

## **Chairman's letter**

Dear Shareholders,

It is my pleasure, on behalf of Covata Limited, to invite you to our AGM on 22 November 2017, which will be held at 10.30am at the Adina Hotel, 55 Shelley Street, Sydney.

This year has been a transformative one for the Company. Our relatively new Board and new executive team firmly believe that Covata is now better focused, more financially solid and is able to move forward and position itself as a leader in the global data-centric security market.

### **The market**

The cybersecurity market is growing fast, the drivers and opportunities are compelling, and serious data breaches are on the rise. The latest cybersecurity report from Markets and Markets estimated cybercrime will cost approximately \$A7.5 trillion by 2021, and forecasts the worldwide cybersecurity industry will be worth about \$US202 billion.

An estimated total of 4,149 breaches in 2016, exposing more than 4.2 billion records, coupled with mounting regulatory pressure from existing and new mandatory data breach laws and the EU's General Data Protection Regulation, illustrate that the drivers for cybersecurity and encryption are strong.

With technology acting as a key enabler for organisations to protect against and manage the rise of cybersecurity breaches and risk, Covata has existing products that will assist organisations protect their most sensitive data. We also have a strategy to build a next generation Data Security Platform (DSP).

### **Management focus**

As you know, the Company's new Managing Director and CEO, Ted Pretty, joined in January this year. Immediately following his commencement, Ted undertook a strategic review of the business with the intention to reset and rebuild. The reset involved some projects and initiatives (of the prior management team) being qualified out and others paused, as we focus on tangible near term opportunities. Monthly operating costs were cut by 50 per cent to extend cash runway out to late 2018. These steps were both necessary and sensible.

Our focus since that time has been the effective commercialisation of Covata's solutions.

The Board supports the CEO's approach of building a sustainable business customer by customer, and rebuilding credibility by only making substantive and timely announcements as and when it is appropriate to do so. This has been a difficult adjustment for the market but it has been necessary.

The CEO and his team have built a solid sales pipeline, and sales momentum continues to improve as disclosed in our most recent 4C announcement. Recent client wins include a A\$360,000 agreement for a three-year period with the Australian subsidiary of a global technology company, and an upfront perpetual licence of US\$46,000 including maintenance, and US\$10,000 annually for ongoing maintenance after year one, with a major US national sporting association. We are confident others will follow.

Significant effort has been undertaken to identify and address any technical gaps in our product offering. We are now building new connectors and are seeking to integrate our existing flagship product SafeShare with the most common content applications.

We have reconnected with existing channel partner T-Systems and will support them in both Germany and South Africa. We have also renegotiated a more supportive, inclusive and financially lucrative arrangement with Macquarie Telecom, that currently resells our SafeShare solution under its white labelled SIGBOX brand. It provides services to 23 government departments, with growing user numbers. We are appreciative of this support from Macquarie Telecom.

Covata's recent acquisition of US based CipherPoint has enabled us to expand the Company's footprint, secure new clients, and highly skilled resources. This acquisition complements Covata's existing overseas presence in the UK and the appointment of a new UK sales lead. Covata has a defined and focused business development strategy to revisit and further progress existing opportunities in the region, focus on current trials, and explore new opportunities. We believe this will see Covata gain momentum in the UK market, although patience is needed as we can only proceed at a pace set by prospective customers.

In September this year, Covata deployed SafeShare on Microsoft's Azure Cloud platform, and it is now available to customers as a dedicated instance. By deploying SafeShare on Azure, it provides a range of deployment options to fit with client infrastructure preferences. Covata now supports on-premises installations and cloud based deployment via Azure and AWS.

SafeShare's position on Azure will provide Covata with access to a broader range of enterprise customers including government agencies across Australia, the US and the UK, and potentially provide a better user experience for users of Microsoft applications running from Azure.

#### **Future development**

While SafeShare has been the Company's flagship product, and we have also acquired CipherPoint's product set, we are now moving forward to position Covata as a leading data security brand with a next generation Data Security Platform (DSP). We intend to build and deploy a platform that offers features such as data discovery, automated data classification, access and policy control, activity monitoring, data loss prevention, user behaviour analytics and compliance reporting.

In summary, we are optimistic about our future based on our new strategy and focus. We also continue to review other potential acquisition options to complement our organic growth strategy.

#### **Shareholder support**

It is important that as we deliver, we receive ongoing support from our shareholders. This may extend to further capital to support our strategy, maintain a solid balance sheet and provide appropriate incentives to attract, motivate and retain employees.

I would like to thank my fellow Board members for their support, and our Covata employees who continue to work hard for the Company and contribute towards its success. To our valued shareholders, both longstanding and new, on behalf of the Board I thank you for your support. We will continue to strive to be open, transparent and available.

I look forward to serving as your Chairman.



Bill McCluggage

**COVATA LIMITED**  
**ACN 120 658 497**

**NOTICE OF 2017 ANNUAL GENERAL MEETING**

Notice is given that the 2017 Annual General Meeting of Covata Limited ("the **Company**" or "**Covata**") will be held at Adina Apartment Hotel, 55 Shelley St, King Street Wharf Sydney, NSW, 2000 on Wednesday, 22 November 2017 at 10:30am AEDT in the Spinnaker Room.

Further details in respect of each of the resolutions proposed in this Notice of Annual General Meeting ("**Notice**") are set out in the Explanatory Memorandum accompanying this Notice. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice.

**GENERAL BUSINESS**

**2017 Annual Financial Statements**

To lay before the meeting and consider the 2017 Annual Financial Statements of the Company in respect of the year ended 30 June 2017 and comprising the Annual Financial Report, the Directors' Report and the Auditor's Report.

**RESOLUTION 1: NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT**

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

***"That the Company approve the adoption of the Remuneration Report, included in the Directors' Report, for the year ended 30 June 2017."***

***Voting Exclusion Statement:***

*A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:*

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or*
- (b) a closely related party of such a member (referred to herein as "**Restricted Voters**").*

*However, a person ("**voter**") may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a Restricted Voter and the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on Resolution 1. The Chair may also exercise undirected proxies if the vote is cast on behalf of a person entitled to vote and the proxy appointment expressly authorises the Chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of members of the key management personnel of the Company.*

***Voting Note:***

*Directors of the Company who are key management personnel whose remuneration details are included in the 2017 Remuneration Report, any other key management personnel whose remuneration details are included in the 2017 Remuneration Report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1.*

#### **RESOLUTION 2A: RE-ELECTION OF MR. BILL MCCLUGGAGE AS A DIRECTOR**

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

***"That Mr. Bill McCluggage who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."***

#### **RESOLUTION 2B: ELECTION OF MR. DAVID IRVINE AS A DIRECTOR**

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

***"That Mr. David Irvine, a Director appointed to fill a casual vacancy on 1 January 2017, who retires in accordance with the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."***

