

**COVE RESOURCES LIMITED
ACN 131 445 335
(to be renamed "BidEnergy Limited")**

NOTICE OF GENERAL MEETING

**For the Extraordinary General Meeting of the Company
to be held at
DLA Piper Australia, Level 31, 152-158 St Georges Terrace,
Perth, Western Australia on Friday, 20 May 2016 at 10:00am
(WST)**

This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9389 3100

COVE RESOURCES LIMITED

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of shareholders of Cove Resources Limited will be held at DLA Piper Australia, Level 31, 152-158 St Georges Terrace, Perth, Western Australia 6000 on Friday, 20 May 2016 at 10:00am (WST).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 18 May 2016 at 10:00am (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Change to Nature and Scale of Activities

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 11.1.2 and for all other purposes the Company be authorised to make a significant change to the nature and scale of its activities resulting from the BidEnergy Acquisition on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person (or any associate of such a person) who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Consolidation of issued share capital

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of section 254H of the Corporations Act and Listing Rule 7.22, and for all other purposes:

- (a) every 20 existing ordinary shares in the Company be consolidated into one fully paid ordinary share in the capital of the Company;
- (b) all Options on issue be adjusted in accordance with Listing Rule 7.22.1,

and where this Consolidation results in a fraction of either a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be) (**Consolidation**)."

3. Resolution 3 – Approval of Performance Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Section 246B(1) and 246C(5) of the Corporations Act and Article 3.1 of the Constitution of the Company and for all other purposes, the Company be authorised to issue the Performance Shares, the terms of which are set out in the Explanatory Memorandum."

4. Resolution 4 – Approval of Issue of Consideration Securities to Vendors

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue to the Vendors (or their respective nominees) of an aggregate total of:

- (a) 201,396,700 Shares;
- (b) 35,000,000 Class A Performance Shares;
- (c) 35,000,000 Class B Performance Shares;
- (d) 10,798,670 New Series A Cove Options;
- (e) 9,243,759 New Series B Cove Options; and
- (f) 23,514,921 New Series B Cove Follow-On Options,

*all on a post-Consolidation basis (together, the **Consideration Securities**) as consideration for the BidEnergy Acquisition, on the terms and conditions detailed in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Vendors (and any of their associates) and any person who might obtain a benefit (except a benefit solely in their capacity as a Shareholder) if the Resolution is passed, or an associate of such a person.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Approval of Issue of Capital Raising Shares

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to allot and issue 70,000,000 Shares (on a post-Consolidation basis) each at an issue price of \$0.10 to raise \$7,000,000 on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue of Shares and a person who might obtain a benefit (except a benefit solely in their capacity as a Shareholder) if the Resolution is passed and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 – Approval of Director's Participation in Capital Raising – Mr Winton Willesee

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

"That, subject to each of the Acquisition Resolutions being passed, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise Mr Winton Willesee (or his nominee) to participate in the Capital Raising to the extent of up to 1,000,000 Shares (on a post-Consolidation basis) each at an issue price of \$0.10 on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Winton Willesee (or his nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 – Approval of Director's Participation in Capital Raising – Ms Erlyn Dale

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

"That, subject to each of the Acquisition Resolutions being passed, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise Ms Erlyn Dale (or her nominee) to participate in the Capital Raising to the extent of up to 1,000,000 Shares (on a post-Consolidation basis) each at an issue price of \$0.10 on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Ms Erlyn Dale (or her nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 8 – Approval of Director's Participation in Capital Raising – Mr Marcus Gracey

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

"That, subject to each of the Acquisition Resolutions being passed, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise Mr Marcus Gracey (or his nominee) to participate in the Capital Raising to the extent of up to 1,000,000 Shares (on a post-Consolidation basis) each at an issue price of \$0.10 on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Marcus Gracey (or his nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 9 – Approval of Issue of Advisory Options to Cygnet Capital

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the grant to Cygnet Capital (or its nominees) of 25,000,000 Advisory Options (on a post-Consolidation basis) and, on exercise of those options, the issue and allotment of the same number of Shares on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Cygnet Capital or any of its associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 10 – Appointment of Mr Clive Stuart Allinson as a Director

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

"That, subject to each of the other Acquisition Resolutions being passed, in accordance with Article 12 of the Constitution, and with effect from Completion, Mr Clive Stuart Allinson be appointed as a Director."

11. Resolution 11 – Appointment of Mr Anthony Du Preez as a Director

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

"That, subject to each of the other Acquisition Resolutions being passed, in accordance with Article 12 of the Constitution, and with effect from Completion, Mr Anthony Du Preez be appointed as a Director."

12. Resolution 12 – Appointment of Mr Bob Browning as a Director

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

"That, subject to each of the other Acquisition Resolutions being passed, in accordance with Article 12 of the Constitution, and with effect from Completion, Mr Bob Browning be appointed as a Director."

13. Resolution 13 – Approval of Change of Name

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of section 157 of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "BidEnergy Limited" with effect as soon as reasonably practicable following Completion on the terms and conditions detailed in the Explanatory Memorandum."

14. Resolution 14 – Adoption of Long Term Incentive Plan

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, Shareholders approve the Long Term Incentive Plan and the grant of Performance Rights and the issue of the underlying Shares of such Performance Rights, under the Long Term Incentive Plan, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors of the Company or any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairman and the appointment does not specify how the Chairman is to vote but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

15. Resolution 15 – Issue of Performance Rights to Mr Clive Stuart Allinson under the Long Term Incentive Plan

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 182,709 Performance Rights to Mr Clive Stuart Allinson (and/or his nominee), under the Long Term Incentive Plan on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. Resolution 16 – Issue of Performance Rights to Mr Anthony Du Preez under the Long Term Incentive Plan

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 212,706 Performance Rights to Mr Anthony Du Preez (and/or his nominee), under the Long Term Incentive Plan on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD



Mr Winton Willesee
Executive Chairman

Dated: 17 March 2016

COVE RESOURCES LIMITED

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EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at DLA Piper Australia, Level 31, 152-158 St Georges Terrace, Perth, Western Australia 6000 on Friday, 20 May 2016 at 10:00am (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Overview of the BidEnergy Acquisition and Change of Nature and Scale of Activities
Section 4:	Resolution 1 – Change to Nature and Scale of Activities
Section 5:	Resolution 2 – Consolidation of issued share capital
Section 6	Resolution 3 – Approval of Performance Shares
Section 7:	Resolution 4 – Approval of Issue of Consideration Securities to Vendors
Section 8:	Resolution 5 – Approval of Issue of Capital Raising Shares
Section 9:	Resolution 6 to 8 (inclusive) – Approval of Directors' Participation in Capital Raising
Section 10:	Resolution 9 – Approval of Issue of Securities to Cygnet Capital
Section 11:	Resolutions 10 to 12 (inclusive) – Appointment of Directors
Section 12:	Resolution 13 – Approval of Change of Name
Section 13:	Resolution 14 – Adoption of Long Term Incentive Plan
Section 14:	Resolutions 15 and 16 – Issue of Performance Rights to Messrs Allinson and Du Preez under the Long Term Incentive Plan
Schedule 1:	Definitions and Interpretation

Schedule 2:	Vendors and Consideration Securities
Schedule 3	Terms of the Proposed Directors' Appointments
Schedule 4:	Pro-Forma Statement of Financial Position
Schedule 5:	Proposed Budget and Use of Funds
Schedule 6:	Risk Factors
Schedule 7:	Terms and Conditions of Consideration Performance Shares
Schedule 8:	Terms and Conditions of Consideration Options and Advisory Options
Schedule 9:	Summary of Long Term Incentive Plan

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum.

2. Action to be taken by Shareholders

The business of the Meeting affects your shareholding and your vote is important.

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by:

- (a) in person to Suite 25, 145 Stirling Highway, Nedlands, WA, 6009, Australia;
- (b) post to P.O. Box 3144, Nedlands, WA, 6009, Australia;
- (c) facsimile on +61 8 9389 3199; or
- (d) email to the Company Secretary at Erlyn@azc.com.au,

so that it is received not later than 10:00am (WST) on 18 May 2016. Proxy Forms received later than this time will be invalid.

Please note that:

- (a) a proxy need not be a Shareholder;
- (b) a Shareholder may appoint a body corporate or an individual as its proxy;
- (c) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and

- (d) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body's corporate representative. The authority may be sent to the Company or the Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

3. Overview of the BidEnergy Acquisition and Change of Nature and Scale of Activities

3.1 Company Background

The Company is an Australian public company that has been listed on the Official List (ASX code: CVE) since 24 January 2011.

The Company's principal activities are the exploration of its mineral exploration assets, being the Quartz Circle Project.

3.2 Acquisition of BidEnergy Corporation Pty Ltd

On 25 November 2015, the Company announced it had entered into a term sheet (**Term Sheet**) with BidEnergy Pty Ltd ACN 093 148 488 (**BidEnergy**) and Messrs Clive Stuart Allinson, Bob Browning, Zac Rosenberg and Anthony Du Preez, pursuant to which the Company agreed to acquire the entire issued share capital of BidEnergy (**BidEnergy Acquisition**).

On 13 March 2016, the Company, BidEnergy and the following major shareholders of BidEnergy: Auction Design Pty Ltd, Instanz Nominees Pty Ltd, Blue Lagoon International Corporation, Allinson Trauts Pty Ltd, Morris & Hay Pty Ltd, Carolyn Palmer, Robert and Nancy Browning, Amadeus Consulting Pty Ltd, IBM Investments Pty Ltd and George and Pollyanna Martin (**Majority Vendors**) entered into a share purchase agreement to effect the BidEnergy Acquisition (**Share Purchase Agreement**). For a summary of the terms of the BidEnergy Acquisition and the Share Purchase Agreement refer to Section 3.5.

3.3 Information on BidEnergy

Overview of BidEnergy

BidEnergy provides cloud based utility spend management services to organisations operating multiple premises.

BidEnergy's Group Structure

BidEnergy operates across Australia and New Zealand. BidEnergy UK Ltd is a wholly owned subsidiary of BidEnergy Pty Ltd and provides similar services to UK-based organisations. BidEnergy Inc has been established to provide similar services to organisations based in the United States of America.

BidEnergy's Business Products

BidEnergy has developed a cloud-based Software as a Service (**SaaS**) platform providing end to end automation of energy sourcing, billing and payment processing.

The service incorporates proprietary technology that automatically captures utility invoices and extracts the data using proprietary parsing technology. Combined with automated capture of meter consumption data, the platform provides end to end utility management services, from budgeting, tracking and reporting of usage, spend and greenhouse gas emissions to automated payment of the validated invoices via the customers' accounts payable systems. By having data constantly updated and validated, the platform also enables rapid mobilization to enter the market to renegotiate contracts with suppliers. The sourcing algorithms are also proprietary and enable multiple packaging options to be identified and evaluated in real-time, so that customers can find the optimal mix of suppliers and pricing structures. The service is open to all suppliers, so that price discovery is based on the widest possible view of the supply market at any point in time.

The data captured via the platform also provides a rich data set for benchmarking purposes. The service currently supports electricity and gas supply, with water and waste services currently under development.

Overview of business model

Business Model

BidEnergy provides services on a subscription basis. Subscription fees are based on the scope and level of service, the number and mix of large consumption and small consumption sites. Service contracts are typically 24 month terms, with the option to extend. The shortest contract is 12 months and currently the longest contract is 3 years with a 2 year extension clause.

Employees are incentivised and focused on customer retention resulting in a high retention rate (currently 100%). No customer accounts for more than 10% of revenues.

Industry and Market Overview

Typically, BidEnergy operates in deregulated markets where there is a large degree of digitisation of utility invoices and meter data. This includes the electricity and gas markets of Australia, New Zealand and the UK, with plans to expand to the United States of America. The United States of America has approximately 17.78m commercial customers and approximately 744,000 industrial customers.¹ BidEnergy is initially targeting the multi-site commercial and industrial customers.

The markets in which BidEnergy operates have traditionally deployed consultants and brokers to provide some of the service provided by BidEnergy. Alternatively, organisations have delivered some of these services in-house. In all cases, the alternatives have been provided on a highly manual basis, affecting speed, efficiency, accuracy and the ability to engage with the supplier base. BidEnergy's automation approach and philosophy overcomes these limitations and is particularly suited to organisations with multiple premises, where the volume and complexity of data is greatest.

3.4 Consideration for the BidEnergy Acquisition

The consideration payable by the Company for the BidEnergy Acquisition is the issue of the Consideration Securities, comprising an aggregate total of:

- (a) 201,396,700 Shares;

¹ US Department of Energy 2013

- (b) 35,000,000 Class A Performance Shares;
- (c) 35,000,000 Class B Performance Shares;
- (d) 10,798,670 New Series A Cove Options;
- (e) 9,243,759 New Series B Cove Options; and
- (f) 23,514,921 New Series B Cove Follow-On Options,

all on a post-Consolidation basis, to the Vendors in the proportions detailed in Schedule 2.

