

BIDENERGY POSITIONED FOR GROWTH ON BACK OF RECORD YEAR - FY2017 PRELIMINARY FINAL REPORT

ASX RELEASE

30 August 2017

BidEnergy Limited (ASX: BID) ("BidEnergy" or "the Company"), is pleased to provide its Appendix 4E – Preliminary Final Report (unaudited) for the financial year ended 30 June 2017.

Revenue from ordinary activities increased by 211% to A\$2.6 million – a record year for BidEnergy - driven by new client acquisitions, recurring revenue from the BidEnergy platform and A\$1.3 million of new revenue generated by RealWinWin, the US based business acquired in November 2016.

The total number of subscription clients grew from 27 to 46, with Annual Contract Value up by 129%. The Company enters FY18 with A\$1.6 million of subscription fee revenue under management, from the BidEnergy subscription platform.

Net loss after tax increased to A\$7.2 million, reflecting the Company's investment in growth, and in line with its US expansion.

Subsequent to the year-end, the Company completed an Entitlement Offer, to raise A\$6.7 million (before costs).

"As detailed in our recent Appendix 4C, BidEnergy has demonstrated its ability to drive organic growth and prove up our business model by achieving record subscription revenue and significantly expanding its client base.

"With this strong foundation, and buoyed by the achievements of FY17, we are looking forward to continuing on this growth trajectory, particularly as the management of rising energy costs and the associated labour spend utilities comes into greater focus for corporates" said BidEnergy, Managing Director, Phil Adams.

"In addition, the US expansion which is now underway, significantly increases our market opportunity and our ability to add new revenue streams. Our acquisition strategy is delivering results, with RealWinWin being successfully turned around to deliver an EBITDA contribution of A\$47,000 since acquisition, and further synergies to be captured from its complementary rebate product and existing base of 100 clients. We have a clear strategy in place to deliver a similar turnaround for the AXIS business once the transaction completes.

"BidEnergy is now in a strong position to deliver on its exciting growth opportunities and to create long term sustained success," Mr Adams said.

-ENDS-

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About BidEnergy Ltd

BidEnergy is an Australian-based technology company with offices overseas in the USA and UK. BidEnergy's cloud-based platform simplifies the complex energy spend management process by using robotic process automation, enabling organisations to have complete control over their energy spend. Unlike manual consulting and business services, the platform automates the management of every component of the process for multi-site organisations. By automatically capturing and validating invoices and meter data, customers can streamline their accounting and payments processes, go to market at short notice to optimise their supply contracts and reduce on-bill charges using sophisticated analytics and reporting.

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	BidEnergy Limited
ABN:	94 131 445 335
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

	2017	2016	
	\$	\$	% Change
Revenues from ordinary activities	2,621,237	840,334	Up 211.9%
Loss from ordinary activities after tax attributable to the owners of BidEnergy Limited	(7,185,483)	(3,302,777)	Up 117.6%
Loss for the year attributable to the owners of BidEnergy Limited	(7,185,483)	(3,302,777)	Up 117.6%

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Consolidated Entity after providing for income tax amounted to \$7,185,483 (30 June 2016: \$3,302,777).

The company and controlled entities (the Group) generated an operating loss after income tax of \$7,185,483 (30 June 2016: \$3,302,777) and net cash outflows from operations of \$5,177,212. At 30 June 2017, the consolidated entity had net assets of \$4,542,599 (30 June 2016: \$366,944) and cash balances of \$3,568,969 (30 June 2016: \$2,624,642).

Matters subsequent to the end of the financial year

Please see note 24 of the attached unaudited condensed consolidated preliminary financial statements.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.65</u>	<u>552.24</u>

4. Control gained over entities

On 1 July 2016, BidEnergy Limited (formerly Cove Resources Limited) ("BID") completed a reverse acquisition of a provider of cloud based software for energy management and procurement systems, BidEnergy Pty Ltd ("Bid Operations"), as approved by shareholders at the company's general meeting held on 20 May 2016.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

BidEnergy Limited owns two 100% owned group entities, BidEnergy Ltd (UK) and BidEnergy Inc. (US). Both these companies prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).