#### **RESOLUTION 2C: ELECTION OF MR. LINDSAY TANNER AS A DIRECTOR**

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

***"That Mr. Lindsay Tanner, a Director appointed to fill a casual vacancy on 1 January 2017, who retires in accordance with the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."***

#### **RESOLUTION 2D: ELECTION OF MR. EDWARD (TED) PRETTY AS A DIRECTOR**

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

***"That Mr. Ted Pretty, a Director appointed to fill a casual vacancy on 23 January 2017, who retires in accordance with the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."***

#### **RESOLUTION 3: ADOPTION OF LOAN SHARE PLAN**

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

***"That for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes including for the purposes of sections 259B and 260C of the Corporations Act 2001 (Cth), approval is given for the Company to adopt an employee incentive scheme titled "Covata Limited Loan Share Plan" and for the issue of securities under that plan, on the terms and conditions set out in the Explanatory Memorandum which accompanied and formed part of this Notice."***

#### **Voting Exclusion Statement:**

The Company will disregard any votes cast on this resolution by:

- (a) a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- (b) any associate of that person.

However, the Company need not disregard and a vote cast on this resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on a proxy form;
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance

*with a direction on the proxy form to vote as they decided.*

#### **Corporations Act Voting Restrictions – Key Management Personnel and their closely related parties**

*In accordance with the Corporations Act 2001 (Cth), the Company will disregard any votes cast on Resolution 3 by proxies on behalf of a member of the Company's key management personnel within the meaning of the Corporations Act (including the Directors) or any of that person's closely related parties within the meaning of the Corporations Act (such as close family members and any controlled companies of those persons) (collectively referred to as **Restricted Voters**). However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 3.*

*The Chair of the Meeting may cast votes on Resolution 3 as a proxy where the written appointment of the Chair as a proxy (which may include appointment of the Chair as a proxy by default in the absence of another person) does not specify how the proxy is to vote on Resolution 3 but expressly authorises the Chair to exercise the proxy if the resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.*

#### **RESOLUTION 4: RATIFICATION OF PRIOR ISSUE OF SHARES**

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

***"That for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 18,468,974 fully paid ordinary shares to the CipherPoint Vendors at a deemed issue price of \$0.0818 (8.18 cents) per share, as described in the Explanatory Memorandum which accompanied and formed part of this Notice."***

##### **Voting Exclusion Statement:**

*The Company will disregard any votes cast on this resolution by:*

- *persons who participated in the issue; or*
- *any associates of those persons.*

*However, the Company need not disregard a vote on this resolution if:*

- *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*
- *it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.*

#### **RESOLUTION 5: APPROVAL FOR ISSUE OF MILESTONE ONE SHARES**

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

***"That for the purpose of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue of up to 10,000,000 fully paid ordinary shares to the CipherPoint Vendors as described in the Explanatory Memorandum which accompanied and formed part of this Notice."***

##### **Voting Exclusion Statement:**

*The Company will disregard any votes cast on this resolution by:*

- *a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; or*
- *any associates of those persons.*

However, the Company need not disregard a vote on the resolution if:

- 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;
- it is cast by the person chairing the Meeting 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.

#### **RESOLUTION 6 – APPROVAL FOR ISSUE OF MILESTONE TWO SHARES**

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

***“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue of up to 12,977,400 fully paid ordinary shares to the CipherPoint Vendors as described in the Explanatory Memorandum which accompanied and formed part of this Notice.”***

#### **Voting Exclusion Statement:**

The Company will disregard any votes cast on this resolution by:

- a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; or
- any associates of those persons.

However, the Company need not disregard a vote on the resolution if:

- 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;
- it is cast by the person chairing the Meeting 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.

#### **RESOLUTION 7A – ISSUE OF LOAN PLAN SHARES TO A DIRECTOR – MR. EDWARD (TED) PRETTY**

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

***“That for the purposes of ASX Listing Rule 10.14, shareholders approve the issue of a total of 2,534,298 Loan Plan Shares pursuant to the Covata Limited Loan Share Plan to Mr. Ted Pretty, a Director of the Company (or his nominee), as set out in the Explanatory Memorandum which accompanied and formed part of this Notice.”***

#### **RESOLUTION 7B – ISSUE OF LOAN PLAN SHARES TO A DIRECTOR – MR. EDWARD (TED) PRETTY**

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

***“That for the purposes of ASX Listing Rule 10.14, shareholders approve the issue of a total of 7,818,000 Loan Plan Shares pursuant to the Covata Limited Loan Share Plan to Mr. Ted Pretty, a Director of the Company (or his nominee), as set out in the Explanatory Memorandum which accompanied and formed part of this Notice.”***

#### **Voting Exclusion Statement:**

The Company will disregard any votes cast on Resolutions 7A and 7B by Mr. Ted Pretty and any of his associates

or cast as a proxy for a Restricted Voter (defined above).

However, the Company need not disregard a vote on these resolutions if:

- 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
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decided even though the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

#### **RESOLUTION 8: APPROVAL OF PLACEMENT FACILITY**

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

***“That for the purposes of ASX Listing Rule 7.1A, shareholders approve the Company having the capacity to issue fully paid ordinary shares in the capital of the Company up to the maximum number permitted under ASX Listing Rule 7.1A.2 at an issue price which is not less than 75% of the volume weighted average market (closing) price of the Company’s ordinary shares calculated over the last fifteen (15) days on which trades of the Company’s ordinary shares were recorded on ASX immediately before the date on which the issue price is agreed, or the date the issue is made as described in the Explanatory Memorandum which accompanied and formed part of this Notice.”***

#### **Voting Note:**

If as at the time of the Meeting, the Company:

- is included in the S&P/ASX 300 Index; and/or
- has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of greater than AU\$300 million,

then this resolution will be withdrawn.

#### **Voting Exclusion Statement:**

The Company will disregard any votes cast on this resolution by:

- persons who may participate in the proposed issue and persons who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; and
- an associate of those persons.

However, the Company need not disregard a vote on this resolution if:

- 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
- it is cast by the person chairing the Meeting 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.

Dated: 17 October 2017

By the order of the Board

A handwritten signature in dark ink, appearing to read 'McCluggage', written over a horizontal line.

William McCluggage  
Non-Executive Chairman

The accompanying Explanatory Memorandum and the Proxy and Voting Instructions formed part of this Notice.