3.5 Summary of BidEnergy Acquisition and Acquisition Agreements

The formal agreements to effect the BidEnergy Acquisition comprise:

- (a) the Share Purchase Agreement; and
 - (b) the Short Form Sale Agreements,
- (together, the **Acquisition Agreements**).

On 13 March 2016, the Company and BidEnergy entered into the Share Purchase Agreement with the Majority Vendors, pursuant to which the Company will acquire the BidEnergy Securities held by the Majority Vendors. Between them, the Majority Vendors hold the following BidEnergy Securities:

- (a) 39,357 BidEnergy Shares;
- (b) 3,300 BidEnergy Series A Redeemable Preference Shares;
- (c) 10,593 BidEnergy Series B Redeemable Preference Shares;
- (d) 0 BidEnergy Series A Options;
- (e) 0 BidEnergy Series B Options; and
- (f) 360 BidEnergy New Series B Follow-on Options.

Prior to Completion the Company will enter into a Short Form Sale Agreement with each Minority Vendor to effect the acquisition of the remaining BidEnergy Securities.

In consideration for the BidEnergy Acquisition, the Company will issue the Consideration Securities to the Vendors in the proportions specified in Schedule 2.

Share Purchase Agreement

- (a) Completion under the Share Purchase Agreement and the BidEnergy Acquisition is subject to and conditional upon, among other things:
 - (i) the Company obtaining all necessary regulatory approvals to give effect to the BidEnergy Acquisition, including re-complying with Chapters 1 and 2 of the Listing Rules, on terms which the Company and BidEnergy consider are capable of satisfaction;
 - (ii) Shareholders approving the Acquisition Resolutions;
 - (iii) completion of the Capital Raising (refer to Sections 3.6 and 8);

- (iv) no Material Adverse Effect having occurred in relation to BidEnergy between the date of the Share Purchase Agreement and Completion; and
- (v) Bid Energy providing the Company with management accounts for each of the financial years ended 30 June 2013, 2014 and 2015,

(together, the **Conditions**).

- (b) At Completion, all current Board members will resign as Directors. Pursuant to the Share Purchase Agreement, the Majority Vendors have nominated that Messrs Clive Stuart Allison, Anthony Du Preez and Bob Browning be appointed as Directors. Further details regarding the qualifications and experience of the Proposed Directors is set out in Section 3.7.
- (c) The parties to the Share Purchase Agreement have provided other warranties, covenants and indemnities, which are customary for a transaction of this nature.
- (d) The Majority Vendors have agreed to procure that each Minority Vendor enters into a short form sale agreement to effect the transfer of all BidEnergy shares not held by the Majority Vendors (**Short Form Sale Agreement**).
- (e) The Majority Vendors have acknowledged that some or all of the Consideration Securities may be treated as Restricted Securities by ASX and have agreed to execute such form of restriction agreement as may be required by ASX.
- (f) Either the Company or the Majority Vendors (**Non-Defaulting Party**) may terminate the Sale Agreement if:
 - (i) the other party (**Defaulting Party**) fails to perform and comply, in all material respects, with its obligations under the Share Purchase Agreement; or
 - (ii) the Defaulting Party fails to deliver all documents and instruments required to be delivered at Completion or fails to perform all of its obligations at Completion,

but only where the Defaulting Party does not remedy such failure within 10 Business Days of the Non-Defaulting Party giving the Defaulting Party written notice setting out the details of the specific failure to perform, comply or deliver.

- (g) The Share Purchase Agreement may be terminated by the Company if:
 - (i) any material breach of the warranties given by the Majority Vendors comes to the notice of the Company; or
 - (ii) anything occurs or comes to the attention of the Company which has or is likely to have a Material Adverse Effect on BidEnergy.
- (h) The Share Purchase Agreement may be terminated by the Company and the Majority Vendors:
 - (i) by agreement in writing; or
 - (ii) where the Conditions have not been satisfied by the End Date.

Short Form Sale Agreements

Each Short Form Sale agreement contains limited representations and warranties by the relevant Vendor relating to title and ownership of the BidEnergy shares held by it.

Pursuant to each Short Form Sale Agreement, each of the Minority Vendors acknowledges that some or all of the Consideration Securities it receives may be treated as Restricted Securities by ASX and agrees to execute such form of restriction agreement as may be required by ASX.

Completion of the sale and purchase of the BidEnergy securities under the Share Purchase Agreement and Short Form Sale Agreements is interdependent and will occur contemporaneously.

3.6 Capital Raising

The Company is proposing to raise \$7,000,000 (before costs) through the offer of 70,000,000 Shares at an issue price of \$0.10 per Share (**Capital Raising**) for the purposes of:

- (a) the development of the BidEnergy business and customer operations following Completion;
- (b) software research and development;
- (c) satisfying the expenses associated with the BidEnergy Acquisition and the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules (refer to Section 4); and
- (d) providing the Company with additional working capital following Completion.

As noted in Section 3.5, completion of the Capital Raising is a condition precedent to Completion.

The Capital Raising will be undertaken pursuant to a prospectus to be issued by the Company in accordance with section 710 of the Corporations Act (**Prospectus**).

Refer to Sections 8 and 9 for further details of the Capital Raising and Schedule 5 for details of the proposed use of funds to be raised pursuant to the Capital Raising.

3.7 Board and Management Changes

Subject to all of the Acquisition Resolutions being passed, Messrs Allinson, Du Preez and Browning will be appointed as Directors, effective from Completion. Pursuant to the Share Purchase Agreement, the new Directors will occupy the following positions from Completion:

- (a) Mr Bob Browning will be appointed as Non-Executive Chairman.
- (b) Mr Clive Stuart Allinson will be appointed as Managing Director; and
- (c) Mr Anthony Du Preez will be appointed as Executive Director.

On Completion, all existing Board members will resign as Directors.

Details of the qualifications and experience of each of the Proposed Directors is set out below.

Mr Clive Stuart Allinson, MBA, MSc (Petroleum Engineering), BSc (Hons Mathematics)

Mr Allinson has a broad energy & utilities background, having held various positions in production, wholesale, distribution, retail and regulatory affairs. He has consulted to governments, market participants and large business users in the areas of strategy, policy, process, controls, regulation, compliance, process improvement and business transformation. He is a member of the Climate Change Authority and Acting Chairman.

Refer to Schedule 3 for further details of the terms and conditions on which Mr Clive Stuart Allinson has agreed to act as Managing Director.

Mr Anthony Du Preez

Mr Du Preez is an experienced entrepreneur having founded and built a number of globally scalable technology companies, including www.adslot.com (ASX:ADJ), www.bidenergy.com, www.tradeslot.com and www.carbonnavigator.com.

Mr Du Preez has a first class honours systems engineering degree and an MBA from the prestigious Melbourne Business School. He is an accomplished speaker who is regularly asked to speak at conferences in Australia, UK and the USA.

Refer to Schedule 3 for further details of the terms and conditions on which Mr Anthony Du Preez has agreed to act as Executive Director.

Mr Bob Browning

Mr Browning is a seasoned leader with a proven track record, and over 30 years of experience in a broad range of executive roles within multiple industries, both domestically and internationally, including six years as CEO of Alinta Limited. He is adept at the effective development and translation of corporate strategy into actionable plans with appropriate responsibilities and accountabilities cascaded through all layers of the organization. Mr Browning was a Director of Austal Limited from September 2003 to November 2010. Mr Browning held the role of Managing Director of Emerchants Ltd for 18 months and is currently a non-executive director of Emerchants.

3.8 Capital Structure

If all of the Acquisition Resolutions are passed, upon Completion (and the issue of the additional Advisory Options), the proposed capital structure of the Company will be as follows:

	Shares	Performance Shares	Options	Performance Rights
As at the date of the Notice	995,191,861	-	568,600,000 ¹	-
Following Consolidation	49,759,954	-	28,430,000 ²	-
Issued as Consideration for BidEnergy Acquisition	201,369,700	70,000,000 ³	43,557,350 ⁴	-

	Shares	Performance Shares	Options	Performance Rights
Issued pursuant to Capital Raising	70,000,000	-	-	-
Issue to Cygnet Capital	-	-	25,000,000 ⁵	-
Issued pursuant to LTIP	-	-		11,079,801
Total	321,156,294	70,000,000	96,987,350	11,079,801

Notes:

1. Exercisable at \$0.005 on or before 30 June 2019.
2. Exercisable at \$0.10 on or before 30 June 2019.
3. Comprising 35,000,000 Class A Performance Shares and 35,000,000 Class B Performance Shares. For full terms and conditions of the Class A Performance Shares and Class B Performance Shares, refer to Schedule 7.
4. Comprising 10,789,670 New Series A Cove Options exercisable at \$0.10 on or before 30 September 2017, 9,243,759 New Series B Cove Options exercisable at \$0.125 on or before 31 December 2018 and 23,514,921 New Series B Follow-on Cove Options exercisable at \$0.15 on or before the third anniversary of their issue date.
5. Advisory Options exercisable at \$0.15 on or before 30 June 2019.

3.9 Dilution

The Company currently has 995,191,861 Shares on issue which, as a result of the Consolidation, will be converted into 49,759,594 Shares. The Company will issue:

- (a) 201,396,700 Shares as part of the Consideration Securities;
- (b) 70,000,000 Shares under the Capital Raising;
- (c) 70,000,000 Shares if all applicable milestones for the conversion of the Consideration Performance Shares are satisfied and the Consideration Performance Shares are converted into Shares;
- (d) 43,557,350 Shares if all Consideration Options are exercised;
- (e) 25,000,000 Shares if all Advisory Options are exercised; and
- (f) 11,079,801 Shares if all Performance Rights vest and are exercised.

The table below details the dilutionary effect of the BidEnergy Acquisition on the holdings of current Shareholders from a fully diluted base following Consolidation (i.e., assuming the Consolidation has occurred (which has a neutral effect on dilution) and assuming all Existing Options have been exercised):

Shares issued upon exercise of the Existing Options (28,430,000)	Shares to be issued pursuant to the Capital Raising (70,000,000)	Consideration Shares (201,396,700)	Shares to be issued upon conversion of the Consideration Performance Shares	Shares to be issued upon exercise of the Consideration Options	Shares to be issued on exercise of the Performance Rights	Shares to be issued upon exercise of the Advisory Options	Total shares on issue ¹	Percentage of shares held by current shareholders	Dilutionary effect on current shareholders
x							78,189,594	100%	0%
x	x						148,189,594	52.76%	47.24%
x	x	x					349,586,294	22.37%	77.63%
x	x	x	x				419,586,294	18.64%	81.36%
x	x	x	x	x			463,143,644	16.88%	83.12%
x	x	x	x	x	x		474,223,445	16.89%	83.11%
x	x	x	x	x	x	x	499,223,445	15.67%	84.33%

Note:

1. Assumes that no current Shareholder participates in the Capital Raising.

As detailed in the above table, immediately following the issue of the Securities offered under the Capital Raising, BidEnergy Acquisition and the issue of Advisory Options, current Shareholders will retain approximately 22.37% of the Company's Shares.

If all Shares offered under the Prospectus are issued, all Consideration Performance Shares are converted and all Options exercised (including Options currently on issue), current Shareholders will retain approximately 15.67% of the Company's Shares.

3.10 Effect of the BidEnergy Acquisition and Capital Raising on control and Substantial Shareholdings

As at the date of the Notice, the following persons have a relevant interest in 5% or more of the Shares on issue:

Name	Number of Shares (pre-Consolidation)	Percentage of Shares
HSBC Custody Nominees (Australia) Limited	98,506,000	9.90%
Mahsor Holdings Pty Ltd (Rosham Family S/F A/C No.2)	71,000,000	7.13%
Mycatmax Pty Ltd (The Viking S/F A/C)	63,450,000	6.38%
Holdrey Pty Ltd (Don Mathieson Family A/C)	59,958,665	6.02%

Based on the information known at the date of the Notice, upon Completion, the following persons will have a relevant interest in 5% or more of the Shares on issue:

Name	Number of Shares (post-Consolidation)	Percentage of Shares ¹
Auction Design Pty Ltd (Du Preez Family Trust)	34,483,519	10.74%
Blue Lagoon International Corporation	16,871,426	5.25%

Note:

1. Assumes that no current Shareholder participates in the Capital Raising.

3.11 Pro-forma Financial Position of the Company

Refer to Schedule 4 for a pro-forma statement of financial position of the Company following Completion.

3.12 Proposed Budget

Refer to Schedule 5 for details of the proposed budget of the Company following Completion.