10. Status of audit

This report is based on accounts that are in the process of being audited.

11. Attachments

The unaudited condensed consolidated preliminary financial statements of BidEnergy Limited are attached.

12. Signed

Signed 

Date: 30 August 2017

Robert Browning
Non-Executive Chairman

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue	4	2,621,237	840,334
Other income	5	378,630	407,847
Expenses			
Third party support costs		(454,562)	(145,211)
Depreciation and amortisation expense	6	(524,633)	(16,514)
Employee benefits expense	6	(5,718,015)	(2,697,979)
Listing fees		(1,234,775)	-
Administration expense		(1,203,865)	(832,561)
Marketing expense		(584,706)	(173,195)
Occupancy expense		(296,606)	(123,786)
Travel expense		(360,706)	(204,662)
Finance costs	6	-	(357,050)
Loss before income tax benefit		(7,378,001)	(3,302,777)
Income tax benefit		192,518	-
Loss after income tax benefit for the year attributable to the owners of BidEnergy Limited	20	(7,185,483)	(3,302,777)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		56,688	-
Other comprehensive income for the year, net of tax		56,688	-
Total comprehensive income for the year attributable to the owners of BidEnergy Limited		<u>(7,128,795)</u>	<u>(3,302,777)</u>
		Cents	Cents
Basic earnings per share		(2.21)	(1.02)
Diluted earnings per share		(2.21)	(1.02)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	7	3,568,969	2,624,642
Trade and other receivables	8	138,142	128,768
Other current assets	9	60,692	6,461
Total current assets		<u>3,767,803</u>	<u>2,759,871</u>
Non-current assets			
Property, plant and equipment	10	27,157	19,976
Intangibles	11	2,176,356	-
Deferred tax asset		8,558	-
Other	12	45,915	26,319
Total non-current assets		<u>2,257,986</u>	<u>46,295</u>
Total assets		<u>6,025,789</u>	<u>2,806,166</u>
Liabilities			
Current liabilities			
Trade and other payables	13	582,261	208,172
Employee benefits	14	267,747	107,225
Other	15	165,414	2,099,158
Total current liabilities		<u>1,015,422</u>	<u>2,414,555</u>
Non-current liabilities			
Deferred tax liabilities		213,330	-
Employee benefits	16	43,569	24,667
Other	17	210,869	-
Total non-current liabilities		<u>467,768</u>	<u>24,667</u>
Total liabilities		<u>1,483,190</u>	<u>2,439,222</u>
Net assets		<u>4,542,599</u>	<u>366,944</u>
Equity			
Issued capital	18	16,021,604	2,892,079
Reserves	19	1,017,926	2,786,312
Accumulated losses	20	(12,496,931)	(5,311,447)
Total equity		<u>4,542,599</u>	<u>366,944</u>

The above statement of financial position should be read in conjunction with the accompanying notes