## PROXY AND VOTING INSTRUCTIONS

Proxy Instructions	Voting Entitlement
<p>A member who is entitled to vote at a meeting may appoint:</p> <ul style="list-style-type: none"><li>• one proxy if the member is only entitled to one vote; and</li><li>• one or two proxies if the member is entitled to more than one vote.</li></ul> <p>Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.</p> <p>The proxy form (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) must be lodged with the Company's share registry not less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.</p> <p>The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.</p> <p>The proxy may, but need not, be a member of the Company.</p> <p>A proxy form is attached to this Notice.</p> <p>If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting as your proxy.</p> <p><b>Corporate Representatives</b></p> <p>Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.</p>	<p>For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7pm AEDT on 20 November 2017 (Sydney time) are entitled to attend and vote at the Meeting.</p> <p>On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.</p> <p><b>How the Chair Will Vote Undirected Proxies</b></p> <p>Subject to the restrictions set out below, The Chair of the Meeting will vote undirected proxies in favour of all of the proposed resolutions.</p> <p><b>Voting Restrictions on Resolution 1 (Remuneration Report) and Resolution 3 (Adoption of Loan Share Plan) and Resolutions 7A and 7B (Issue of Loan Plan Shares to Mr. Ted Pretty).</b></p> <p>The Remuneration Report identifies key management personnel for the year ended 30 June 2017. Their closely related parties are defined in the Corporations Act 2001 (Cth) and include specified family members, dependents and companies they control.</p> <p>Directors of the Company who are key management personnel whose remuneration details are included in the 2017 Remuneration Report, any other key management personnel whose remuneration details are included in the 2017 Remuneration Report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1, Resolution 3 or Resolutions 7A and 7B provided however that the Chair may vote undirected proxies on behalf of persons eligible to vote where expressly authorised to do so on the proxy form.</p> <p><b>Special Resolution</b></p> <p>Resolution 8 is proposed as a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.</p>

**COVATA LIMITED**  
**ACN 120 658 497**  
**("the Company")**

**2017 ANNUAL GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum ("**Memorandum**") accompanies and forms part of the Company's Notice of 2017 Annual General Meeting ("**Notice**") for the Annual General Meeting ("**Meeting**") to be held at Adina Apartment Hotel, 55 Shelley St, King Street Wharf Sydney, NSW, 2000 on Wednesday, 22 November 2017 at 10:30am AEDT in the Spinnaker Room. The Notice incorporates, and should be read together, with this Memorandum.

**BUSINESS**

**2017 Annual Financial Statements**

The 2017 Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2017 will be laid before the Meeting. Shareholders will have the opportunity to ask questions about, or make comments on, the 2017 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend, to answer questions about the audit of the Company's 2017 Annual Financial Statements.

The Company's 2017 Annual Financial Statements are set out in the Company's 2017 Annual Report which can be obtained from the Company's website, [www.covata.com](http://www.covata.com) or upon request to Steven Bliim, Head of Finance and Joint Company Secretary at the office of the Company, Level 4, 81 York Street, Sydney NSW 2000 (telephone (02) 8412 8200).

There is no requirement for these reports to be formally approved by shareholders. No resolution is required to be moved in respect of this item.

**Resolution 1: Non-binding Resolution - Remuneration Report**

The Company is required pursuant to the Corporations Act 2001 (Cth) ("**the Corporations Act**"), to propose a non-binding resolution regarding the 2017 Remuneration Report, which forms part of the Director's Report in the 2017 Annual Financial Statements. The vote is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2017 Annual General Meeting of the Company will have an opportunity to discuss and put questions in respect of the Remuneration Report.

The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings ("**AGM**") (treating this AGM as the first such meeting), shareholders will be required to vote at the second of those AGM's on a resolution (a "**spill resolution**") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must be put up for re-election. The vote on the Remuneration Report contained in the Company's 2016 Annual Financial Statements was passed with the support of more than 75% of votes thus a spill resolution will not be required in the event 25% or more of votes that are cast are against the adoption of the 2017 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2017 Remuneration

Report, shareholders should be aware that if there is a 'no' vote of 25% or more for the same resolution at the 2018 AGM the consequences are that it may result in the re-election of the Board.

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice. In particular, Directors and other members of the key management personnel details of whose remuneration are included in the Remuneration Report or a closely related party of those persons must not vote on Resolution 1 and must not cast a vote as proxy, unless the proxy appointment gives a direction on how to vote provided however that the Chair may vote undirected proxies on behalf of persons eligible to vote where expressly authorised to do so on the proxy form.

#### **Resolution 2A: Re-Election of Mr. Bill McCluggage as a Director**

Resolution 2A is a resolution for the re-election of Mr. Bill McCluggage as a Director of the Company.

Pursuant to the Constitution of the Company, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third (rounded up), but disregarding the Managing Director and Directors appointed to fill casual vacancies, are required to retire by rotation at each AGM. The Company has four Directors, one of whom is the CEO/Managing Director. Accordingly, one Director (other than the Managing Director) is required to retire by rotation at the Meeting.

Bill McCluggage has over 15 years of experience working in IT Director, CTO and CIO roles within central Government bodies and the private sector and prior to these positions had a 24-year career as an engineering officer within the British Royal Air Force. His experience includes:

- As CIO of the Irish Government Mr. McCluggage was responsible for the development and implementation of a Government ICT Strategy.
- As Deputy Government CIO of the UK Cabinet Office Mr. McCluggage was responsible for the formulation, development and communication of cross-Government ICT strategies and policies.
- As Chief Technologist of Dell EMCs public sector business, Mr. McCluggage was a trusted adviser to UK and Ireland's public-sector customers translating EMC's Cloud, Cyber and Big Data technology pillars into business language and propositions.
- He is currently Head of Information Security for the UK's Open Banking Implementation Entity that has been established by the Competition and Markets Authority to drive transformation across the UK's retail and business banking sector.

Bill McCluggage, who was elected to the Board of the Company by shareholders on 30 November 2016, retires by rotation and, being eligible, offers himself for re-election.

The Board (with Mr. McCluggage abstaining) unanimously support the re-election of Bill McCluggage as a Director of the Company.

#### **Resolution 2B: Election of Mr. David Irvine as a Director**

Resolution 2B is a resolution for the election of Mr. David Irvine as a Director of the Company.

David Irvine was appointed to fill a casual vacancy on 1 January 2017.

Pursuant to the Constitution of the Company, a Director appointed to fill a casual vacancy holds office until the next annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who retire by rotation at that Meeting.

David was Director-General of Security in charge of the Australian Security Intelligence Organisation (ASIO) from 2009 to 2014, and a member of the Board of the Australian Crime Commission from 2009 to 2014. He was also Director-General of the Australian Secret Intelligence Service (ASIS) from 2003 to 2009.