3.13 Advantages of the BidEnergy Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's determination on how to vote on the Acquisition Resolutions:

- (a) **exposure to an established and growing business operating in the energy sector:** The BidEnergy Acquisition provides Shareholders with exposure to utility procure to pay services and a highly regarded executive management team (refer to Section 3.7), which will place the Company in a strong competitive position and offer the Company an opportunity to take advantage of the national and international need for increased operational efficiencies in this sector;
- (b) **potential to enhance Shareholder value:** The Directors consider that, in the current market environment, there is a greater likelihood of restoring Shareholder value by proceeding with the BidEnergy Acquisition and changing the nature and scale of the Company's activities to focus on the energy technology industry rather than remaining a junior mineral explorer;
- (c) **increased investor interest and Share trading volume:** The potential increase in market capitalisation of the Company, following Completion and the associated Capital Raising, may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity; and
- (d) **no cash payment for an existing growing business:** The consideration for the BidEnergy Acquisition will be entirely in the form of Shares, Options and Performance Shares (refer to Section 3.4) which will allow the Company's existing cash reserves, and the funds raised from the Capital Raising, to be applied towards developing BidEnergy's business.

3.14 Disadvantages of the BidEnergy Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's determination on how to vote on the Resolutions:

- (a) **change of business focus:** Following Completion, the Company will be changing the nature and scale of its activities to become a company focused in the energy technology sector, which may not be consistent with the investment objectives of some Shareholders;

- (b) **issue of Securities pursuant to the BidEnergy Acquisition and Capital Raising will dilute existing Shareholders' voting rights:** The issue of Securities pursuant to the BidEnergy Acquisition and the Capital Raising will have a dilutionary effect on the current voting rights of Shareholders. Further, Auction Design Pty Ltd (as trustee for the Du Preez Family Trust) will become the largest Shareholder (refer to Sections 3.10 for further information). As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or disposal of assets, will be reduced accordingly;
- (c) **additional risks:** There are many risks associated with the change to the nature and scale of the Company's activities and attributable to business and operations of BidEnergy (refer to Schedule 6 for further information); and
- (d) **re-compliance:** the Company will seek to re-comply with the Listing Rules if Shareholders approve all of the Acquisition Resolutions. There is no guarantee that the Company will successfully re-comply with the requirements or that the Securities will be reinstated to trading on ASX.

3.15 Risks

Shareholders should be aware that if Shareholders approve all of the Acquisition Resolutions and the BidEnergy Acquisition is completed, the Company will be changing the nature and scale of its activities which will result in it being subject to various risks (in addition to those that are presently applicable). These risks are both specific to the industry in which BidEnergy operates and also relate to the general business and economic environment in which the Company will operate. Based on the information available, a non-exhaustive list of these risks is detailed in Schedule 6.

3.16 Plans for the Company if the BidEnergy Acquisition is not completed

If the Company does not complete the BidEnergy Acquisition, it will investigate, and as required, undertake due diligence on, new business opportunities. In addition, if the BidEnergy Acquisition does not complete, the Capital Raising will not be completed. However, the Company may need to undertake an alternative capital raising in the near future to ensure that it can continue as a going concern. It should be noted that the Company has already incurred significant costs in connection with progressing the BidEnergy Acquisition up to the point of despatching the Notice. As at the date of this Notice, the Company estimates those expenses to be approximately \$415,000. If Shareholders do not approve the Acquisition Resolutions, the BidEnergy Acquisition will not proceed and the Company will not be able to recoup those costs.

3.17 Current Business

The Company will enter into agreements to divest:

- (a) all of its current mineral exploration interests; and
- (b) its shares in any other company, including Blenheim Resources Pty Ltd ACN 149 735 642,

prior to, or at and conditional upon the occurrence of, Completion.

3.18 Indicative Timetable

The following is an indicative timetable for, among other things, completion of the BidEnergy Acquisition and the Capital Raising.

Event	Indicative Date
Despatch of Notice	20 April 2016
Lodgement of Prospectus with ASIC and ASX	29 April 2016
Capital Raising offer opens	6 May 2016
Last day for lodgement of Proxy Form	18 May 2016 at 10:00am (WST)
Suspension of Shares from trading on ASX	20 May 2016
Meeting	20 May 2016 at 10:00am (WST)
Satisfaction of Chapters 1 and 2 of the Listing Rules	3 June 2016
Capital Raising offer closes	3 June 2016
Completion of the BidEnergy Acquisition and issue of Securities on a post-Consolidation basis	13 June 2016
Expected date for reinstatement of the Company's securities to trading on ASX	27 June 2016

**The above timetable is indicative only and subject to change. The Directors reserve the right to amend the timetable without notice and will keep Shareholders updated (via ASX announcements) on the timing of Completion as the BidEnergy Acquisition progresses.*

3.19 Restricted Securities

If Shareholders approve all of the Acquisition Resolutions, ASX will, subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules, classify certain Securities issued as part of the BidEnergy Acquisition as Restricted Securities and will require those Securities to be held in escrow for up to 24 months from the date the Securities are reinstated to trading on ASX. During the period which those Securities are prohibited from being transferred, trading in Shares may be less liquid which may affect a Shareholder's ability to dispose of their Shares in a timely manner.

The Securities likely to be subject to escrow will be the Consideration Securities and the Advisory Options.

3.20 Directors' Recommendation

The Directors are of the view that the BidEnergy Acquisition and the Capital Raising:

- (a) will give Shareholders the opportunity to benefit from the presented merits of acquiring BidEnergy; and
- (b) has the potential to create future Shareholder value,

and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of all Resolutions.

3.21 Interdependence of Resolutions

The Acquisition Resolutions are interdependent, meaning that Shareholders must pass each of the Acquisition Resolutions for the BidEnergy Acquisition and the Capital Raising to proceed. Resolutions 6 to 8 (inclusive), relating to the approval of the Directors' participation in the Capital Raising, are not Acquisition Resolutions. All other Resolutions are Acquisition Resolutions.

3.22 Forward Looking Statements

The forward looking statements in this Explanatory Memorandum are based on the Company's current expectations about future events. However, they are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Explanatory Memorandum. These risks include, but are not limited to, the risks detailed in Schedule 6. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

4. Resolution 1 – Change to Nature and Scale of Activities

4.1 General

The Company has agreed to undertake the BidEnergy Acquisition, subject to the satisfaction of the Conditions (refer to Section 3.5), including but not limited to, the passing of the Acquisition Resolutions.

Refer to Section 3 for further information on BidEnergy and its business and the likely affect that the BidEnergy Acquisition will have on the Company.

Resolution 1 seeks approval from Shareholders for a change to the nature and scale of the activities of the Company as a result of the BidEnergy Acquisition.

Resolution 1 is an ordinary resolution. Resolution 1 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 1.

4.2 Listing Rule 11.1

Chapter 11 of the Listing Rules requires Shareholders to approve any significant change in the nature or scale of an ASX listed company's activities. Completion of the BidEnergy Acquisition will have the effect of changing the nature, and increasing the scale, of the Company's activities.

Resolution 1 seeks Shareholder approval to allow the Company to complete the BidEnergy Acquisition thereby changing the nature and increasing the scale of its activities.

Where an ASX listed company seeks to change the nature or scale of its activities, it must:

- (a) under Listing Rule 11.1.1, notify ASX of the proposed change;
- (b) under Listing Rule 11.1.2, obtain shareholder approval to undertake the change, if required by ASX; and
- (c) under Listing Rule 11.1.3, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the official list of ASX, if required by ASX.

The Company has sought confirmation from ASX that:

- (a) Listing Rule 11.1.2 does apply in respect of the BidEnergy Acquisition and that the Company does need to obtain Shareholder approval to undertake the change in nature and scale of activities arising from the BidEnergy Acquisition. In this regard, the Company has agreed to undertake the BidEnergy Acquisition, subject to the

satisfaction of the Conditions (refer to Section 3.5) including but not limited to, the obtaining of Shareholder approval; and

- (b) Listing Rule 11.1.3 does apply in respect of the BidEnergy Acquisition and accordingly the Company will need to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. In this regard, the Company proposes to undertake the Capital Raising (the subject of Resolution 5) to satisfy the requirements of re-compliance.

On the basis that ASX gives the confirmations sought and that Shareholders approve all of the Acquisition Resolutions, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. In accordance with these requirements, the Company will issue the Prospectus.

Trading of Shares will be suspended on the morning of the day of the Meeting. If Shareholders pass all of the Resolutions, trading of Shares on ASX will remain suspended until the Company satisfies the requirements of Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. It is anticipated that the Company's securities will be reinstated to trading on ASX in June 2016 (refer to Section 3.18). If Shareholders do not approve all of the Acquisition Resolutions, trading of Shares on ASX will resume following the release of the results of the Meeting.

Refer to Section 3 for further information on the BidEnergy Acquisition and the likely effect that the BidEnergy Acquisition will have on the Company.

A voting exclusion statement is included in the Notice.

4.3 Listing Rule Waivers

Listing Rule 2.1 Condition 2 provides that the issue price or sale price of all securities for which an entity seeks quotation (except options) must be at least \$0.20. The Company has applied to ASX for a waiver from Listing Rule 2.1 Condition 2 to the extent necessary not to require the issue price of the Shares proposed to be issued pursuant to the Capital Raising to be at least \$0.20. The Company expects that if ASX does grant the Company a waiver, it will be subject to the condition that the issue price of Shares under the Capital Raising is not less than \$0.10 each and that Shareholders approve the issue price (as contemplated by Resolution 5).

Listing Rule 1.1 Condition 11 provides that if an entity has options on issue, the exercise price for each underlying security must be at least \$0.20. The exercise price of the BidEnergy Series A Options, BidEnergy Series B Options and BidEnergy New Series B Follow-on Options to be issued to the Vendors in consideration for the BidEnergy Acquisition are \$0.10, \$0.125 and \$0.15, respectively. Accordingly, the Company has applied to ASX for a waiver from Listing Rule 1.1 Condition 11.

Further, ASX Guidance Note 12 provides that if an entity is required to re-comply with Chapters 1 and 2 of the Listing Rules, ASX will not apply Listing Rule 1.1 Condition 11 in respect of the entity's existing options. The Company will not have to restructure its existing Options to increase their exercise price to at least \$0.20.

If the waivers sought are not granted by ASX, the Company may not be able to satisfy the Conditions and may therefore be unable to complete the BidEnergy Acquisition.

5. Resolution 2 – Consolidation of Issued Share Capital

5.1 General

Resolution 2 seeks approval from Shareholders to consolidate the number of Shares and Options on issue on a 1:20 basis. The Consolidation is required to ensure that the Company's capital structure is appropriate for it to be able to re-comply with the admission requirements of ASX.

Under section 254H of the Corporations Act, the Company may, by a resolution passed at a general meeting of Shareholders, convert all or any of its shares into a larger or smaller number of shares. Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

If Resolution 2 is passed, the number of Shares and Options on issue will be reduced on a 1:20 basis and the exercise price of all Options will be increased in inverse proportion to that ratio.

As from the effective date of Resolution 2 (being the date advised to the ASX), all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares and Options. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders.

Resolution 2 is an ordinary resolution. Resolution 2 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 2.

5.2 Fractional Entitlements and Taxation

Not all Shareholders and Optionholders will hold a number of Shares and Options which can be evenly divided by 20. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation consequences will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

5.3 Timetable for Consolidation

Assuming the Acquisition Resolutions are approved, the Consolidation will take place following the approval of the Acquisition Resolutions at the Meeting and prior to the Company issuing the Consideration Securities and the Shares pursuant to the Capital Raising.

6. Resolution 3 – Approval of Performance Shares

The Company seeks Shareholder approval to create the Performance Shares as a new class of shares in the Company on the terms and conditions in Schedule 7.

Under Article 2.1 of the Company's Constitution, and subject to the Corporations Act and the Listing Rules, the Board may issue shares in the Company with such preferred, deferred or other special rights as the Board determines.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to shares already issued.

Under section 246B(1) of the Corporation Act, if a company has a constitution which sets out the procedure for varying or cancelling (in the case of a company with share capital) rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. In accordance with Article 3.1 of the Constitution, subject to the terms of issue of shares in a particular class, the Company may vary rights attached to shares in that class by a special resolution of the Company passed at a meeting of the members holding shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 7 of this Explanatory Memorandum.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Resolution 3 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 3.

The Company will also seek Shareholder approval in Resolution 4 to issue Performance Shares to the Vendors.

7. Resolution 4 – Approval of Issue of Consideration Securities to Vendors

7.1 General

Resolution 4 seeks Shareholder approval for the issue of the following Securities on a post-Consolidation basis:

- (a) 201,396,700 Shares;
- (b) 35,000,000 Class A Performance Shares;
- (c) 35,000,000 Class B Performance Shares;
- (d) 10,789,670 New Series A Cove Options;
- (e) 9,243,759 New Series B Cove Options; and
- (f) 23,514,921 New Series B Follow-on Cove Options,

to the Vendors (or their respective nominees), in the proportions set out in Schedule 2 as consideration for the BidEnergy Acquisition. The Consideration Securities are proposed to be issued on the terms and conditions in this Explanatory Memorandum.

