept this Buy-Back Offer in a way that attempts to make a Buy-Back Offer in respect of more Shares than you are entitled to sell, you will be deemed to have accepted the Offer for 100% of Your Knights Capital Group Shares held on the Closing Date.

3.5 Company discretion as to validity

Knights Capital Group may, in its sole discretion, at any time deem any acceptance it receives to be valid, or may disregard any acceptance, as the Company determines appropriate, and may waive any or all of the requirements for acceptance.

4.0 Entitlement to the Buy-Back Offer

Your rights under this Buy-Back Offer are personal based on your holding of Shares on the register as at the Record Date and may not be transferred by you to anyone else.

5.0 No Conditions attached to the Buy-Back Offer

The Buy-Back Offer is unconditional, save in respect of the maximum number of Shares that may be bought back by the Company.

6.0 Payment

Shareholders can expect payment in Australian currency by direct credit or cheque posted to your registered address within seven (7) business days of the 17 December 2012.

7.0 Effect of Acceptance of the Buy-Back Offer

7.1 Effect of Acceptance

By signing and returning an Acceptance Form **with your Share certificate** in accordance with clause 3, you will have:

- (a) agreed that Knights Capital Group will buy back from you on the Buy-Back Date the number of Shares determined under clause 1 of the Buy-Back Offer subject to scale back if that is required to limit the number bought back to no more than 1,200,000 shares;
- (b) warranted to Knights Capital Group that at the time of acceptance and again on the Buy-Back Date, you are the holder of the Shares in respect of which you have accepted the Buy-Back Offer and those Shares are and will be free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) or any third party rights;
- (c) irrevocably authorised Knights Capital Group (or its officers and agents) to correct any error or omission from your Acceptance Form and to complete the Acceptance Form by the insertion of any necessary details;
- (d) agreed not to sell so many Shares such that your shareholding is reduced below the number nominated by you to be bought back under this Buy-Back Offer;
- (e) irrevocably undertaken not to vote in respect of the Shares for which you have accepted the Buy-Back Offer at any and all general meetings of the Company held up until the Buy-Back Date; and
- (f) agreed that if you breach any of the agreements or warranties in clauses 7.1(a) to (e), you will indemnify the Company for all its costs arising from the breach and that in respect of a breach of clause 7.1(d), you agree that damages will not be an adequate remedy, so on breach you will be deemed to have appointed Knights Capital Group or its company secretary as your attorney to purchase Shares in your name and at your expense to satisfy your obligation under your acceptance and you will indemnify the Company for all its costs in connection with the purchase.

7.2 Company's Obligation is Conditional

The performance of the Company's obligation to buy back the Shares referred to in clause 7.1(a) is conditional on your compliance with clauses 7.1 (b) and (d).

8.0 Stamp Duty and Charges

Knights Capital Group will pay any stamp duty payable on its buy-back of Your Knights Capital Group Shares and any other associated charges upon your acceptance of the Buy-Back Offer.

9.0 Governing Law

The Buy-Back Offer and any agreement entered into in connection with the Buy-Back Offer will be governed by the laws of Western Australia.

10.0 Definitions and Interpretations

10.1 Definitions

Unless the context otherwise requires:

Acceptance Form means the acceptance form accompanying this document.

Buy-Back Date means the date the Company enters into a buy-back agreement with you which will be 17 December 2012 or such other date following the Closing Date as is determined by the Company.

Buy-Back Offer means the buy-back offer contained in this document and the Acceptance Form.

Buy-Back Price means \$0.50 (50 cents) per Share.

Company or Knights Capital Group means Knights Capital Group Ltd ABN 39 072 769 174.

Corporations Act means the Corporations Act 2001 (Cth).

Closing Date means 5.00pm (Melbourne time) on 23 November 2012 unless extended by the Company.

Offer Period means the period during which you may accept the Buy-Back Offer, as set out in clause 2.

Record Date means the date for determination of Shareholders entitled to participate in the Buy-Back Offer, being 2 November 2012.

Share or Shares means the fully paid ordinary shares in the capital of the Company on issue as at 2 November 2012.

Shareholder means a holder of Shares.

Your Knights Capital Group Shares means the Knights Capital Group Shares registered in your name which confers entitlement to receive a Buy-Back Offer at the Record Date.

10.2 Interpretation

In this document and the Acceptance Form, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa and words importing one gender include other genders;
- (b) other parts of speech and grammatical forms of a word or phrase defined in this document have a corresponding meaning;
- (c) terms defined in the Corporations Act have the meanings ascribed to them in the Corporations Act;
- (d) a reference to any currency is a reference to Australian currency; and
- (e) a reference to time is a reference to time in Melbourne, Victoria.

The postal acceptance rule does not apply to your acceptance of this Offer.