David served with the Australian Department of Foreign Affairs and Trade (or its antecedents) for 33 years from 1970, with a professional focus on Australia's relations with the Asia-Pacific region. He was Australia's High Commissioner to Papua New Guinea from 1996 to 1999, and Australian Ambassador to the People's Republic of China, North Korea and Mongolia from 2000 to 2003. He was appointed an Officer of the order of Australia (AO) in 2005, for services to the promotion of Australia's international relations.

The Board (with David Irvine abstaining) unanimously support the election of David Irvine as a Director of the Company.

#### **Resolution 2C: Election of Mr. Lindsay Tanner as a Director**

Resolution 2C is a resolution for the election of Mr. Lindsay Tanner as a Director of the Company.

Lindsay Tanner was appointed to fill a casual vacancy on 1 January 2017.

Pursuant to the Constitution of the Company, a Director appointed to fill a casual vacancy holds office until the next annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who retire by rotation at that Meeting.

Lindsay is currently a special adviser for financial advisory firm Lazard, Australia, where he is directly involved in a range of advisory processes regarding major corporate mergers, acquisitions and capital raisings. He is also Chairman of Essendon Football Club, a Non-Executive Director for Virgin Australia International Holdings, a Member of First Principles Review of Department of Defence, a Member of the Australian Advisory Board for Canadian Steamships Ltd, Vice-Chancellor's Fellow for Victoria University and Chairman for Mitchell Institute for Health and Education Research.

Lindsay has also held several parliamentary positions since 1996, including most recently the Minister for Finance and Deregulation for 2007 until 2010. Prior to that, his roles included Federal Opposition Policy Co-Ordinator, Shadow Minister for Finance, Shadow Minister for Community Relationships, Shadow Minister for Communications, Shadow Minister for Consumer Affairs and Shadow Minister for Transport.

Lindsay served on a number of parliamentary committees between 1993 and 2007 including House Economics, Finance and Public Administration Committee, House Communications Committee, Joint Committee on Public Accounts and Audit, House Transport Committee, Joint Committee on Corporations and Securities, and House Legal and Constitutional Affairs Committee.

Lindsay has also held honorary positions including Fellow, Chartered Institute of Purchasing and Supply, Fellow, Certified Practising Accountants Australia, Chairman, Governance Advisory Panel and Governance Institute Member.

The Board (with Lindsay Tanner abstaining) unanimously support the election of Lindsay Tanner as a Director of the Company.

## **Resolution 2D: Election of Mr. Edward (Ted) Pretty as a Director**

Resolution 2D is a resolution for the election of Mr. Ted Pretty as a Director of the Company.

Ted Pretty was appointed to fill a casual vacancy on 23 January 2017.

Pursuant to the Constitution of the Company, a Director appointed to fill a casual vacancy holds office until the next annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who retire by rotation at that Meeting.

Ted is a recognised technology and telecommunications executive and director with significant experience in complex networks, data hosting and security. His career has included relevant roles such as Telstra Group MD Technology Innovation and Product, Chairman of Fujitsu Limited, Chairman of ASX Listed NEXTDC and RP Data Limited, Advisory Chairman of Tech Mahindra and MD/CEO of Hills Limited.

Ted is currently a Senior Advisor at a major international investment bank, supporting principal investments in emerging companies covering information governance, big data and analytics, security and encryption. He is also on the Advisory Board of Lighthouse Acceleration located in Barangaroo.

The Board (with Ted Pretty abstaining) unanimously support the election of Ted Pretty as a Director of the Company.

## **Resolution 3: Adoption of Loan Share Plan**

Shareholder approval for the Covata Limited Loan Share Plan (“**Plan**”) was obtained at the Company’s General Meeting held on 23 September 2014 for the purposes of Listing Rule 7.2 Exception 9(b) and for all other purposes. Listing Rule 7.2 Exception 9(b) provides that an issue of securities under an employee incentive scheme does not count towards a company’s annual 15% capacity on new issues of securities as prescribed by Listing Rule 7.1 if, within three years of the issue date, the scheme has been approved by shareholders.

The Plan was initially approved by shareholders at the General Meeting on 23 September 2014 and applied to shares issued under the Plan up to and including 23 September 2017, being the date which is three years from the date shareholder approval was obtained.

This three-year time period as prescribed under Listing Rule 7.2 Exception 9(b) expired on 23 September 2017. Accordingly, the Company is seeking shareholder approval for the issue of securities under the Plan for the purposes of Listing Rule 7.2 Exception 9(b). If shareholders approve Resolution 3 at the Meeting, the issue of securities under the Plan will not be counted towards the Company’s capacity under Listing Rule 7.1 for a three-year period ending on 21 November 2020.

There have been no changes to the terms of the Plan since it was adopted on 23 September 2014. A summary of the terms of the Plan are set out in Annexure A. The full terms of the Plan were also released to ASX on 7 November 2014.

Since the adoption of the Plan the Company has issued 18,329,052 loan plan shares, which is in addition to approximately 11 million loan plan shares issued at the time of the Company’s merger with Cocoon Data Holdings Pty Ltd. The Company also intends (subject to the passing of this Resolution 3 and in addition to those loan plan shares the subject of Resolutions 7A and 7B) issuing 18,137,000 loan plan shares under the Plan to employees determined by the Board. The intended issue of loan plan shares will be made without shareholder approval. Further details are set out below.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of shares under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issue of shares under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval ought to be obtained will require shareholder approval under ASX Listing Rule 10.14 prior to the issue.

Approval is also sought through Resolution 3 for the purposes of sections 259B and 260C of the Corporations Act 2001 (Cth).

The Plan provides that the Company (via Covata Australia Pty Ltd) may provide financial assistance (in the form of an interest free, limited recourse loan) to participants to fund the acquisition price of shares issued under the Plan – further details of which are set out in summary in Annexure A (specifically paragraph (d)). Under section 260C(4) of the Corporations Act, a company may financially assist a person to acquire shares if the financial assistance is given under an employee share scheme that is approved by shareholders at a general meeting. Resolution 3 seeks approval of the Plan for the purposes of section 260C(4) of the Corporations Act.

The Plan also provides for the Company to take security over shares issued under the Plan to secure loan repayment obligations and places restrictions on transfer and voting which, on one view, may constitute taking security over its own shares. Section 259B(1) of the Corporations Act provides that a company must not take security over shares in itself except as permitted by the Corporations Act. Section 259B(2) provides that the Company may take security over shares in itself under an employee share scheme that has been approved by shareholders at a general meeting. Resolution 3 seeks approval of the Plan for the purposes of section 259B(2) of the Corporations Act.

Subject to shareholders approving the adoption of the Plan pursuant to this Resolution 3, the Company intends to issue 18,137,000 loan plan shares (in addition to those loan plan shares the subject of Resolutions 7A and 7B) to employees based in Australia. In addition to the intended issue of loan plan shares, the Company also intends issuing 8,243,000 employee share options to employees resident outside of Australia pursuant to the Company's Share Option Plan (which was adopted by shareholders on 18 November 2015 at the Company's 2015 Annual General Meeting).