Resolution 4 is an ordinary resolution. Resolution 4 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 4.

7.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of approving Resolution 4 will be to allow the Directors to issue the Consideration Securities (refer to Section 3.5 and Schedule 2) during the three month period after the Meeting (or a longer period, if allowed by ASX), without using up the Company's 15% placement capacity under Listing Rule 7.1.

7.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of the Consideration Securities and the requirements of Listing Rule 7.3, the following information is provided as follows:

- (a) A maximum of:
 - (i) 201,396,700 Shares;
 - (ii) 35,000,000 Class A Performance Shares;
 - (iii) 35,000,000 Class B Performance Shares;
 - (iv) 10,789,670 New Series A Cove Options;
 - (v) 9,243,759 New Series B Cove Options; and
 - (vi) 23,514,921 New Series B Follow-on Cove Options,will be issued or granted.
- (b) The Consideration Securities will be issued no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Consideration Securities will be issued to the Vendors (in the proportions detailed in Schedule 2), each of who are neither related parties nor associates of related parties of the Company save for:
 - (i) Allinson Trauts Pty Ltd, a company associated with Mr Clive Stuart Allinson, a proposed Director;
 - (ii) Auction Design Pty Ltd, a company associated with Mr Anthony Du Preez, a proposed Director; and
 - (iii) Mr Bob Browning, proposed Director, and Nancy Browning.
- (d) The Consideration Securities will be issued for nil cash consideration.
- (e) The Consideration Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The Performance Shares will be issued on the terms and conditions set out in Schedule 7. The Shares issued upon the conversion of the Performance Shares will rank equally with, and confer rights identical with, all other Shares then on issue.

- (g) The New Series A Cove Options will be issued on the terms and conditions set out in Schedule 8. The Shares issued upon the conversion of the New Series A Cove Options will rank equally with, and confer rights identical with, all other Shares then on issue.
- (h) The New Series B Cove Options will be issued on the terms and conditions set out in Schedule 8. The Shares issued upon the conversion of the New Series B Cove Options will rank equally with, and confer rights identical with, all other Shares then on issue.
- (i) The New Series B Follow-on Cove Options will be issued on the terms and conditions set out in Schedule 8. The Shares issued upon the conversion of the New Series B Follow-on Cove Options will rank equally with, and confer rights identical with, all other Shares then on issue.
- (j) No funds will be raised from the issue of Consideration Securities as they are being issued as consideration for the BidEnergy Acquisition (refer to Section 3.5).
- (k) Subject to Section 7.3(b), the allotment and issue or grant of the Consideration Securities will occur at Completion, which is to occur on the day that is five business days after the date on which all of the Conditions have been satisfied (or waived).
- (l) A voting exclusion statement is included in the Notice.

8. Resolution 5 – Approval of Issue of Capital Raising Shares

8.1 General

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 70,000,000 Shares at an issue price of \$0.10 per Share to raise \$7,000,000 (before costs). The Shares will be offered and issued under the Prospectus (refer to Section 3.6). Refer to Schedule 5 for details of the proposed use of funds in respect of the money raised pursuant to the Capital Raising.

Resolution 5 is an ordinary resolution. Resolution 5 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 5.

8.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 7.2.

The effect of approving Resolution 5 will be to allow the Company to issue the Shares to be offered under the Capital Raising during the three month period after the Meeting (or a longer period, if allowed by ASX), without utilising the Company's 15% placement capacity under Listing Rule 7.1.

8.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of the Shares and the requirements of Listing Rule 7.3, the following information is provided:

- (a) A maximum of 70,000,000 Shares will be issued.
- (b) The Company will issue the Shares no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

- (c) The Shares will be issued at a price of \$0.10 per Share.
- (d) The Shares will be issued to investors (retail, professional and sophisticated) who are not related parties or associates of related parties of the Company (other than as approved under Resolutions 6 to 8 (inclusive)).
- (e) The Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The funds raised from the issue of the Shares will be utilised by the Company for:
 - (i) the development of the BidEnergy business and customer operations following Completion;
 - (ii) software research and development;
 - (iii) satisfying the expenses associated with the BidEnergy Acquisition and the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules (refer to Section 4); and
 - (iv) providing the Company with additional working capital following Completion.
- (g) Refer to Section 3.6 and Schedule 5 for further details.
- (h) Subject to Section 8.3(b), the allotment and issue of the Shares may occur progressively.
- (i) A voting exclusion statement is included in the Notice.

9. Resolutions 6 to 8 (inclusive) – Approval of Directors' Participation in Capital Raising

9.1 General

Resolutions 6 to 8 (inclusive) seek Shareholder approval pursuant to Listing Rule 10.11 to enable Mr Winton Willesee, Ms Erlyn Dale and Mr Marcus Gracey (or their respective nominees) to participate in the Capital Raising on the same terms and conditions as offered to the other investors (retail, professional and sophisticated).

Subject to obtaining the approval of Shareholders, 1,000,000 Shares may be issued to each of Mr Willesee, Ms Dale and Mr Gracey (or their nominee) (an aggregate total of 3,000,000 Shares) under the Capital Raising.

If Shareholders do not approve Resolution 6, Mr Willesee (or his nominee) will not be issued any Shares under the Capital Raising. If Shareholders do not approve Resolution 7, Ms Dale (or her nominee) will not be issued any Shares under the Capital Raising. If Shareholders do not approve Resolution 8, Mr Gracey (or his nominee) will not be issued any Shares under the Capital Raising.

Resolutions 6 to 8 (inclusive) are ordinary resolutions. Resolutions 6 to 8 inclusive are subject to the approval of the Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolutions 6 to 8 (inclusive).

9.2 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval, unless the giving of the financial benefit falls within an exception to sections 210 to 216 of the Corporations Act

Each of Mr Willesee, Ms Dale and Mr Gracey, who are Directors, is a related party of the Company for the purposes of section 208 of the Corporations Act. The issue of Shares to each of Mr Willesee, Ms Dale and Mr Gracey constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act.

It is the view of the Directors that the issue of Shares to the Directors under the Capital Raising, in accordance with Resolutions 6 to 8, falls under the arm's length exception in section 210 of the Corporations Act, as any participation in the Capital Raising will be on the same terms as those offered to other investors, who are not related parties of the Company. Accordingly, Shareholder approval is not being sought for the purposes of Section 208 of the Corporations Act.

9.3 Listing Rule 10.11

Listing Rule 10.11 restricts the Company's ability to issue securities to a related party unless the Company obtains Shareholder approval or an exception applies.

Each of Mr Willesee, Ms Dale and Mr Gracey is regarded as a related party of the Company for the purposes of Listing Rule 10.11.

The Directors are of the view that none of the exceptions detailed in Listing Rule 10.12 apply in the current circumstances. Accordingly, Shareholder approval is sought for the allotment and issue of Shares to Mr Willesee, Ms Dale and Mr Gracey (or their respective nominees).

The effect of passing Resolutions 6 to 8 will be to allow the Company to issue and allot an aggregate total of 3,000,000 Shares to Mr Willesee, Ms Dale and Mr Gracey (or their respective nominees) within one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allows) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.

The Company has applied to ASX for a waiver of Listing Rule 10.13.3 to the extent necessary to allow the Company to issue the Shares to Mr Willesee, Ms Dale and Mr Gracey (or their respective nominees) later than one month after the date of the Meeting.

If the waiver sought is not granted by ASX, the Company will only be able to issue Shares to Mr Willesee, Ms Dale and Mr Gracey (or their respective nominees) within one month after the date of the Meeting.

If Shareholder approval is obtained pursuant Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1 (refer to Listing Rule 7.2 exception 14).

9.4 Information required by Listing Rule 10.13

For the purposes of Shareholder approval for the issue of the Shares the subject of Resolutions 6 to 8, and the requirements of Listing Rule 10.11:

- (a) The Shares will be issued to each of Mr Willesee, Ms Dale and Mr Gracey (or their respective nominees), each of whom is a Director.
- (b) The maximum number of securities to be issued to each of the Directors or their nominee is as follows:
 - (i) Mr Willesee: 1,000,000 Shares;

- (ii) Ms Dale: 1,000,000 Shares; and
 - (iii) Mr Gracey: 1,000,000 Shares.
- (c) The Company will issue the Shares no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Shares will have an issue price of \$0.10 each. Accordingly, the total amount to be paid by the Directors is as follows:
 - (i) Mr Willesee: \$100,000;
 - (ii) Ms Dale: \$100,000; and
 - (iii) Mr Gracey: \$100,000.
- (e) The Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.
- (f) As each Director has an interest in the outcome of the Resolutions regarding their participation in the Capital Raising, none of the Directors believes that it is appropriate to make a recommendation on how to vote on any of Resolutions 6 to 8.
- (g) The funds raised from the issue of the Shares to the Directors pursuant to Resolutions 6 to 8 (inclusive), in conjunction with all other funds raised from the Capital Raising, will be utilised by the Company to:
 - (i) the development of the BidEnergy business and customer operations following Completion;
 - (ii) software research and development;
 - (iii) satisfying the expenses associated with the BidEnergy Acquisition and the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules (refer to Section 4); and
 - (iv) providing the Company with additional working capital following Completion.

Refer to Section 3.6 and Schedule 5 for further details.
- (h) Subject to 9.4(c), the allotment and issue of the Shares may occur progressively.
- (i) A voting exclusion statement is included in the Notice.

10. Resolution 9 – Approval of Issue of Advisory Options to Cygnet Capital

10.1 General

Resolution 9 seeks Shareholder approval pursuant to Listing Rule 7.1 for the grant of 25,000,000 Advisory Options to Cygnet Capital, who is neither a related party nor an associate of a related party of the Company. The Advisory Options are being granted to Cygnet Capital in consideration for the introduction of the BidEnergy Acquisition to the Company.

Resolution 9 is an ordinary resolution. Resolution 9 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 9.

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 7.2.

The effect of approving Resolution 9 will be to allow the Directors to issue the Advisory Options to Cygnet Capital during the three month period after the Meeting (or a longer period, if allowed by ASX), without using up the Company's 15% placement capacity under Listing Rule 7.1.

10.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of the Advisory Options and the requirements of Listing Rule 7.3, the following information is provided:

- (a) A maximum of 25,000,000 Advisory Options will be granted to Cygnet Capital.
- (b) The Advisory Options will be granted no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Advisory Options are being issued for nil cash consideration, as they are being issued in consideration for Cygnet Capital introducing the BidEnergy Acquisition to the Company.
- (d) Each Advisory Option is exercisable into one Share upon the payment of the exercise price of \$0.15 on or before 30 June 2019, and otherwise on the terms and conditions set out in Schedule 8. The Shares issued upon the conversion of the Advisory Options will rank equally with and confer rights identical with all other Shares then on issue.
- (e) As the Advisory Options are being issued for nil cash consideration, no funds will be raised from their issue.
- (f) Subject to Section 10.3(b), the grant of the Advisory Options will occur as soon as reasonably practicable following Completion, which is to occur on the day that is five business days after the date on which all of the Conditions have been satisfied (or waived).
- (g) A voting exclusion statement is included in the Notice.

10.4 Listing Rule Waiver

As noted in Section 4.3, Listing Rule 1.1 Condition 11 provides that if an entity has options on issue, the exercise price for each underlying security must be at least \$0.20. As the proposed exercise price of the Advisory Options is less than \$0.20 (being \$0.15), the Company has applied to ASX for a waiver from Listing Rule 1.1 Condition 11. If the waiver sought is not granted by ASX, the Company may not be able to satisfy the Conditions and may therefore be unable to complete the BidEnergy Acquisition.

11. Resolutions 10 to 12 (inclusive) – Appointment of Directors

Under the Share Purchase Agreement, the Company is required to appoint three nominees of BidEnergy as Directors. Messrs Clive Stuart Allinson, Anthony Du Preez, and Bob Browning have been nominated to be appointed as Directors.

Article 12 of the Constitution provides that the Company in general meeting may by ordinary resolution appoint any person as Director.

Each of Messrs Allinson, Du Preez and Browning, having consented to act, seek approval to be appointed as a Director with effect from Completion. Refer to Section 3.7 for details of the qualifications and experience of each of the Proposed Directors and to Schedule 3 for further details of the terms and conditions on which:

- (a) Mr Bob Browning will be appointed as Non-Executive Chairman;
- (b) Mr Clive Stuart Allinson will be appointed as Managing Director; and
- (c) Mr Anthony Du Preez will be appointed as Executive Director.

Resolution 10 is an ordinary resolution. Resolution 10 is subject to the approval of each of the other Acquisition Resolutions.