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total equity \$
Balance at 1 July 2015	400,060	(2,008,670)	2,292,783	684,173
Loss after income tax expense for the year	-	(3,302,777)	-	(3,302,777)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(3,302,777)	-	(3,302,777)
<i>Transactions with owners in their capacity as owners:</i>				
Costs of capital raising	(368,319)	-	368,319	-
Share capital issued	2,860,338	-	-	2,860,338
Share option reserve	-	-	125,210	125,210
Balance at 30 June 2016	<u>2,892,079</u>	<u>(5,311,447)</u>	<u>2,786,312</u>	<u>366,944</u>
Consolidated	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total equity \$
Balance at 1 July 2016	2,892,079	(5,311,447)	2,786,312	366,944
Loss after income tax benefit for the year	-	(7,185,483)	-	(7,185,483)
Other comprehensive income for the year, net of tax	-	-	56,688	56,688
Total comprehensive income for the year	-	(7,185,483)	56,688	(7,128,795)
<i>Transactions with owners in their capacity as owners:</i>				
Conversion of Convertible Redeemable Preference Shares in vendor	4,576,827	-	(2,508,785)	2,068,042
Deemed value of shares deemed to be issued to BidEnergy Limited (formerly Cove Resources Limited) (being the legal parent) shareholders on acquisition date	1,375,434	-	-	1,375,434
Capital raising	7,000,000	-	-	7,000,000
Costs of capital raising	(430,500)	-	-	(430,500)
Shares issued for RWW acquisition	607,764	-	-	607,764
Share based payments for RWW acquisition	-	-	270,116	270,116
Share based payments to employees	-	-	413,594	413,594
Balance at 30 June 2017	<u>16,021,604</u>	<u>(12,496,930)</u>	<u>1,017,925</u>	<u>4,542,599</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Statement of cash flows
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,199,062	1,037,790
Payments to suppliers and employees (inclusive of GST)		(8,754,904)	(3,923,815)
Receipts from research and development incentive		326,984	271,747
Interest received		51,646	36,100
Finance costs paid		-	(23,195)
		<u> </u>	<u> </u>
Net cash used in operating activities	23	<u>(5,177,212)</u>	<u>(2,601,373)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(28,578)	(16,510)
Payments for intangibles (capitalised development costs)	11	(919,234)	-
Payments for security deposits		-	(13,692)
Cash acquired on reverse acquisition (net of transaction costs)	2	7,386,987	-
Cash paid for business acquisition, net of cash acquired	21	<u>(356,000)</u>	<u>-</u>
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		<u>6,083,175</u>	<u>(30,202)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	2,860,338
Share issue transaction costs		<u>(10,500)</u>	<u>-</u>
		<u> </u>	<u> </u>
Net cash from/(used in) financing activities		<u>(10,500)</u>	<u>2,860,338</u>
Net increase in cash and cash equivalents			
Net increase in cash and cash equivalents		895,463	228,763
Cash and cash equivalents at the beginning of the financial year		2,624,642	2,395,879
Effects of exchange rate changes on cash and cash equivalents		<u>48,864</u>	<u>-</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	7	<u><u>3,568,969</u></u>	<u><u>2,624,642</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The preliminary financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, International Financial Reporting Standards as issued by the International Accounting Standards Board and Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

This preliminary final report does not include all notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report BidEnergy (Operations) Pty Ltd for the year ended 30 June 2016 (a copy of which is available on the company's website) and any public announcements made by BidEnergy Limited, during and following the reporting period, in accordance with the continuous disclosure requirements of the ASX listing rules.

This preliminary financial report including any commentary on the Company results was authorised for issue in accordance with a resolution of the board of directors.

Note 2. Reverse acquisition

On 1 July 2016, BidEnergy Limited (formerly Cove Resources Limited) ("BID") completed the acquisition of a provider of cloud based software for energy management and procurement systems, BidEnergy Pty Ltd ("Bid Operations") ("Reverse Acquisition"). The Reverse Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the acquisition, the former shareholders of 'Bid Operations' (the legal subsidiary) obtained accounting control of the entity that was formerly known as Cove Resources Limited (the legal parent).

The Reverse Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as the acquiree was deemed not to be a business for accounting purposes and, therefore, the transaction was not a business combination within the scope of AASB 3. Instead the Reverse Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference between the fair value of the shares issued by the accounting acquirer (Bid Operations) and the fair value of the accounting acquiree's (BidEnergy Limited (formerly Cove Resources Limited)) identifiable net assets represents a service received by Bid Operations, including payment for a service of an ASX stock exchange listing which is expensed through the consolidated entity's profit and loss statement in the 2017 financial year.

Accordingly the consolidated financial report of BID has been prepared as a continuation of the business and operations of Bid Operations. As the deemed accounting acquirer Bid Operations has accounted for the acquisition from 1 July 2016.

The impact of the reverse acquisition on each of the primary statements is as follows:

Consolidated statement of comprehensive income:

- The statement for the period ended 30 June 2017 comprises 12 months of operating results of Cove Resources Limited and 12 months of Bid Operations from the acquisition date of 1 July 2016.
- The statement for the period to 30 June 2017 comprises 12 months of Bid Operations.

Consolidated statement of financial position:

- The consolidated statement of financial position at 30 June 2017 represents Bid Operations and Cove Resources Limited assets and liabilities as at that date.
- The consolidated statement of financial position at 30 June 2016 represents Bid Operations' assets and liabilities as at that date.