Shareholder approval will not be sought for the intended issue of loan plan shares and employee share options (which are distinct from shareholder approvals being sought under Resolutions 7A and 7B).

A copy of the Plan (and the Share Option Plan) is available for review by shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan (and Share Option Plan) can also be sent to shareholders upon request to the Joint Company Secretary ((02) 8412 8200).

A voting exclusion statement as set out in the Notice applies to this Resolution 3.

#### **Resolution 4: Ratification of Prior Issue of Shares**

Resolution 4 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 18,468,974 fully paid ordinary shares at a deemed issue price of \$0.0818 (8.18 cents) per share to the ordinary shareholders (**CipherPoint Vendors**) of CipherPoint Software Inc. (**CipherPoint**) as consideration for the acquisition by the Company of all the issued share capital of CipherPoint as announced to ASX on 25 August 2017.

The shares that are the subject of Resolution 4 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 18,468,974 fully paid ordinary shares.
- The shares were issued at a deemed issue price of \$0.0818 (8.18 cents) per share.
- The shares issued are fully paid ordinary shares in the Company having the same terms and rights as, and ranking equally with, the Company's existing listed fully paid ordinary shares.
- The shares were issued to the CipherPoint Vendors as consideration for the acquisition of all the issued share capital of CipherPoint.
- A voting exclusion statement as set out in the Notice applies to this Resolution 4.
- No funds were raised through the issue. The shares were issued as consideration to the CipherPoint Vendors for the acquisition by the Company of all the issued share capital of CipherPoint as set out in the Company's announcement to ASX on 25 August 2017.

#### **Resolution 5: Issue of Milestone One Shares**

Resolution 5 seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 10,000,000 fully paid ordinary shares (**Milestone One Shares**) to the CipherPoint Vendors as deferred consideration for the acquisition of CipherPoint and subject to satisfaction of an applicable milestone.

As announced on 16 August 2017, the Company proposes to issue \$1,000,000 worth of ordinary shares (being the Milestone One Shares) to the CipherPoint Vendors upon, and subject to, CipherPoint achieving revenues between 1 July 2017 and 31 December 2017 of not less than US\$300,000 and conditional upon a key staff member of CipherPoint continuing to be employed by CipherPoint (or the Company or its group entities) at 31 December 2017 (subject to agreed exceptions, including termination without cause by CVT) (**Milestone One**).

The issue of Milestone One Shares remains subject to satisfaction of Milestone One.

The Milestone One Shares are to be issued at a deemed issue price equal to the higher of \$0.10 (10 cents) or the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 January 2018. The number of Milestone One Shares to be issued is therefore not known at the date of this Notice, other than the maximum (10,000,000).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share

capital of the Company on issue at the commencement of that twelve (12) month period. One circumstance where an issue of securities is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3 and assumes the satisfaction of Milestone One:

- The maximum number of securities are 10,000,000 fully paid ordinary shares.
- The Milestone One Shares are expected to be issued in a single tranche on or about 10 January 2018, but in any event no later than three (3) months after the date of the Meeting (unless permitted to be issued at a later date by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).
- The Milestone One Shares will have a deemed issue price equal to the higher of \$0.10 (10 cents) or the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 January 2018.
- The Milestone One Shares are fully paid ordinary shares in the Company having the same terms and rights as, and will rank equally with, the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the Milestone One Shares to quotation on ASX.
- The Milestone One Shares will be issued to the CipherPoint Vendors, subject to the satisfaction of Milestone One.
- No funds will be raised from the issue of the Milestone One Shares.
- A voting exclusion statement is contained in the Notice accompanying this Memorandum.

#### **Resolution 6: Issue of Milestone Two Shares**

Resolution 6 seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 12,977,400 fully paid ordinary shares (**Milestone Two Shares**) to the CipherPoint Vendors as deferred consideration for the acquisition of CipherPoint and subject to satisfaction of an applicable milestone.

As announced on 16 August 2017, the Company proposes to issue \$1,297,740 worth of ordinary shares (being the Milestone Two Shares) to the CipherPoint Vendors upon and subject to CipherPoint achieving revenues between 1 July 2017 and 30 June 2018 of not less than US\$500,000 and conditional upon a key staff member of CipherPoint continuing to be employed by CipherPoint (or the Company or its group entities) at 30 June 2018 (subject to agreed exceptions, including termination without cause by CVT) (**Milestone Two**).

The issue of Milestone Two Shares remains subject to satisfaction of Milestone Two.

The Milestone Two Shares are to be issued at a deemed issue price equal to the higher of \$0.10 (10 cents) or the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 July 2018. The number of Milestone Two Shares to be issued is therefore not known at the date of this Notice, other than the maximum (12,977,400).

The Company has applied for and obtained a waiver of ASX Listing Rule 7.3.2 to permit the issue of the Milestone Two Shares, the subject of this Resolution 6. to be issued more than three (3) months



after the date of the Meeting. Conditional upon completion of Milestone Two, the Company anticipates the issue of the Milestone Two Shares to occur on or about 10 July 2018.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period. One circumstance where an issue of securities is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3 and assumes the satisfaction of Milestone Two:

- The maximum number of securities are 12,977,400 fully paid ordinary shares.
- As noted above, the Company has applied for and obtained a waiver of ASX Listing Rule 7.3.2 which would otherwise require the shares to be issued within three (3) months of the date of the Meeting. The terms of the waiver permit the Company to issue the Milestone Two Shares the subject of Resolution 6 on a date which is no later than 20 July 2018. The Milestone Two Shares will be issued in a single tranche.
- The Milestone Two Shares will have a deemed issue price equal to the higher of \$0.10 (10 cents) or the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 July 2018.
- The Milestone Two Shares are fully paid ordinary shares in the Company having the same terms and rights as, and will rank equally with, the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the Milestone Two Shares to quotation on ASX.
- The Milestone Two Shares will be issued to the CipherPoint Vendors, subject to the satisfaction of Milestone Two.
- No funds will be raised from the issue of the Milestone Two Shares.
- A voting exclusion statement is contained in the Notice accompanying this Memorandum.

#### **Resolution 7A: Issue of Loan Plan Shares to a Director – Mr. Edward (Ted) Pretty**

Resolution 7A seeks shareholder approval pursuant to ASX Listing Rule 10.14 for the issue of 2,534,298 Loan Plan Shares to a Director of the Company, Mr. Edward (Ted) Pretty (or his nominee), pursuant to the Covata Limited Loan Share Plan (as proposed for re-adoption under Resolution 3 or, if Resolution 3 is not passed, as adopted by shareholders on 23 September 2014) (**Plan**).