Resolution 11 is an ordinary resolution. Resolution 11 is subject to the approval of each of the other Acquisition Resolutions.

Resolution 12 is an ordinary resolution. Resolution 12 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolutions 10 to 12 (inclusive).

12. Resolution 13 – Change of Company Name

Resolution 13 seeks Shareholder approval for the change of the name of the Company to "BidEnergy Limited" in accordance with section 157 of the Corporations Act. Section 157(1) of the Corporations Act provides that if a company wishes to change its name it must pass a special resolution adopting a new name.

The Directors consider that this change of name is appropriate given the BidEnergy Acquisition. It will also maintain the goodwill that BidEnergy has built up in its brand name.

Resolution 13 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Resolution 13 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 13.

The change of name will take effect from when ASIC alters the details of the Company's registration. It is intended that the change of name will occur as soon as reasonably practicable following Completion.

Subject to Shareholders approving all of the Acquisition Resolutions, the Company's ASX listing code will also be changed from "CVE" to "BID". The ASX listing code "BID" has been reserved by the Company.

13. Resolution 14 – Long Term Incentive Plan

The Company wishes to adopt a Long Term Incentive Plan (**LTIP**) and for the purpose of Listing Rule 7.1, the Board seeks shareholder approval of the issue of securities under the LTIP under ASX Listing Rule 7.2.

As noted in Section 7.2, Listing Rule 7.1 restricts the number of securities which a listed company may issue in any 12 month period, without obtaining prior shareholder approval, to 15% of the number of shares on issue at the start of the period, subject to certain adjustments and permitted exceptions. One of the permitted exceptions is contained in Listing Rule 7.2 (Exception 9), which states that Listing Rule 7.1 will not apply to an issue of securities under an employee incentive scheme if, within 3 years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Board seeks such shareholder approval pursuant to Resolution 14 to enable the Company to issue securities under the LTIP at any time within three years from the Meeting (subject to the disclosure requirements of the Corporations Act and requirements of the Listing Rules), without requiring the further approval of shareholders under Listing Rule 7.1 and without any securities issued under the LTIP counting towards the 15% limit referred to in Listing Rule 7.1.

The Board will obtain separate Shareholder approval before issuing any securities under the LTIP to Directors or any of their associates and other person for whom prior Shareholder approval is required under the Listing Rules. Resolutions 15 and 16 seek Shareholder approval for the grant of Performance Rights to Messrs Clive Stuart Allinson and Anthony Du Preez respectively in accordance with the LTIP (refer to Section 14).

In accordance with Listing Rule 7.2 (Exception 9) the following, information is provided:

- (a) The material terms of the LTIP are summarised in Schedule 9.
- (b) This is the first approval sought under Listing Rule 7.2 (Exception 9) with respect to the LTIP.
- (c) A voting exclusion statement is included in the Notice for Resolution 14.

As the Directors may be entitled to participate in the LTIP, they make no recommendation in relation to Resolution 14.

Resolution 14 is an ordinary resolution.

Resolution 14 is subject to the approval of each of the other Acquisition Resolutions.

The Chairman will cast all available proxies in favour of Resolution 14.

14. Resolutions 15 and 16 – Issue of Performance Rights to Messrs Allinson and Du Preez under the Long Term Incentive Plan

14.1 General

Resolutions 15 and 16 seek shareholder approval in accordance with Listing Rule 10.14 for the grant of Performance Rights to Messrs Clive Stuart Allinson and Anthony Du Preez respectively in accordance with the LTIP.

The Board considers that this grant of Performance Rights to Messrs Allinson and Du Preez is a cost effective and efficient reward for the Company to make to appropriately incentivise their respective continued performance, and is consistent with the strategic goals and targets of the Company.

Refer to Schedule 9 for a summary of the terms and conditions of the LTIP.

The terms of the Performance Rights to be granted to Messrs Allinson and Du Preez are as follows:

- (a) have an expiry date that is four years from the date of issue;
- (b) have an exercise price of Market Value; and
- (c) are subject to the following Performance Conditions:

Milestone Date	Proportion of Performance Rights Vesting on satisfaction of Milestone Date	Performance Condition
12 months from date of issue	25%	The Eligible Holder remaining an Eligible Person
15 months from date of issue	6.25%	
18 months from date of issue	6.25%	
21 months from date of issue	6.25%	
24 months from date of issue	6.25%	
27 months from date of issue	6.25%	
30 months from date of issue	6.25%	
33 months from date of issue	6.25%	
36 months from date of issue	6.25%	
39 months from the date of issue	6.25%	
42 months from the date of issue	6.25%	
45 months from the date of issue	6.25%	
48 months from the date of issue	6.25%	

Resolutions 15 and 16 are ordinary resolutions.

The Chairman intends to exercise all available proxies in favour of Resolutions 15 and 16.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolutions 15 and 16, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

14.2 Section 208 of the Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Messrs Allinson and Du Preez are related parties of the Company.

The Board considers that shareholder approval under section 208 of the Corporations Act is not required as the exception in section 211 of the Corporations Act applies. The Shares to be issued to Messrs Allinson and Du Preez are considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act.

14.3 Listing Rule 10.14

In accordance with Listing Rule 10.14, the Company must not permit a director or any of their associates to acquire securities under an employee incentive scheme unless it obtains shareholder approval.

Pursuant to Listing Rule 10.12 (Exception 7), as Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 10.11 is not required.

14.4 Specific information required by Listing Rule 10.15

Information must be provided to shareholders for the purposes of obtaining shareholder approval as follows:

- (a) Subject to the terms of the LTIP, the Performance Rights will be granted to Messrs Allinson and Du Preez (or their respective nominees, as applicable).
- (b) The maximum number of Performance Rights to be granted Messrs Allinson and Du Preez (or their respective nominees, as applicable) is as follows:
 - (i) Mr Allinson: 182,709; and
 - (ii) Mr Du Preez: 212,706.
- (c) Subject to the terms of the LTIP, the Performance Rights will be granted for no cash consideration. The Performance Rights will have an exercise price of Market Value.
- (d) There have not been any Performance Rights granted under the LTIP to date.
- (e) Pursuant to the rules of the LTIP, only Eligible Persons are entitled to participate in the LTIP. Messrs Allinson and Du Preez are Eligible Persons for these purposes.
- (f) The Directors are unanimously in favour of the grant of the Performance Rights under Resolutions 15 and 16.
- (g) A voting exclusion statement is included in the Notice for Resolutions 15 and 16.

- (h) No loan will be made to Messrs Allinson and Du Preez in relation to the acquisition of Performance Rights or Shares under the LTIP.
- (i) The Company will grant the Performance Rights to Allinson and Du Preez no later than 12 months after the date of the Meeting or such longer period of time as ASX allows.

Schedule 1 – Definitions and Interpretation

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

Acquisition Agreements has the meaning given in Section 3.5.

Acquisition Resolutions means Resolutions 1 to 5 (inclusive) and Resolutions 9 to 16 (inclusive).

Advisory Options means the Options which are the subject of Resolution 9 and having the terms and conditions as described in Schedule 8.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited.

BidEnergy has the meaning given to that term in Section 3.2.

BidEnergy Acquisition has the meaning given to that term in Section 3.2.

BidEnergy Securities means any shares or options issued or granted by BidEnergy.

Board means the board of Directors.

Capital Raising has the meaning given to that term in Section 3.6.

Chairman means the person appointed to chair the Meeting convened by the Notice.

Class A Performance Share means an unlisted performance share with the terms and conditions in Schedule 7.

Class B Performance Share means an unlisted performance share with the terms and conditions in Schedule 7.

Closely Related Party has the meaning given in section 9 of the Corporations Act.

Company means Cove Resources Limited ACN 131 445 335.

Completion means completion of the BidEnergy Acquisition in accordance with the Acquisition Agreements.

Conditions has the meaning given in Section 3.5.

Consideration Options means in aggregate:

- (a) 10,798,670 New Series A Cove Options;
- (b) 9,243,759 New Series B Cove Options; and
- (c) 23,514,921 New Series B Cove Follow-On Options.

Consideration Performance Shares means the Class A Performance Shares and the Class B Performance Shares.

Consideration Securities has the meaning given in Resolution 4.

Consideration Shares means 201,396,700 Shares.

Consolidation has the meaning given in Resolution 2.

Conditions has the meaning given in Section 3.5(a).

Constitution means the constitution of the Company.

Corporations Act means *Corporations Act 2001* (Cth).

Cygnets Capital means Cygnets Capital Pty Ltd ACN 103 488 606.

Defaulting Party has the meaning given in Section 3.5(f)(i).

Director means a director of the Company.

Eligible Person has the meaning given in item 1 of Schedule 9.

End Date means 30 June 2016.

Exercise Price has the meaning given in item 3 of Schedule 9.

Existing Options means an Option on issue at the date of this Notice and having the terms and conditions as described in Schedule 8.

Explanatory Memorandum means this explanatory memorandum.

Group Company means any one of the Company or a Related Body Corporate.

Invitation has the meaning given in item 2 of Schedule 9.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the official listing rules of ASX.

LTIP has the meaning given in Section 13.

Long Term Incentive Plan means the LTIP.

Market Value means the "volume weighted average market price" (as that term is defined in the Listing Rules) per Share during the five trading days prior to the date of issue of the Performance Right.

Majority Vendors means Auction Design Pty Ltd as trustee for Du Preez Family Trust, Instanz Nominees Pty Ltd, Blue Lagoon International Corporation, Carolyn Palmer, Amadeus Consulting Pty Ltd as trustee for the Palmer Family Trust, George and Pollyanna Martin, IBM Investments Pty Ltd as trustee for the Macfarlane Orthopaedics Pty Ltd Superannuation Fund, Allinson Trauts Pty Ltd as trustee for Allinson Family Trust, Morris & Hay Pty Ltd as trustee for as trustee for B Macfarlane Family Trust and Robert and Nancy Browning.

Managerial or Executive Office has the meaning given in section 200AA of the Corporations Act.

Material Adverse Effect means any event, change, circumstance, effect or other matter occurring after the date of this agreement that has or is reasonably likely to have, individually or in aggregate, with or without notice, lapse of time or both, a material adverse effect on member of the on BidEnergy or its subsidiaries, including the:

- (a) diminution of assets by 10% or greater;
- (b) growth of liabilities by 10% or greater;

- (c) properties;
- (d) the condition (financial or otherwise);
- (e) the operations;
- (f) reputation; or
- (g) prospects,

of BidEnergy or its business. Where such characteristic can be measured financially, the negative impact must be 10% or greater.

Meeting means the extraordinary general meeting of the Company to be held at DLA Piper Australia, Level 31, 152-158 St Georges Terrace, Perth, Western Australia 6000 on Friday, 20 May 2016, at 10:00am (WST).

Milestone Date means, in respect of a Performance Condition, the date on which the Performance Condition must be satisfied, as set out in the terms and conditions attached to that Performance Right.

Minority Vendor means a Vendor which is not a Majority Vendor.

New Series A Cove Options means the CVE Options with the terms and conditions as described in Schedule 8;

New Series B Cove Options means the CVE Options with the terms and conditions as described in Schedule 8;

New Series B Cove Follow-On Options means the CVE Options with the terms and conditions as described in Schedule 8;

Nominee has the meaning given to that term in item 4 of Schedule 9.

Non-Defaulting Party has the meaning given in Section 3.5(f).

Notice means the notice convening the Meeting which accompanies this Explanatory Memorandum.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Optionholder means a registered holder of an Option.

Participant has the meaning given in item 5 of Schedule 9.

Performance Condition means, in relation to a Performance Right, the performance related conditions which must be satisfied or circumstances which must exist before a Performance Right can be exercised, as set out in the terms and conditions attached to that Performance Right.

Performance Right means a right granted under the LTIP to be issued or transferred a Share, subject to the terms and conditions of the LTIP.

Performance Shares means the Class A Performance Shares and the Class B Performance Shares.

Proposed Directors means each of Mr Clive Stuart Allinson, Mr Anthony Du Preez, and Mr Bob Browning.

Prospectus has the meaning given to that term in Section 3.6.

Proxy Form means the proxy form attached to the Notice.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Resolution means a resolution in the Notice.

Restricted Securities has the meaning given in the Listing Rules.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Securities means any Shares, Performance Shares, Options or Performance Rights issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Share Purchase Agreement has the meaning given in Section 3.2.

Share Registry means Computershare Investor Services Pty Limited.

Short Form Sale Agreement has the meaning given in Section 3.5.

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

Vendor means a party named in Schedule 2.

WST means Western Standard Time, being the time in Perth, Western Australia.

In the Notice and this Explanatory Memorandum, headings and words in bold are for convenience only and do not affect the interpretation of the Notice and this Explanatory Memorandum and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in the Notice or this Explanatory Memorandum have a corresponding meaning;
- (d) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (e) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (f) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions;

- (g) “**include**” and “**including**” are not words of limitation; and
- (h) “\$” is a reference to Australian currency.