Consolidated statement of changes in equity:

- The consolidated statement of changes in equity for the period ended 30 June 2017 comprises Bid Operations and Cove Resources balance at 1 July 2016, its loss for the 12 months and transactions with equity holders for 12 months.
- The consolidated statement of changes in equity for the period ended 30 June 2016 comprises 12 months of Bid Operations.

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 2. Reverse acquisition (continued)

Consolidated statement of cash flows:

- The consolidated cash flow statement for the period ended 30 June 2017 comprises the cash balances of Bid Operations, as at 30 June 2016, the cash transactions for the 12 months to 30 June 2017 (and 12 months for Cove Resources Limited and the cash balance of Bid Operations and Cove Resources Limited at 30 June 2017.)

- The consolidated cash flow statement for the period ended 30 June 2016 comprises 12 months of Bid Operations cash transactions.

References throughout the financial statements to “reverse acquisition” are in reference to the above accounting treatment.

Listing Fee Expense on reverse acquisition

Bid Operations is deemed to have made a share-based payment for a service of an ASX stock exchange listing which is expensed through the consolidated entity's profit and loss statement for the year ended June 2017.

Deemed consideration paid by Bid Operations \$1,375,434

Fair Value of Nets Assets acquired in Cove Resources Limited on reverse acquisition:

Cash and cash equivalents	\$7,386,987
Trade and other receivables	\$143,181
Prepayments	\$420,000
Trade and other payables	(\$674,734)
Prospectus funds received in advance of share issue	(\$7,000,000)

Net Assets Acquired	\$275,434

Listing expense recognised on Reverse Acquisition \$1,100,000 (excluding other transaction costs).

Other listing expense transactions costs amounted to \$134,775 which resulted in the total listing fee expense of \$1,234,775.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 3. Operating segments

Identification of reportable operating segments

The Consolidated Entity is organised into operating segments: based on the business activities in Australia and UK, Bid US and RealWinWin (RWW). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 3. Operating segments (continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Combined entity.

The principal business of the group is to provide cloud based software for energy management, procurement and rebate capture in Australia, UK and USA. Due to the significance of RWW, the USA segments split into Bid US and RWW.

Operating segment information

	Australia and UK \$	BID US \$	RWW \$	Total \$
Consolidated – 2017				
Platform subscription fees	1,255,545	2,032	-	1,257,577
Non-subscription revenue	65,492	-	-	65,492
RWW rebate revenue	-	-	1,298,168	1,298,168
Revenue	1,321,037	2,032	1,298,168	2,621,237
Third party support costs	(454,562)	-	-	(454,562)
Administration expense	(858,454)	(157,155)	(93,046)	(1,108,655)
Employee benefits expense	(4,055,479)	(1,108,812)	(1,059,364)	(6,223,655)
Marketing expense	(287,372)	(289,779)	(7,556)	(584,707)
Travel expense	(237,935)	(109,403)	(13,367)	(360,705)
Occupancy expense	(195,163)	(23,594)	(77,849)	(296,606)
Total operating expenses	(6,088,965)	(1,688,743)	(1,251,182)	(9,028,890)
EBITDA from core operations	(4,767,928)	(1,686,711)	46,986	(6,407,653)
Listing fees and acquisition costs	(1,234,775)	-	-	(1,234,775)
R&D	326,984	-	-	326,984
Income tax	-	-	192,518	192,518
Capitalised labour (software)	919,234	-	-	919,234
Amortisation intangibles	(21,397)	-	(503,235)	(524,632)
Share based payments	(413,597)	-	-	(413,596)
Interest – other	51,633	13	-	51,645
Foreign exchange	(26,179)	(69,029)	-	(95,208)
Loss after income tax benefit for the year attributable to the owners of BidEnergy Limited	(5,166,025)	(1,755,727)	(263,731)	(7,185,483)

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 3. Operating segments (continued)