The issue of Loan Plan Shares to Mr. Pretty is in lieu of cash payment that would otherwise be due to Mr. Pretty as a short-term incentive pursuant to the terms of his engagement by the Company (refer ASX announcement dated 23 December 2016). Mr. Pretty's short-term incentive, as determined by the Board by reference to previously set KPIs, is \$158,500. Subject to approval from shareholders, Mr. Pretty has indicated a willingness to accept Loan Plan Shares, in lieu of cash, based on a valuation determined by reference to the volume weighted average price (**VWAP**) of the Company's ordinary shares for the 5-days following the release of the Company's 2017 Annual Report (released on 29 August 2017).

A summary of the terms of the Plan proposed for adoption are contained in Annexure A. The terms of the Plan proposed for adoption remain consistent with those of the Plan that was initially adopted by shareholders on 23 September 2014. The full terms of the adopted Plan were released to ASX on 7 November 2014. A copy of the Plan is available upon request to the Joint Company Secretary ((02) 8412 8200).

### ***Acquisition Price***

The per share acquisition price of the Loan Plan Shares for the purposes of determining the underlying loan repayable to the Company on disposal of the Loan Plan Shares will be the closing price of the Company's ordinary shares on the date of the Meeting.

### ***Disposal of Loan Plan Shares***

Loan Plan Shares may not be disposed of prior to:

- (a) vesting;
- (b) repayment, or arrangements to the Company's satisfaction for repayment, of the balance of any Loan provided by the Company for acquisition of the Loan Plan Shares; and
- (c) the expiration of any restriction relating to the Loan Plan Shares as provided for in the Plan.

### **Corporations Act**

The Board has formed the view that the issue of Loan Plan Shares to Mr. Ted Pretty does not require shareholder approval under section 208 of the Corporations Act, as the issue of Loan Plan Shares constitutes "reasonable remuneration" in accordance with section 211 of the Corporations Act. In reaching this view, the Company has considered the terms of Mr Pretty's contract which, as disclosed to the ASX on 23 December 2016, including a short-term incentive which, absent Mr Pretty's agreement to accept Loan Plan Shares, would otherwise be payable in cash.

The number of Loan Plan shares to be issued was determined on the basis of a Black-Scholes valuation of the Loan Plan Shares based on the VWAP of the Company's shares for the 5-days following the release of the Company's 2017 Annual Report, and assuming an acquisition price equal to that VWAP.

### **ASX Listing Rules**

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Mr. Ted Pretty is a Director of the Company and therefore approval is sought for the proposed issue of Loan Plan Shares to him (or his nominee) under ASX Listing Rule 10.14.

Shareholder approval is being sought under Listing Rule 10.14 and therefore approval is not required under Listing Rule 7.1.

ASX Listing Rule 10.15 requires the meeting document concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.14 to include the following information:

- Mr. Ted Pretty is a Director of the Company.

- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under this Resolution 7A is 2,534,298 Loan Plan Shares. Any future proposed issues to Directors (or their associates) under the Plan would require further shareholder approval at the time.
- The per share acquisition price of Loan Plan Shares (i.e. the underlying value of the loan applicable to the Loan Plan Shares) will be the closing price of the Company's ordinary shares on the date of the Meeting.
- A total of 3,225,000 shares were issued to persons referred to in ASX Listing Rule 10.14 under the Plan as part of the Company's merger with Cocoon Data Holdings Pty Ltd (being Phil King 975,000, Trent Telford 1,500,000, Phil Argy 750,000).
- The Plan was initially adopted on 23 September 2014. Since the merger referred to above, 10,000,000 Loan Plan Shares were issued on 4 May 2017 to Mr. Ted Pretty under the Plan. This issue was approved by shareholders at the Extraordinary General Meeting of the Company on 5 April 2017.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate in the Plan without further shareholder approvals.
- A voting exclusion statement for Resolution 7A is contained in the Notice accompanying this Memorandum.
- The Loan will be made by the Company to fund the acquisition price upon issue of the Loan Plan Shares. Terms of the Loan are set out in the Plan (and related documents) the key terms of which are:
  - A right for the Company to take security of the shares to provide comfort in respect of the recoverability of the underlying loan.
  - The Loan is interest free.
  - The Loan is repayable in circumstances which include the disposal of the loan plan shares, the occurrence of a liquidity event (provided that the borrower receives procedure on the occurrence of that event), or the date which is ten (10) years after the issue date, although may be repaid earlier by the borrower.
  - Notwithstanding the above, the Loan is a limited recourse loan, such that (subject to the terms of the Plan) the Company will have recourse only to the proceeds paid to the borrower on the disposal of the Loan Plan Shares and 100% of the borrower's after-tax dividends or after-tax capital distributions.
- The Loan Plan Shares are expected to be issued and allotted after the date of the Meeting no later than one (1) month after the date of the Meeting (or such other date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).

#### **Resolution 7B: Issue of Loan Plan Shares to a Director – Mr. Edward (Ted) Pretty**

Resolution 7B seeks shareholder approval pursuant to ASX Listing Rule 10.14 for the issue of 7,818,000 Loan Plan Shares to a Director of the Company, Mr. Ted Pretty (or his nominee), pursuant to the Plan.

The issue of Loan Plan Shares to Mr. Pretty as contemplated by Resolution 7B is proposed as a long-term incentive and, accordingly, it is proposed that the Loan Plan Shares will vest progressively over three (3) years as follows, with 31.25% to vest 31 March 2018 and 6.25% to vest quarterly, for the following 11 calendar quarters.

A summary of the terms of the Plan proposed for adoption are contained in Annexure A. The terms of the Plan proposed for adoption remain consistent with those of the Plan that was initially adopted by shareholders on 23 September 2014. The full terms of the adopted Plan were released to ASX on 7 November 2014. A copy of the Plan is available upon request to the Joint Company Secretary ((02) 8412 8200).

### ***Acquisition Price***

The per share acquisition price of the Loan Plan Shares for the purposes of determining the underlying loan repayable to the Company on disposal of the Loan Plan Shares will be the closing price of the Company's ordinary shares on the date of the Meeting.

### ***Disposal of Loan Plan Shares***

Loan Plan Shares may not be disposed of prior to:

- (d) vesting;
- (e) repayment, or arrangements to the Company's satisfaction for repayment, of the balance of any Loan provided by the Company for acquisition of the Loan Plan Shares; and
- (f) the expiration of any restriction relating to the Loan Plan Shares as provided for in the Plan.