Schedule 2 – Vendors and Consideration Securities

Majority Vendor	Shares	Class Performance Share	A	Class Performance Share	B	New Series A Cove Options	New Series B Cove Options	New Series B Cove Follow-on Options
Auction Design Pty Ltd as trustee for Du Preez Family Trust	34,483,519	5,992,765	5,992,765	5,992,765	-	-	-	-
Instanz Nominees Pty Ltd	2,810,892	488,495	488,495	488,495	-	-	-	-
Blue Lagoon International Corporation	16,871,426	2,932,024	2,932,024	2,932,024	-	-	-	-
Carolyn Palmer	14,570,501	2,532,154	2,532,154	2,532,154	-	-	-	-
Amadeus Consulting Pty Ltd as trustee for the Palmer Family Trust	402,712	69,986	69,986	69,986	-	-	-	267,246
George and Pollyanna Martin	1,416,576	246,182	246,182	246,182	-	-	-	389,961
IBM Investments Pty Ltd as trustee for the Macfarlane Orthopaedics Pty Ltd Superannuation Fund	1,183,853	205,738	205,738	205,738	-	-	-	324,513
Allinson Trauts Pty Ltd as trustee for Allinson Family Trust	14,570,501	2,532,154	2,532,154	2,532,154	-	-	-	-
Morris & Hay Pty Ltd as trustee for B Macfarlane Family Trust	14,570,501	2,532,154	2,532,154	2,532,154	-	-	-	-
Robert and Nancy Browning	6,678,146	1,160,571	1,160,571	1,160,571	-	-	-	-

Minority Vendor	Shares	Class A Performance Share	Class B Performance Share	New Series A Cove Options	New Series B Cove Options	New Series B Cove Follow-on Options
Phillip Murphy Investments Pty Ltd	9,713,667	1,688,103	1,688,103	-	-	-
Nailo Pty Ltd	8,094,723	1,406,752	1,406,752	-	-	-
Ivonne Sobrin-Wenas	4,856,834	844,051	844,051	-	-	-
Jesco D'Alquen	4,371,150	759,646	759,646	-	-	-
Bellwether Super Pty Ltd as trustee for the Craig Super Fund	6,560,773	1,140,173	1,140,173	-	-	1,628,019
Capital Accretion Pty Ltd as trustee for the Fortified Value Trust	4,097,953	712,168	712,168	-	-	389,961
Sapeame Pty Ltd as trustee for the Crowe Grild No 2 Family Trust	4,093,906	711,465	711,465	-	-	389,961
Spring Plains Past Co (Vic) Pty Ltd as trustee for the Spring Plains Trust	3,974,509	690,715	690,715	-	-	651,753
Merriwee Pty Ltd as trustee for the Merriwee Super Fund	3,707,383	644,293	644,293	-	-	651,753
G4 Investors Pty Ltd as trustee for the G4 Investors Trust	3,707,383	644,293	644,293	-	-	651,753
Andama Holdings Pty Ltd as trustee for the J & M Barlow Pension Fund	3,707,383	644,293	644,293	-	-	651,753
J&E Maniatis as trustees for the J&E Maniatis Family Trust	3,707,383	644,293	644,293	-	-	651,753

Minority Vendor	Shares	Class A Performance Share	Class B Performance Share	New Series A Cove Options	New Series B Cove Options	New Series B Cove Follow-on Options
St Baker Investments Pty Ltd as trustee for the ST Baker Trust	2,671,258	464,228	464,228	-	-	-
Rijir Pty Ltd	3,148,847	547,227	547,227	-	-	2,091,609
Wilbow Group Pty Ltd	2,108,675	366,459	366,459	-	-	-
Elsing Pty Ltd	1,618,945	281,350	281,350	-	-	-
Interdale Pty Ltd as trustee for the Maple Superannuation Fund	1,627,039	282,757	282,757	-	-	196,344
Tom Cregan And Associates Pty Ltd	1,335,629	232,114	232,114	-	-	-
Tacdbm Pty Ltd as trustee for the Cregan Family Trust	702,217	122,036	122,036	-	-	-
Jonathan Edgar	1,183,853	205,738	205,738	-	-	324,513
BS Carter Superannuation Pty Ltd	1,183,853	205,738	205,738	-	-	324,513
LGC Superannuation Pty Ltd	1,183,853	205,738	205,738	-	-	324,513
Kitebrook Pty Ltd	1,183,853	205,738	205,738	-	-	308,151
Campbell Alder	281,292	48,885	48,885	-	-	-
Alex Berezner	491,757	85,461	85,461	-	-	275,427
Daniel Baohm	103,208	17,936	17,936	-	-	32,724
Canaccord Genuity (Australia) Limited	-	-	-	10,798,670	9,243,759	-

Minority Vendor	Shares	Class A Performance Share	Class B Performance Share	New Series A Cove Options	New Series B Cove Options	New Series B Cove Follow-on Options
UBS Nominees Pty Ltd	4,344,842	755,074	755,074	-	-	2,928,798
Stamina Pty Ltd	675,909	117,464	117,464	-	-	455,409
Todd Radons	242,842	42,203	42,203	-	-	155,439
Daniel Sharp	315,694	54,863	54,863	-	-	212,706
Derida No 2 Limited Trustee as trustee for the Derida No 2 Trust	194,273	33,762	33,762	-	-	130,896
Pachypus Pty Limited	194,273	33,762	33,762	-	-	130,896
18 Knots Ventures Pty Ltd as trustee for the Green Arrows Trust	386,523	67,172	67,172	-	-	261,792
RJ + A Investments Pty Ltd as trustee for The Muller Morvan Family Trust	386,523	67,172	67,172	-	-	261,792
Bamburgh Pty Ltd as trustee for The Bamburgh Trust	1,882,023	327,070	327,070	-	-	1,268,055
Domain Investment Holdings Pty Ltd as trustee for the Peter Los Family Trust	580,796	100,934	100,934	-	-	392,688
CAMAC Investments Pty Ltd	580,796	100,934	100,934	-	-	392,688
Como Super Funds Pty Ltd as trustee for the Como Executive Superannuation Fund	344,026	59,787	59,787	-	-	231,795

Minority Vendor	Shares	Class A Performance Share	Class B Performance Share	New Series A Cove Options	New Series B Cove Options	New Series B Cove Follow-on Options
JAM Ventures Pty Ltd as trustee for the Joel Mahernoff Family Trust	3,948,201	686,143	686,143	-	-	4,297,752
Instanz Nominees Pty Ltd as trustee for Hearts Trust	-	-	-	-	-	1,636,200
Instanz Employee Investments Pty Ltd as trustee for Instanz Investments Trust	344,026.00	59,787	59,787	-	-	231,795
Total	201,396,700	35,000,000	35,000,000	10,798,670	9,243,759	23,514,921

Schedule 3 – Terms of Proposed Directors' Appointments

Mr Clive Stuart Allinson will be engaged as Managing Director on the following key terms:

- (a) base salary of A\$120,000 per annum including superannuation; and
- (b) notice period of:
 - (i) four weeks if notice is given not more than a year after employment commenced;
 - (ii) five weeks if notice is given more than one year but less than three years after employment commenced;
 - (iii) six weeks if notice is given more than three years but less than five years after employment commenced; and
 - (iv) eight weeks if notice is given more than five years after employment commenced.

Mr Anthony Du Preez will be engaged as Executive Director on the following key terms:

- (a) base salary of A\$120,000 per annum including superannuation; and
- (b) notice period of:
 - (i) four weeks if notice is given not more than a year after employment commenced;
 - (ii) five weeks if notice is given more than one year but less than three years after employment commenced;
 - (iii) six weeks if notice is given more than three years but less than five years after employment commenced; and
 - (iv) eight weeks if notice is given more than five years after employment commenced.

Mr Bob Browning will be engaged as Non-executive chairman on the terms that have yet to be negotiated between the Company and Mr Browning.

Schedule 4 Pro-Forma Statement of Financial Position

The pro-forma statement of financial position is located below and is based on the reviewed financial statements of the Company and the audited financial statements of BidEnergy as at 31 December 2015.

	Cove Resources Limited (Group) <i>(reviewed)</i> 31-Dec-15 \$	Pro forma Cove Resources Limited (Group) <i>(unaudited)</i> 31-Dec-15 \$
Current Assets		
Cash and cash equivalents	864,405	8,461,106
Trade and other receivables	35,849	166,196
Other assets	14,827	19,376
Total current assets	915,081	8,646,678
Non-current assets		
Plant & Equipment	-	18,201
Other	-	12,626
Total non-current assets	-	30,827
Total assets	915,081	8,677,505
Current liabilities		
Trade and other payables	61,063	274,869
Provisions	-	92,888
Other	-	5,919
Total current liabilities	61,063	373,676
Non-current liabilities		
Provisions	-	14,925
Total non-current liabilities	-	14,925
Total liabilities	61,063	388,601
Net assets	854,018	8,288,904
Equity		
Issued capital	11,087,555	14,311,173
Reserves	1,409,460	1,895,820
Accumulated losses	(11,642,997)	(7,918,089)
Total equity	854,018	8,288,904

The pro-forma Statement of Financial Position above includes the following pro-forma adjustments:

- (a) the inclusion of a capital raising of \$7,000,000 less capital raising costs of \$420,000;
- (b) the inclusion of Share based payment expenses relating to the grant of Options to consultants and underwriters of \$1,670,019;
- (c) the inclusion of estimated transaction costs of \$415,000, allocated between issued capital (\$90,454) and accumulated losses (\$324,546);
- (d) the inclusion of the reverse acquisition accounting entries for the transaction being the issue of equity with a deemed value of \$0.10 per Share; and
- (e) the conversion of the BidEnergy Redeemable Preference Shares into fully paid shares including the re-allocation of the notional interest portion of the BidEnergy Redeemable Preference Shares and costs of BidEnergy Redeemable Preference Shares into issued capital.

Schedule 5 – Proposed Budget and Use of Funds

Following Completion, the Company intends to apply the funds as follows:

Funds Available	Use of Funds	Percentage of Funds
	(\$)	(%)
Existing cash reserves of BidEnergy ¹	\$3,761,042	32.86%
Existing cash reserves of the Company ²	\$684,000	5.98%
Proceeds from the Capital Raising	\$7,000,000	61.16%
TOTAL	\$11,445,042	100.00%
Allocation of Funds³	Use of Funds	Percentage of Funds
	(\$)	(%)
Estimated business development, customer operations and general administration costs FY 2016-17	\$5,292,856	46.25%
Estimated software research and development budget FY 2016-17	\$2,197,322	19.20%
Estimated costs of the transaction	\$415,000	3.62%
Working capital ⁴	\$3,539,864	30.93%
TOTAL	\$11,445,042	100.00%

Notes:

1. These funds represent existing cash held by BidEnergy at 1 March 2016.
2. These funds represent existing cash held by the Company at 1 March 2016.
3. The above table is a statement of the Board's intention as at the date of this Notice. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions. Consequently, the Board reserves the right to alter the way the funds are applied.
4. Working capital and corporate administration costs include the general costs associated with the management and operation of the business including administration expenses, management salaries, directors' fees, rent and other associated costs.

Schedule 6 – Risks

There are a number of risks associated with the BidEnergy Acquisition that may have an impact on the financial returns received by Shareholders. These risks are important for Shareholders to understand.

Shareholders are already exposed to a number of risks through their existing shareholding in the Company. A number of these risks are inherent in investing in securities generally.

The risks include, but are not limited to, those detailed below. Additional risks not presently known to the Company, or if known, not considered material, may also have an adverse impact.

Specific Risks

1. Substantial Shareholders

On Completion, assuming no Options are exercised and no Consideration Performance Shares are converted into Shares and assuming that no current Shareholder participates in the Offer:

- (i) Auction Design Pty Ltd (as trustee for the Du Preez Family Trust) (and its associates) will hold approximately 10.74% of the Company's issued capital; and
- (ii) Blue Lagoon International Corporation (and its associates) will hold approximately 5.25% of the Company's issued capital.

The above Vendors will have the potential to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including (among other things) the election of Directors and the approval of significant corporate transactions.

There is a risk that the interests of the Vendors generally may not be aligned to the interests of other Shareholders. It is likely that some of the Consideration Securities proposed to be issued to the Vendors will be subject to escrow restrictions. Until those Consideration Securities are released from escrow, trading in Shares may not be liquid, and this could impact the price at which Shares are able to be traded on ASX.

Should any of the above Vendors sell all or part of their Securities once they are released from their escrow restrictions, the Share price may be adversely affected.