	Australia and UK \$	BID US \$	RWW \$	Total \$
Consolidated - 2016				
Platform subscription fees	652,317	-	-	652,317
Non-subscription revenue	188,012	-	-	188,012
Revenue	840,329	-	-	840,329
Third party support costs	(113,511)	-	-	(113,511)
Administration expense	(673,470)	(20,961)	-	(694,431)
Employee benefits expense	(2,352,852)	(210,061)	-	(2,562,913)
Marketing expense	(299,322)	(26,022)	-	(325,344)
Travel expense	(206,925)	-	-	(206,925)
Occupancy expense	(138,319)	(13,107)	-	(151,426)
Total operating expenses	(3,784,399)	(270,151)	-	(4,054,550)
EBITDA from core operations	(2,944,070)	(270,151)	-	(3,214,222)
Option fee	100,000	-	-	100,000
R&D	(271,747)	-	-	(271,747)
Amortisation intangibles	(16,514)	-	-	(16,514)
Share based payments	(125,210)	-	-	(125,210)
Interest – preference shares	(333,854)	-	-	(333,854)
Interest – other	36,096	-	-	36,096
Foreign exchange	(20,820)	-	-	(20,820)
Loss after income tax benefit for the year attributable to the owners of BidEnergy Limited	(3,032,626)	(270,151)	-	(3,302,777)

Note 4. Revenue

	Consolidated	
	2017	2016
	\$	\$
Platform subscription fees	1,257,577	652,317
Non-subscription revenue	65,492	188,017
RWW Rebate Revenue	1,298,168	-
Revenue	2,621,237	840,334

Note 5. Other income

	Consolidated	
	2017	2016
	\$	\$
Interest	51,646	36,100
Option fee	-	100,000
Research and development tax incentive	326,984	271,747
Other income	378,630	407,847

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 6. Expenses

	Consolidated	
	2017	2016
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	21,397	16,514
<i>Amortisation</i>		
Software	458,262	-
Brands	33,838	-
Customer List	11,136	-
Total amortisation	503,236	-
Total depreciation and amortisation	524,633	16,514
<i>Finance costs</i>		
Interest - preference shares	-	357,050
<i>Employee benefits expense</i>		
Share-based payments expense	413,596	125,210
Salaries and wages	5,304,419	2,572,769
Total employee benefits expense	5,718,015	2,697,979

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	3,568,969	2,624,642

Note 8. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	184,141	210,340
Less: Provision for impairment of receivables	(45,999)	(81,572)
	138,142	128,768

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. No collateral or security is held. The consolidated entity has financial risk management policies in place to ensure that all receivable are received within the credit time frame.

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2017	2016
	\$	\$
0 to 3 months overdue	16,665	20,420
3 to 6 months overdue	6,820	8,352
Over 6 months overdue	22,514	52,800
	<u>45,999</u>	<u>81,572</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2017	2016
	\$	\$
Opening balance	81,572	-
Additional provisions recognised	-	81,572
Receivables written off during the year as uncollectable	(35,573)	-
Closing balance	<u>45,999</u>	<u>81,572</u>

Note 9. Current assets - Other current assets

	Consolidated	
	2017	2016
	\$	\$
Prepayments	56,555	6,461
Other	4,137	-
	<u>60,692</u>	<u>6,461</u>

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Office equipment - at cost	82,062	53,484
Less: Accumulated depreciation	(54,905)	(33,508)
	<u>27,157</u>	<u>19,976</u>

BidEnergy Limited
(Formerly known as Cove Resources Limited)
Notes to the preliminary financial report
30 June 2017

Note 10. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Office Equipment At cost \$	Total \$
Balance at 1 July 2015	19,980	19,980
Additions	16,510	16,510
Depreciation expense	(16,514)	(16,514)
Balance at 30 June 2016	19,976	19,976
Additions	28,578	28,578
Depreciation expense	(21,397)	(21,397)
Balance at 30 June 2017	<u>27,157</u>	<u>27,157</u>