### ***Corporations Act***

The Board has formed the view that the issue of Loan Plan Shares to Mr. Ted Pretty does not require shareholder approval under section 208 of the Corporations Act, as the issue of Loan Plan Shares constitutes "reasonable remuneration" in accordance with section 211 of the Corporations Act. In reaching this view, the Company has considered the requirement to attract, motivate and retain high performing and high quality personnel while preserving existing cash reserves by settling executive incentives with share-based payments.

The number of Loan Plan Shares to be issued was determined on the basis of a Black-Scholes valuation of the Loan Plan Shares based on the VWAP of the Company's shares for the 5-days following the release of the Company's 2017 Annual Report, and assuming an acquisition price equal to that VWAP.

### ***ASX Listing Rules***

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Mr. Ted Pretty is a Director of the Company and therefore approval is sought for the proposed issue of Loan Plan Shares to him (or his nominee) under ASX Listing Rule 10.14.

Shareholder approval is being sought under Listing Rule 10.14 and therefore approval is not required under Listing Rule 7.1.

ASX Listing Rule 10.15 requires the meeting document concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.14 to include the following information:

- Mr. Ted Pretty is a Director of the Company.
- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under this Resolution 7B is 7,818,000 Loan Plan Shares. Any future proposed issues to Directors (or their associates) under the Plan would require further shareholder approval at the time.
- The per share acquisition price of Loan Plan Shares (i.e. the underlying value of the loan applicable to the Loan Plan Shares) will be the closing price of the Company's ordinary shares on the date of the Meeting.
- A total of 3,225,000 shares were issued to persons referred to in ASX Listing Rule 10.14 under the Plan as part of the Company's merger with Cocoon Data Holdings Pty Ltd (being Phil King 975,000, Trent Telford 1,500,000, Phil Argy 750,000).
- The Plan was initially adopted on 23 September 2014. Since the merger referred to above, 10,000,000 Loan Plan Shares were issued on 4 May 2017 to Mr. Ted Pretty under the Plan. This issue was approved by shareholders at the Extraordinary General Meeting of the Company on 5 April 2017.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate in the Plan without further shareholder approvals.
- A voting exclusion statement for Resolution 7B is contained in the Notice accompanying this Memorandum.
- The Loan will be made by the Company to fund the acquisition price upon issue of the Loan Plan Shares. Terms of the Loan are set out in the Plan (and related documents) the key terms of which are:
  - A right for the Company to take security of the shares to provide comfort in respect of the recoverability of the underlying loan.
  - The Loan is interest free.
  - The Loan is repayable in circumstances which include the disposal of the loan plan shares, the occurrence of a liquidity event (provided that the borrower receives procedure on the occurrence of that event), or the date which is ten (10) years after the issue date, although may be repaid earlier by the borrower.
  - Notwithstanding the above, the Loan is a limited recourse loan, such that (subject to the terms of the Plan) the Company will have recourse only to the proceeds paid to the borrower on the disposal of the Loan Plan Shares and 100% of the borrower's after-tax dividends or after-tax capital distributions.
- The Loan Plan Shares are expected to be issued and allotted after the date of the Meeting no later than one (1) month after the date of the Meeting (or such other date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).

## Resolution 8: Approval of Placement Facility

ASX has introduced fund raising rules to provide more flexibility for smaller companies to raise additional capital in an easier and potentially less costly manner. ASX Listing Rule 7.1A enables eligible entities to issue equity securities (as that term is defined in the ASX Listing Rules) up to 10% of their issued share capital through placements over a 12-month period after an annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to a company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is, at the date of the Notice, an eligible entity.

The Company is seeking shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility. The exact number of equity securities (if any) to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer below). The Company may use funds raised from any 10% Placement Facility for funding of existing projects or new projects and/or general working capital. It may also use the 10% Placement Facility for non-cash consideration purposes such as in connection with joint venture agreements or arrangements, as payments to consultants or contractors or in connection with the acquisition of new projects (although the Company presently has no current proposal to do so).

The Company has not previously obtained shareholder approval to make issues under ASX Listing Rule 7.1A, and therefore no shares have previously been issued under ASX Listing Rule 7.1A.

The Directors of the Company believe that Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this resolution.

### DESCRIPTION OF LISTING RULE 7.1A

- Shareholder Approval

The ability to issue equity securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an Annual General Meeting.

- Equity Securities

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of the Notice, has one class of quoted equity securities, ordinary shares (CVT).

- Formula for Calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting may, during the 10% Placement Period (defined in section 2(f) below), issue a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

*where:*

*A* is the number of shares on issue 12 months before the date of the issue or agreement to issue:

- (i) *plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;*
- (ii) *plus the number of partly paid shares that became fully paid in the 12 months;*
- (iii) *plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;*
- (iv) *less the number of fully paid shares cancelled in the 12 months.*

Note: "A" is has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

- ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue equity securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

As at the date of this Memorandum, the Company has on issue 563,638,021 ordinary shares and therefore would have capacity to issue:

- (i) 84,545,703 ordinary shares under Listing Rule 7.1 (15% capacity); and
- (ii) subject to shareholders approving this Resolution 8, 56,363,802 ordinary shares under Listing Rule 7.1A (10% capacity).

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer above).

- Minimum Issue Price

The issue price of equity securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of equity securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

- 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires (and ceases to be valid) on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
  - (ii) the date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (**10% Placement Period**).
- ASX Listing Rule 7.1A  
  
The effect of Resolution 8 will be to allow the Directors of the Company to issue the equity securities under ASX Listing Rule 7.1A during the 10% Placement Period separate to the Company's 15% placement capacity under ASX Listing Rule 7.1. Resolution 8 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).

#### **SPECIFIC INFORMATION REQUIRED BY ASX LISTING RULE 7.3A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- Any equity security issued will be issued at an issue price of not less than 75% of the VWAP for the Company's equity securities over the 15 trading days immediately before:
  - (i) the date on which the price at which the equity securities are to be issued is agreed; or
  - (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.
- If Resolution 8 is approved by the Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company would be diluted as shown in the below table (in the case of options, only if the options are exercised). There is a risk that:
  - (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Meeting; and
  - (ii) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date,

which may have an effect on the quantum of funds raised by the issue of the equity securities.

The table below shows the dilution of existing shareholders on the basis of the current market price of the Company's ordinary shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of the Notice. The table also shows:

- Two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example, a pro-rata entitlements issue or scrip issued under a



takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future shareholders' meeting.

- Two examples of where the price of ordinary securities has decreased by 50% and increased by 50% as against the closing price of the Company's shares on 13 October 2017.