2. New product development and technology risk

BidEnergy's business will be reliant upon certain technologies and upon the successful commercialisation of these technologies. The Company is confident that BidEnergy's products and services provide a unique offering in the Australian and global marketplace. However, there is a risk that as marketable technologies continue to develop in the energy technology industry, there may be certain product developments that supersede, and render obsolete, BidEnergy's products and services. This will adversely affect the Company's financial performance and position and the likely value of the Shares.

3. Acceptance of BidEnergy's products and services

BidEnergy's business model depends on the ability to sell BidEnergy's products and services. Acceptance of BidEnergy's products and services requires customers to accept BidEnergy's terms of service, including the basis on which the customer seeks and accepts competitive offers. The service relies on suppliers' invoices and data being supplied in an acceptable format. If the Company or BidEnergy fails to achieve broad acceptance of BidEnergy's products and services by market participants, or fails to position BidEnergy's products and services as a preferred method for market participants to coordinate and

facilitate the purchase and management of utility services including energy, the Company's business, financial condition and results of operations will be adversely affected.

It is difficult to predict the sales cycle and implementation schedule for BidEnergy's products and services. The duration of the sales cycle and implementation schedule for BidEnergy's products and services depend on a number of factors, including the nature and size of the potential client and the extent of the commitment being made by the potential client, which is difficult to predict. If potential clients take longer than expected to decide whether to purchase BidEnergy's products and services, selling expenses could increase, which could harm the Company's business, financial condition and results of operations.

4. Failure to renew existing contracts or win new contracts

The ability of BidEnergy's business to renew contracts with existing clients and win new contracts with existing and new clients is fundamental to its business, growth and profitability. BidEnergy's business faces competition in the energy technology industry in which it operates. New contracts, including contracts entered into with an existing client where a previous contract has expired, are usually subject to a competitive process. There is a risk that BidEnergy's business may not win these contracts for any of a number of reasons. These include, for example:

- (i) lower pricing from competitors;
- (ii) increased competition;
- (iii) inability to differentiate BidEnergy's products and services and to market them effectively;
- (iv) failure to maintain the quality or efficiency of BidEnergy's products and services or to anticipate, identify or react to changes in client preferences or requirements;
- (v) failure to react to new developments in energy management technology;
- (vi) negative perceptions adversely affecting BidEnergy's brand and reputation as a result of the eventuation of some of the other risks detailed in this Schedule 6; and
- (vii) failure to successfully renew existing contracts or to win new contracts could negatively impact the Company's financial performance, including, in the case of a failure to retain an existing client, by leaving the Company with excess capacity or redundancy costs, and adversely impact its ability to grow its operations.

5. Failure to properly understand client requirements and client demand

A large number of BidEnergy's contracts are long term contracts, and many are not able to be terminated by BidEnergy unless the client is in breach. The Company and BidEnergy may from time to time enter into contracts where the agreed revenue is insufficient to cover the costs of delivering the services or to provide adequate profit margins. This can occur for a number of reasons, including a failure to properly understand the scope and requirements of a contract, a failure to assess accurately the costs of delivering the contracted services, a failure to properly model the drivers of client demand or a failure to adhere to the business' internal risk assessment and contracting process guidelines. The risk of such failures occurring may increase as the Company seeks to expand BidEnergy's products and services into new markets. If the Company or BidEnergy enter into low margin contracts, the Company's revenue and profitability could be adversely impacted.

6. Ability to manage growth effectively

The Company will need to expand its operations if it successfully achieves market acceptance for BidEnergy's products and services. The Company cannot be certain that its

systems, procedures, controls and existing space will be adequate to support expansion of its operations. The Company's future operating results will depend on the ability of its officers and key employees to manage changing business conditions and to implement and improve its technical, administrative, financial control and reporting systems. The Company may not be able to expand and upgrade its systems and infrastructure to accommodate these increases. Difficulties in managing any future growth, including as a result of the BidEnergy Acquisition, could have a significant negative impact on the Company's business, financial condition and results of operations.

7. Reliance on key management personnel

The Company's business strategy will be implemented by the Board and the management team led by Messrs Du Preez and Allinson. The Company's success will depend on the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel engaged on a contractual basis. The loss of services of any of its key management personnel and the Company's inability to replace them could have a material adverse impact on the Company's ability to successfully implement the Company's business strategy.

There is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially adversely affect the Company's business, operating results and financial prospects including its ability to grow.

8. Ability to establish and maintain additional strategic relationships

To be successful, the Company must continue to maintain BidEnergy's existing strategic relationships and establish additional strategic relationships with leaders in a number of energy industry segments. This is critical to the Company's success because the Company believes that these relationships contribute towards its ability to:

- (i) extend the reach of BidEnergy's products and services to a larger number of customers in the energy technology industry;
- (ii) develop and deploy new products and services;
- (iii) further enhance the "BidEnergy" brand; and
- (iv) generate additional revenue and cash flows.

9. Product failure

If BidEnergy's products and services fail to perform properly due to errors or similar problems, the Company's business could suffer. Complex software, such as those utilised by BidEnergy's products and services, often contain defects or errors, some of which may remain undetected for a period of time. It is possible that such errors may be found after the introduction of new software or enhancements to existing software.

Despite testing, it is possible that errors may occur in BidEnergy's products and services. If the Company detects any errors before a solution is introduced, the Company may have to delay deployment for an extended period of time while the problem is addressed.

If the Company does not discover software errors that affect BidEnergy's current or new products and services until after they are deployed, the Company would need to provide enhancements to correct such errors. Errors in BidEnergy's products and services could result in:

- (i) harm to the Company's reputation or the "BidEnergy" brand;
- (ii) lost sales;

- (iii) delays in commercial releases;
- (iv) liability claims;
- (v) delays in or loss of market acceptance of BidEnergy's products and services;
- (vi) license terminations or renegotiations; and
- (vii) unexpected expenses and diversion of resources to remedy errors.

Furthermore, clients may use BidEnergy's products and services together with products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when BidEnergy's products or services do not cause these problems, the existence of these errors may result in the Company incurring significant costs, the diversion of the attention of technical personnel from development efforts, adversely impact the Company's reputation or the "BidEnergy" brand or cause significant client relations problems.

10. Contractual Risk

BidEnergy's business has a significant dependence on its counterparties and their ability to meet their contractual obligations pursuant to the agreements and arrangements entered into with BidEnergy.

The Company's financial performance will depend upon the performance by counterparties to each of the agreements of their respective obligations in those agreements. If any counterparty defaults, it may be necessary for the Company or BidEnergy (as the case may be) to seek legal remedy in court. Legal action can be costly and there is no guarantee that a legal remedy will be granted on appropriate terms or at all.

The Company has no current reason to believe that any of the parties which BidEnergy has contracted with will not meet and satisfy their obligations under their respective agreements or arrangements.

11. Intellectual Property

The Company's business plan is predicated on BidEnergy's proprietary systems and technology products. Accordingly, BidEnergy's trademarks, trade names, copy rights, trade secrets and other intellectual property rights are important to its success and unauthorised use of any of BidEnergy's intellectual property rights may adversely affect the Company's business and the Company's and BidEnergy's reputation. There can be no assurances that the Company or BidEnergy will be able to:

- (i) register or other protect new intellectual property it develops in the future; or
- (ii) prevent the unauthorised use of its intellectual property.

Failure to adequately protect BidEnergy's intellectual property rights could adversely affect its financial performance and condition.

12. Competition

Each energy technology product or service has its own character. However, the Company will be subject to competition from other operators in the energy technology industry in Australia, New Zealand, the United Kingdom and the United States of America. A number of factors, including any one or more of the following, could increase the market share of any of those competitors relative to the Company's share and materially affect the Company's financial performance and position:

- (i) acquiring or developing technologies which give them a competitive advantage;
- (ii) lowering prices;
- (iii) increasing scale or range of products or services; or
- (iv) undertaking strategic moves to combine or consolidate their business.

13. Liability claims

BidEnergy's business may be exposed to liability claims if its products or services are provided in fault or cause harm to its clients. The Company may have to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against the Company or BidEnergy, the Company or BidEnergy (as the case may be) may be fined or sanctioned and its reputation and brand may be negatively impacted. This could adversely affect the Company's financial performance, operations and prospects.

14. Brand Name Risk

The "BidEnergy" brand is a key aspect of the business and the growth of BidEnergy's business is dependent on market awareness of its brand. The "BidEnergy" reputation and value of the brand may be adversely affected by a number of factors including (but not limited to) disputes or litigation with third parties and adverse media coverage (including social media). Erosion of the "BidEnergy" reputation or brand may adversely affect the Company's financial performance or position.

15. Dilution

There is a risk that the interests of Securityholders will be further diluted as a result of future capital raisings by the Company that required in order to fund the development of the Company's or BidEnergy's business.

16. Insurance

The Company faces various risks in connection with BidEnergy's business and may lack adequate insurance coverage or may not have the relevant insurance coverage.

No assurance can be given that such insurance will continue to be available in the future and that it will be available on commercially attractive terms. There is also no guarantee that any cover will be adequate and available to cover any claims the Company may make. The Company may be unable to continue to secure insurance to satisfactorily cover all anticipated risks or the cost of insurance may increase above anticipated levels. This may result in the Company either paying too much for its insurance or being unable to insure certain business risks.

17. Regulatory Risks

The Company will be subject to a number of domestic and international government regulations. In some situations, energy purchase involves the customer entering into short term hedging contracts with the supplier. BidEnergy does not provide financial advice in such situations and is not required to hold a financial services licence. This could change in the future if, for example, a new market that BidEnergy enters has different regulatory requirements. Based on its current subscription model which is a no commission model, BidEnergy does not currently consider that it requires a broker license to operate its business in the United States of America. There is a risk that the subscription model adopted by BidEnergy will not be competitive against a commission model, in which case BidEnergy may need to alter its current subscription model which, in turn, may require BidEnergy to apply for a broker license in each of the 17 de-regulated states within the United States of America.

General Risks

1. Securities investments

There are risks associated with any securities investment. The prices at which the Securities trade may fluctuate in response to a number of factors. Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the Securities regardless of the Company's operational performance.

2. Share market conditions

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors including but not limited to the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) mineral price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital;
- (vii) terrorism or other hostilities; and
- (viii) other factors beyond the control of the Company.

The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

3. Economic risk

Factors such as inflation, currency fluctuation, interest rates, government legislation or intervention, levels of taxation, industrial disruption, natural disasters, social upheaval or war in Australia or elsewhere and supply and demand have an impact on operating costs, commodity prices, revenues and stock market prices and returns to Shareholders. The Company's future revenues and the market price for its Securities may be affected by these factors, as well as by fluctuations in the price of graphite, which are beyond the Company's control.

4. Competition

The Company will compete with other companies, including other mineral exploration and development companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

Schedule 7 – Terms and Conditions of Class A and Class B Performance Shares

1. Definitions

In these terms and conditions, unless the context otherwise requires:

ASX means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

BidEnergy means BidEnergy Pty Ltd ACN 158 837 097.

Change in Control Event means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement, but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company.

Class A Performance Share means a Class A Performance Share issued as part of the consideration to the Vendors of BidEnergy.

Class A Milestone means the Company achieving revenue of at least \$900,000 in any six consecutive month period ending no later than 3 years and 9 months after the date that Shares are issued pursuant to the Capital Raising, which is verified by the Company's next audited or reviewed half-year financial statements or full year financial statements (as the case may be).

Class B Performance Share means a Class B Performance Share issued as part of the consideration to the Vendors of BidEnergy.

Class B Milestone means the Company achieving revenue of at least \$1,500,000 in any six consecutive month period ending no later than 3 years and 9 months after the date that Shares are issued pursuant to the Capital Raising, which is verified by the Company's next audited or reviewed half-year financial statements or full year financial statements (as the case may be).

Company means Cove Resources Limited ACN 131 445 335, to be renamed "BidEnergy Limited".

Corporations Act means the *Corporations Act 2001* (Cth).

Expiry Date means the date that is four years from the date of issue of the Performance Shares.

Performance Share means a Class A Performance Share or a Class B Performance Share.

Performance Shareholder means the holder of a Performance Share.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

2. Dividend

Performance Shareholders are not entitled to a dividend.

3. Conversion

(a) Conversion

The Performance Shares will convert into Shares in accordance with this clause 3.

(b) Conversion of Class A Performance Share

Subject to clause 3(f), each Class A Performance Share will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class A Milestone.

(c) Conversion of Class B Performance Share

Subject to clause 3(f), each Class B Milestone will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class B Milestone.

(d) Conversion on Change in Control

(i) Subject to clauses 3(d)(ii) and 3(f), if prior to the Expiry Date a Change in Control Event occurs then each Performance Share will convert into one (1) Share.

(ii) The maximum number of Performance Shares that can be converted into Shares and issued under this clause 3(d) upon a Change of Control Event must not exceed 10% of the issued Share capital of the Company (as at the date of the Change of Control Event). The Company shall ensure a pro-rata allocation of Shares issued under this clause 3(d) to all Performance Shareholders. Performance Shares that are not converted into Shares will continue to be held by the Performance Shareholder on the same terms and conditions.