Note 11. Non-current assets - intangibles

	Consolidated 2017 \$	2016 \$
Goodwill - at cost	634,503	-
Customer list - at cost	143,173	-
Less: Accumulated amortisation	(11,136)	-
	<u>132,037</u>	-
Software - at cost	1,030,098	-
Less: Accumulated amortisation	(21,564)	-
	<u>1,008,534</u>	-
Brand - at cost	435,120	-
Less: Accumulated amortisation	(33,838)	-
	<u>401,282</u>	-
	<u>2,176,356</u>	-

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Note 11. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$	Software \$	Brands \$	Customer Lists \$	Total \$
Balance at 1 July 2015	-	-	-	-	-
Balance at 30 June 2016	-	-	-	-	-
Additions through business combinations (note 21)	666,422	578,949	451,932	155,414	1,852,717
Capitalised development costs	-	919,234	-	-	919,234
Foreign exchange differences	(31,919)	(31,387)	(16,812)	(12,241)	(92,359)
Amortisation	-	(458,262)	(33,838)	(11,136)	(503,236)
Balance at 30 June 2017	<u>634,503</u>	<u>1,008,534</u>	<u>401,282</u>	<u>132,037</u>	<u>2,176,356</u>

Note 12. Non-current assets - other

	Consolidated	
	2017	2016
	\$	\$
Security deposits	<u>45,915</u>	<u>26,319</u>

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	155,009	91,832
Accrued expenses	170,224	8,130
Other payables	<u>257,028</u>	<u>108,210</u>
	<u>582,261</u>	<u>208,172</u>

Note 14. Current liabilities - Employee benefits

	Consolidated	
	2017	2016
	\$	\$
Annual leave	<u>267,747</u>	<u>107,225</u>

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Note 15. Current liabilities - other

	Consolidated	
	2017	2016
	\$	\$
Convertible note liability	-	2,068,042
Deferred revenue	154,419	31,116
Contingent consideration	10,995	-
	<u>165,414</u>	<u>2,099,158</u>

Note 16. Non-current liabilities - Employee benefits

	Consolidated	
	2017	2016
	\$	\$
Long service leave	<u>43,569</u>	<u>24,667</u>

Note 17. Non-current liabilities - other

	Consolidated	
	2017	2016
	\$	\$
Contingent consideration (Note 21)	146,517	-
Deferred consideration (Note 21)	64,352	-
	<u>210,869</u>	<u>-</u>

Note 18. Equity - issued capital

	2017	Consolidated	2017	2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>329,838,682</u>	<u>66,446</u>	<u>16,021,604</u>	<u>2,892,079</u>

Due to the reverse acquisition described in Note 2, the contributed equity represents that of accounting acquirer while the shares on issue reflect the legal parent.

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Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance		66,446		2,892,079
Balance	30 June 2016	66,446		2,892,079
	1 July 2016	(66,446)	-	-
Conversion of Convertible Redeemable Preference Shares in vendor	1 July 2016	-	-	4,576,827
Deemed value of shares deemed to be issued to existing Cove Resources Limited (legal parent) shareholders on acquisition date	1 July 2016	49,759,651	\$0.03	1,375,434
Share issue to vendor (BidEnergy Pty Ltd)	1 July 2016	201,396,700	-	-
Capital raising	1 July 2016	70,000,000	\$0.10	7,000,000
Costs of capital raising	1 July 2016	-	-	(430,500)
Shares issued for RWW acquisition	24 November 2016	6,752,924	\$0.07	472,705
Shares issued for RWW acquisition	13 January 2017	1,929,407	\$0.07	135,059
Balance	30 June 2017	<u>329,838,682</u>		<u>16,021,604</u>

Note 19. Equity - reserves

	Consolidated	
	2017	2016
	\$	\$
Redeemable preference shares reserve	-	2,508,785
Foreign currency reserve	56,687	-
Options reserve	961,239	277,527
	<u>1,017,926</u>	<u>2,786,312</u>

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Redeemable preference shares reserve \$	Foreign currency reserve \$	Options reserve \$	Total \$
Consolidated				
Balance at 1 July 2015	2,292,783	-	-	2,292,783
Revaluation - gross	216,002	-	277,527	493,529
Balance at 30 June 2016	2,508,785	-	277,527	2,786,312
Foreign currency translation	-	56,687	-	56,687
Reversal due to reverse acquisition	(2,508,785)	-	-	(2,508,785)
Share based payments for RWW acquisition	-	-	270,116	270,116
Share based payments for employees	-	-	413,596	413,596
Balance at 30 June 2017	<u>-</u>	<u>56,687</u>	<u>961,239</u>	<u>1,017,926</u>

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Note 20. Equity - accumulated losses

	Consolidated	
	2017	2016
	\$	\$
Accumulated losses at the beginning of the financial year	(5,311,448)	(2,008,670)
Loss after income tax benefit for the year	<u>(7,185,483)</u>	<u>(3,302,777)</u>
Accumulated losses at the end of the financial year	<u><u>(12,496,931)</u></u>	<u><u>(5,311,447)</u></u>

Note 21. Business combinations

On 24 November 2016, US subsidiary, BidEnergy, Inc acquired the rebate capture business of RealWinWin ("RWW") from US-vendor RealWinWin, Inc. under an Asset Purchase Agreement entered into between the parties ("RWW Acquisition"). The RWW Acquisition has been accounted as a Business Combination under AASB 3. The RWW business is a leading independent energy rebate capture specialist and the acquisition executes the consolidated entity's strategy of target-marketing to customers in the company's sweet spot being up-selling platform subscription services. As a data business, RWW is a highly complementary acquisition providing a significant opportunity to accelerate growth in the US market, accessing upwards of 100,000 sites through more than 100 multi-site prospects in the company's target market.

The provisional fair values of the identifiable net assets acquired are detailed below, reflecting management's best judgements and assumptions as at 30 June 2017. Under AASB 3 provisional amounts may be used to account for business combinations for up to 12 months from the date of the acquisition. The provisional fair values outlined below replace those provisionally recorded at 31 December 2016.

	Fair value
	\$
Trade receivables	62,727
Deferred tax asset	8,988
Intangible asset – Customer list	155,414
Intangible asset – Brand Name RWW	451,932
Intangible asset - Software	578,949
Trade and other payables	(10,936)
Provisions	(32,565)
Deferred tax liability	<u>(421,951)</u>
Net assets acquired	792,558
Goodwill	<u>666,422</u>
Acquisition-date fair value of the total consideration transferred	<u><u>1,458,980</u></u>
	Consolidated
	\$
Cash paid	356,000
Deferred consideration – cash payment due in January 2018 (USD 50,000)	67,589
Equity instruments (3,858,814 unlisted options exercisable at A\$0.07 from 24 November 2017 until the expiry date of 24 November 2021)	270,116
Equity instruments (6,752,924 ordinary shares – Issued – November 2016)	472,705
Equity instruments (1,929,407 ordinary shares – Issued – January 2017)	135,058
Contingent consideration	<u>157,512</u>
Acquisition-date fair value of the total consideration transferred	<u><u>1,458,980</u></u>

Note 21. Business combinations (continued)

i. Consideration transferred

The fair value of the ordinary shares issued was based on a deemed issue price of \$0.07 per ordinary share, being equal to the volume weighted average price ("VWAP") of the Company's shares traded on the ASX during the 5-day period immediately prior to closing of the RWW Acquisition.

The fair value of the unlisted options was determined using the Black-Scholes option pricing model using an underlying share price volatility of 95%.

The ordinary shares and unlisted options are subject to voluntary escrow until 24 November 2017. Ordinary shares issued in January 2017 are subject to voluntary escrow for a period of 12 months from the date of issue, i.e. 13 January 2018.

Any shares issued as part of the contingent consideration will be fully paid ordinary shares and subject to voluntary escrow for a period of 12 months from the date of issue.

Deferred consideration of \$67,589 (USD 50,000) is payable in January 2018.

ii. Contingent consideration

The contingent consideration is ascertained over two consecutive terms (earn-out period), being:

(i) From 24 November 2016 to 31 December 2017, with the contingent consideration payable no later than 31 March 2018; and

(ii) From 1 January 2018 to 31 December 2018, with the contingent consideration payable no later than 31 March 2019.