(e) Conversion after Expiry Date

(i) If the Class A Milestone is not met by 5:00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class A Performance Shares on issue into one (1) Share. For the avoidance of doubt, the Class B Performance Shares are independent and will not convert in such circumstances.

- (ii) If the Class B Milestone is not met by 5:00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class B Performance Share on issue into one (1) Share. For the avoidance of doubt, the Class A Performance Shares are independent and will not convert in such circumstances.

(f) Takeover Provisions

- (i) If the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) would result in any person being in contravention of section 606(1) of the Corporations Act, then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1). Following a deferment under this clause 3(f)(i), the Company shall at all times be required to convert that number of Performance Shares that would not result in a contravention of section 606(1).
- (ii) The Performance Shareholders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1), failing which the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).
- (iii) The Company may (but is not obliged to), by written notice, request the Performance Shareholders to give notification to the Company in writing within seven (7) days if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1). If the Performance Shareholders do not give notification to the Company within seven (7) days that they consider the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1), then the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).

(g) After Conversion

The Shares issued on conversion of any Performance Share will, as from 5:00pm (WST) on the date of allotment, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares upon the date of conversion. Shares issued on conversion of the Performance Share must be free from all encumbrances, securities and third party interests. The Company must ensure that Shares issued on conversion of the Performance Shares are freely tradeable, without being subject to on-sale restrictions under section 707 of the Corporations Act, on and from their date of issue.

4. Issue of Shares for No Consideration

The Company shall allot and issue Shares immediately upon conversion of the Performance Shares for no consideration and shall record the allotment and issue in the manner required by the Corporations Act.

5. Reconstruction

In the event of any reconstruction, consolidation or division into (respectively) a lesser or greater number of securities of the Shares and the Performance Shares shall be reconstructed, consolidated or divided in the same proportion as the Shares are reconstructed, consolidated or divided and, in any event, in a manner which will not result in any additional benefits being conferred on the Performance Shareholders which are not conferred on the Shareholders.

6. Winding Up

If the Company is wound up prior to conversion of all of the Performance Shares into Shares then the Performance Shareholders will have:

- (a) no right to be paid cash for the Performance Shares; and
- (b) no right to participate in surplus assets or profits of the Company on winding up.

7. Non-transferable

The Performance Shares are not transferable.

8. Copies of Notices and Reports

The Performance Shareholders have the same right as Shareholders to receive notices, reports and audited accounts and to attend general meetings of the Company but are only entitled to vote in the circumstances referred to in clause 9.

9. Voting Rights

The Performance Shareholders shall have no right to vote, subject to the Corporations Act.

10. Participation in new issues

There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Shares.

11. Quotation

The Performance Shares are not quoted. No application for quotation of the Performance Shares will be made by the Company.

Schedule 8 – Terms and Conditions of Consideration Options and Advisory Options

Options entitle the holder to subscribe for Shares on the terms and conditions set out below.

1. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

2. Expiry Date and Exercise Price

The Expiry Date and Exercise Price of the Options are as follows:

Class of Option	Expiry Date	Exercise Price
Existing Options	30 June 2019	\$0.005 (\$0.10 post-Consolidation)
New Series A Cove Options	30 September 2017	\$0.10
New Series B Cove Options	31 December 2018	\$0.125
New Series B Follow-on Cove Options	3 years from the date of issue	\$0.15
Advisory Options	30 June 2019	\$0.15

Each Option will expire at 5:00pm (WST) on its respective Expiry Date.

3. Exercise period and lapsing

Subject to clause 8, Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

4. Exercise Notice and payment

Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

5. Shares issued on exercise

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

6. Quotation of Shares

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares

Subject to clause 8, within 5 business days after the later of the following:

- (a) receipt of an Exercise Notice given in accordance with these terms and conditions, and payment of the Exercise Price for each Option being exercised, by the Company,

if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and

- (b) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Option being exercised by the Company,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of Options;
- (d) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (e) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of Options.

8. Shareholder and regulatory approvals

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required Shareholder and regulatory approvals (if any) for the purpose of issuing the Shares to the holder. If exercise of the Options will result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of Options. However, the Company will ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised an Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

12. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

13. Quotation

The Company will apply for quotation of the Existing Options on ASX.

The Company will not apply for quotation of any of the Series A Cove Options, the Series B Cove Options, the New Series B Follow-on Options or the Advisory Options on ASX.

14. Transferability

Existing Options are fully transferable.

Series A Cove Options, Series B Cove Options, New Series B Follow-on Options and Advisory Options are not transferable.

Schedule 9 - Summary of Long Term Incentive Plan

The key terms of the LTIP are as follows:

1. **Eligibility:** A person who is:
 - (a) a full-time or part-time employee of a Group Company (including an executive director of a Group Company);
 - (b) a non-executive director of a Group Company;
 - (c) a contractor, being:
 - (i) an individual with whom a Group Company has entered into a contract for the provision of services under which the individual performs work for the Group Company; or
 - (ii) a company with whom the Group Company has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for the Group Company,where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company;
 - (d) an individual who is, or might reasonably be expected to be, engaged by a Group Company to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with a Group Company; or
 - (e) a person to whom a Group Company makes an offer of Performance Rights as an inducement to take up a position of Managerial or Executive Office, but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a person detailed in items (a) - (d) above,may be eligible to receive grants of Performance Rights under the LTIP (**Eligible Person**).
2. **Invitation:** The Board may, from time to time, in its absolute discretion, invite any Eligible Person to apply for up to a specified number of Performance Rights, upon the terms set out in the LTIP (**Invitation**).
3. **Issue Price:** Performance Rights will be issued for no consideration and shall have an exercise as determined by the Board (**Exercise Price**).
4. **Dealings in Performance Rights:** An Eligible Person may renounce the Invitation in respect of some or all of the Performance Rights in favour of one or more of:
 - (a) an immediate family member of the Eligible Person;
 - (b) a company whose members comprise solely the Eligible Person and/or his/her immediate family members; or
 - (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)) of which the Eligible Participant is a director of the trustee,(a **Nominee**).

5. **Grant of Performance Rights:** Once the Company has received and accepted a duly signed and completed application form for Performance Rights from an Eligible Person (either on his/her own behalf or on behalf of his/her Nominee), the Company will grant Performance Rights to such person (the **Participant**), with effect from grant date, upon the terms set out in the Invitation and the LTIP.
6. **Determination of Performance Condition:** A Performance Right that is granted subject to Performance Conditions vests when both of the following have occurred:
- (a) the Performance Conditions applicable to that Performance Right has been satisfied prior to the Milestone Date (if applicable) have been determined by the Board (acting reasonably) to be satisfied, are waived by the Board, or are deemed to have been satisfied under the LTIP; and
 - (b) the Company notifying a Participant informing him or her that the Performance Right has vested.
7. **Exercise on Vesting:** A vested Performance Right may be exercised by a Participant at any time from the date of vesting until such time as the vested Performance Rights lapse in accordance with the LTIP.
8. **Voluntary Escrow:** A Participant agrees to the voluntary escrow of the Shares issued upon exercise of a vested Performance Right for a period commencing on the date of issue of the Shares and ending on the earlier of:
- (a) the date which is 12 months after the date of issue of the Share;
 - (b) the date on which both:
 - (i) the offeror under a Takeover Bid in respect of all Shares announced that it has achieved acceptance in respect of more than 50% of those Shares; and
 - (ii) that Takeover Bid has become unconditional; and
 - (c) the date on which the Company announces that Shareholders have, at a Court convened meeting of Shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all of the Shares are to be either cancelled or transferred to a third party.
9. **Ceasing to be Eligible Person:** Where a Participant ceases to be an Eligible Person as a result of:
- (a) death or total and permanent disability;
 - (b) bona fide redundancy;
 - (c) bona fide retirement; or
 - (d) removal from a position of Managerial or Executive Office in a Group Company,
- unless the Board determines otherwise, in respect of those Performance Rights which have not satisfied the Performance Condition but have not lapsed, the Participant will be permitted to continue to hold those Performance Rights as if the Participant was still an Eligible Person.

Where a Participant ceases to be an Eligible Person in any other circumstance or as otherwise determined by the Board, all Performance Rights held will lapse immediately.

- 10. Lapsing of Performance Rights:** A Performance Right will lapse upon the earlier to occur of:
- (a) in the case of a vested Performance Right, on the Expiry Date;
 - (b) in the case of an unvested Performance, on the date that the Board determines that any applicable Performance Conditions have not been met or cannot be met by the Milestone Date (if applicable).
- 11. Issue of Shares:** Subject to the Corporations Act, the Listing Rules and the LTIP, the Company must issue to, or procure the transfer to, the Participant the number of Shares the Participant is entitled to be issued in respect of vested Performance Rights that are exercised.
- 12. Share ranking:** All Shares issued under the LTIP will rank equally with all other issued Shares, and will be entitled in full to those dividends which have a record date for determining entitlements after the date of issue.
- 13. Listing of Shares on ASX:** The Company will apply for official quotation of all Shares issued under the LTIP on ASX.

Change of Control: Performance Rights which have not expired will automatically vest and be deemed to immediately become vested Performance Rights where:

- (a) the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;
 - (b) a Takeover Bid:
 - (i) is announced;
 - (ii) has become unconditional; and
 - (iii) the person making the Takeover Bid has a relevant interest in 50% or more of the Shares; or
 - (c) any person acquires a relevant interest in 50.1% or more of the Shares by any other means.
- 14. Adjustment for bonus issues:** If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue, the number of Performance Rights to which each Participant is entitled shall be increased by that number of securities which the Participant would have been issued if the Performance Rights then held by the Participant were excised immediately prior to the record date of the bonus issue.
- 15. Pro rata issues:** A Participant will not be entitled to any adjustment to the number of Shares issued under the LTIP that he or she is entitled to or adjustment to any Performance Condition which is based, in whole or part, on the Company's share price, as a result of the Company undertaking a rights issue.
- 16. Adjustment for reorganisation:** In the event of any reorganisation (including consolidation or subdivision,) of the issued capital of the Company, the number of Performance Rights to which each Participant is entitled, or the exercise price (if any), or both, as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the Participant as a result of such corporate actions.

Amendments: Subject to the LTIP and the Listing Rules, the Board may from time to time amend or supplement the LTIP rules in any respect. However, no amendment may be made by the Board to the rules which reduces the rights of Participants without their prior written consent, other than an amendment introduced primarily:

- (a) for the purpose of complying with, or conforming to, the Listing Rules, any class order on which the Company is relying or present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the LTIP or like plans;
- (b) to correct any manifest error or mistake; or
- (c) to take into consideration possible adverse tax implications in respect of the LTIP arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a Court of competent jurisdiction.

PROXY FORM

COVE RESOURCES LIMITED
ACN 131 445 335
GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chairman of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chairman, or the Chairman's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at DLA Piper Australia, Level 31, 152-158 St Georges Terrace, Perth, Western Australia 6000 on Friday, 20 May 2016 at 10:00am (WST), and at any adjournment thereof.

IMPORTANT - IF THE CHAIRMAN IS YOUR PROXY OR IS APPOINTED AS YOUR PROXY BY DEFAULT

The Chairman intends to vote all available proxies in favour of all Resolutions. If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the "for", "against, or "abstain" box in relation to the relevant Resolutions, you will be expressly authorising the Chairman to vote in accordance with the Chairman's voting intentions on the Resolutions, even if the relevant Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Consolidation of issued share capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Issue of Consideration Securities to Vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Issue of Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Director's Participation in Capital Raising - Mr Willesee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Director's Participation in Capital Raising - Ms Dale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Director's Participation in Capital Raising - Mr Gracey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of Issue of Advisory Options to Cygnet Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Appointment of Mr Clive Stuart Allinson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Appointment of Mr Anthony Du Preez as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Appointment of Mr Bob Browning as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Approval of Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Adoption of Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Issue of Performance Rights to Mr Clive Stuart Allinson under the Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16	Issue of Performance Rights to Mr Anthony Du Preez under the Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: %

Signature of Shareholder(s):

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Date:

Contact name:

Contact ph (daytime):

E-mail address:

Consent for contact by e-mail in
relation to this Proxy Form:

YES ☐ NO ☐

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) may be submitted, by:

- (a) in person to Suite 25, 145 Stirling Highway, Nedlands, WA, 6009, Australia;
- (b) post to P.O. Box 3144, Nedlands, WA, 6009, Australia;
- (c) facsimile on +61 8 9389 3199; or
- (d) email to the Company Secretary at Erlyn@azc.com.au.

For the Proxy Form to be valid it must be received by the Company at least 48 hours prior to the time of commencement of the Meeting by any of the above means.