The contingent consideration payable to the vendors of RWW is based on the annual contract value of the company's existing subscription services sold by RWW during the earn-out period. Based on a range of probable outcomes and scenarios, the company has assessed that the fair value of contingent consideration payable as at 30 June 2017 is \$157,512 (USD 120,907).

The contingent consideration payable during the earn-out period will be through the issue of ordinary shares in the company where the fair value of the shares issued will be the higher of A\$0.07 and the VWAP of shares traded on the ASX during the 5-day period immediately prior to the public release of the consolidate entity's December 31 financial results. Any shares issued as part of the contingent consideration will be fully paid ordinary shares and subject to voluntary escrow for a period of 12 months from the date of issue.

iii. Acquisition related costs

Acquisition-related costs amounting to \$73,129 are not included as part of consideration for the acquisition and have been recognised as transaction costs. These costs have been included within general and administrative expenses in the profit and loss statement.

iv. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to \$62,727 (USD 45,843). As of the acquisition date, the company's best estimate is that all cash will be collected.

v. Goodwill

Goodwill of \$666,422 was primarily related to the providing the company a significant opportunity to accelerate growth in the US market.

The consolidated entity operates three operating segments and goodwill was allocated to the RWW segment and cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

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Note 21. Business combinations (continued)

vi. Contribution to the Consolidated Entity's result

RWW contributed revenues of \$1,298,168 from the date of the acquisition to 30 June 2017 (Refer Note 3).

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
BidEnergy (Operations) Pty Ltd	Australia	100.00%	-
BidEnergy Limited	United Kingdom	100.00%	-
BidEnergy Inc	United States	100.00%	-

Note 23. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017 \$	2016 \$
Loss after income tax benefit for the year	(7,185,483)	(3,302,777)
Adjustments for:		
Depreciation and amortisation	524,633	16,515
Interest expense - convertible notes	-	333,854
Employee share option expense	413,596	125,210
Listing fees	1,100,000	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	196,535	77,599
(Increase) / decrease in other assets	(54,231)	3,953
(Decrease) / increase in trade and other payables	(243,899)	62,023
Decrease in deferred tax liabilities	(208,621)	-
Increase in other liabilities	123,303	19,858
Increase in provisions	156,955	62,392
Net cash used in operating activities	<u>(5,177,212)</u>	<u>(2,601,373)</u>

Note 24. Matters subsequent to the end of the financial year

- On 3 July 2017 the Company announced a transaction for its US subsidiary, BidEnergy Inc to acquire approximately 50 clients and critical capability under a conditional agreement to purchase the assets of Ameresco, Inc.'s (NYSE:AMRC) Axis utility bill management business.
- On 3 July 2017, the Company announced a non-renounceable 1:1 entitlement offer to raise approximately \$6.7 million (before costs), which was fully underwritten by Canaccord Genuity (Australia) Limited ("Entitlement Offer"). The Company completed the allotment and issue of 335,338,682 shares pursuant to that Entitlement Offer on 8 August 2017. The Company also confirmed the appointment of Canaccord as its corporate advisor and issued 20.5 million options to the nominees of Canaccord in lieu of cash fees in respect of that engagement.
- On 6 July 2017, the Company issued 5,500,000 Shares to Canaccord pursuant to the Advisor Offer under the Prospectus dated 3 July 2017, being in lieu of payment for accrued fees totalling \$110,000 for corporate advisory services provided to the Company under a corporate advisory services mandate executed in December 2015.
- On 19 July 2017, the Company announced that it had signed a subscription agreement to provide its innovative cloud-based platform to one of the largest transportation and logistics companies in the Asia Pacific region, representing annual subscription revenues in the order of \$77,000.
- On 24 August 2017, the Company convened a general meeting of shareholders at which shareholders approved the following resolutions on the terms and conditions set out in the Notice of Meeting dated 21 July 2017:
 - Issue of 19 million Performance Rights to Mr Philip Adams
 - Ratification of 8,682,331 RealWinWin Consideration Shares and 3,858,814 RealWinWin Consideration Options
 - Approval of the issue of up to 35,458,855 RealWinWin Earn-Out Consideration Shares; and
 - Adoption of 2017 Long Term Incentive Plan.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.