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		\$0.029 50% Decrease in Deemed Price	\$0.058 Deemed Price	\$0.087 50% Increase in Deemed Price
Current Variable A  563,638,021 shares	10% Voting Dilution	56,363,802 shares	56,363,802 shares	56,363,802 shares
	Funds raised	\$1,634,550	\$3,269,100	\$4,903,650
50% increase in current Variable A  845,457,032 shares	10% Voting Dilution	84,545,703 shares	84,545,703 shares	84,545,703 shares
	Funds raised	\$2,451,826	\$4,903,650	\$7,355,476
100% increase in current Variable A  1,127,276,042 shares	10% Voting Dilution	112,727,604 shares	112,727,604 shares	112,727,604 shares
	Funds raised	\$3,269,100	\$6,538,201	\$9,807,301

**The table above has been prepared on the following assumptions:**

- The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting.
- No options are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A.
- The table does not demonstrate an example of dilution that may be caused to a particular Shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting.
- The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule".
- The price of ordinary securities is deemed for the purposes of the table above to be \$0.58, being the closing price of the Company's listed securities on ASX on 13 October 2017 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 25% discount to market that the securities may be placed at.
- The table does not take into account the issue of any securities for which shareholder approval is being sought at the Meeting.
- The table does not demonstrate the effect of listed options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.

The Company may seek to issue the equity securities for the following purposes:

- Non-cash consideration including in connection with joint venture arrangements or agreements, payment of contractors or consultants or in connection with the acquisition of new projects (although the Company presently has no proposal to do so). In such circumstances, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.
- Cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing existing Company projects, the acquisition of new projects and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- the effect of the issue of the equity securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

The Company has not previously obtained shareholder approval under ASX Listing Rule 7.1A and therefore no issues of securities have previously been made under ASX Listing Rule 7.1A.

A voting exclusion statement is included in the Notice to which this Memorandum relates. At the date of that Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The directors of the Company unanimously recommend shareholders vote in favour of Resolution 8.

**Note:** unless otherwise specified, all monetary amounts are in Australia dollars.

**Annexure A**  
**Summary of Covata Limited Loan Share Plan ("Plan")**

Set out below is a summary of the terms and conditions of the Plan:

- (a) **Eligibility:** Participants in the Plan may be salaried employees or executive directors of the Company or any of its subsidiaries (**Employee Participants**).
- (b) **Administration of Plan:** The Board, or a duly appointed committee of the Board, is responsible for the operation of the Plan.
- (c) **Invitations:** The Board of Directors may issue an invitation to the Employee Participant to participate in the Plan. The invitation will:
  - (i) invite applications for the number of Plan Shares specified in the invitation;
  - (ii) specify the date of issue of the Plan Shares;
  - (iii) specify the issue price for the Plan Shares;
  - (iv) invite applications for a loan up to the amount payable in respect of the Plan Shares accepted by the Employee Participant in accordance with the invitation;
  - (v) any vesting conditions applicable to the Plan Shares; and
  - (vi) specify any other terms and conditions attaching to the Plan Shares.

The number of Plan Shares will be determined at the absolute discretion of the Board.

- (d) **Employee Loan:** An Employee Participant who is invited to subscribe for Plan Shares may also be invited to apply for a loan up to the amount payable in respect of the Plan Shares accepted by the Employee Participant (**Employee Loan**), on the following terms:
  - (i) the Employee Loan must be made solely to the Employee Participant and in the name of that Employee Participant;
  - (ii) the Employee Loan will be interest free;
  - (ii) the Employee Loan will be limited-recourse, the effect of which is that if all of the Shares issued in respect of the Employee Loan are sold by the Company on behalf of the Employee Participant, the Employee Participant's liability is discharged regardless of the sale price;
  - (iii) the Employee Loan made available to an Employee Participant shall be applied by the Company directly toward payment of the issue price of the Plan Shares;
  - (v) the Employee Loan must be repaid on the earlier to occur of:
    - (A) a Liquidity Event (defined below) occurring;
    - (B) the date on which the Plan Shares have been compulsorily divested in accordance with the Plan rules; and
    - (C) the date on which an Employee Participant disposes of, or attempts to dispose of, the Plan Shares;

- (vi) an Employee Participant may elect to repay the Employee Loan amount in respect of any or all of the Plan Shares at any time prior to expiry of the term of the Employee Loan;
  - (vii) any fees, charges and stamp duty payable in respect of an Employee Loan will be payable by the Employee Participant;
  - (viii) the Company shall have security over the Plan Shares in respect of which an Employee Loan is outstanding and the company shall be entitled to sell those Plan Shares in accordance with the terms of the Share Plan; and
  - (ix) Plan Shares will not be tradeable by an Employee Participant until the Employee Loan amount in respect of those Plan Shares has been repaid and the Company will retain the share certificate in respect of such Plan Shares until the Employee Loan has been repaid.
- (e) **Divestment of Plan Shares:** If, prior to repayment of an Employee Loan by an Employee Participant, the Employee Participant:
- (i) ceases employment with the Company as a result of the Employee Participant's termination without notice, resignation, gross negligence or serious and willful misconduct (**Bad Leaver**), does not satisfy any relevant vesting conditions, acts fraudulently or dishonestly, becomes insolvent or fails to repay the Employee Loan on the due date for repayment,
    - (A) the Employee Participant will retain all vested Plan Shares;  
and
    - (B) all of the unvested Plan Shares will be compulsorily divested on a date determined by the Board;
  - (ii) ceases employment with the Company and is not a Bad Leaver (or the Board considers that the Employee Participant should not be treated as a Bad Leaver):
    - (A) the Employee Participant will retain all vested Plan Shares;  
and
    - (B) all of the Employee Participant's Plan Shares will be compulsorily divested on a date determined by the Board, unless the Board provides express written consent that the Employee Participant may retain any or all of such unvested Plan Shares.
- (f) **Liquidity Event:** If a change of control occurs (**Liquidity Event**), or the Board determines such event is likely to occur:
- (i) the Board may in its absolute discretion determine the manner in which any or all of the Employee Participant's Plan Shares (whether vested or unvested) will be dealt with which may include, without limitation, in a manner that allows the Employee Participant to participate in and/or benefit from any transaction arising from or in connection with the Liquidity Event and/or the re-designation of any or all of the Employee Participant's Plan Shares; and
  - (ii) if required, the Employee Participant must do and procure all things the Board considers necessary or appropriate to facilitate the variation of the rights of

their Plan Shares such that, following such variation, they are ordinary shares in the capital of the Company.

- (g) **Restriction on transfer:** Employee Participants may not sell or otherwise deal with a Plan Share until the Employee Loan amount in respect of that Plan Share has been repaid and until the expiry of the qualifying period in respect of the Plan Shares, if any, that may be imposed by the Board and set out in the invitation.
- (h) **Voting of Plan Shares:** Employee Participants grant to the Company an irrevocable power of attorney pursuant to which it appoints the Company Secretary as its proxy to vote the Plan Shares at its discretion;
- (i) **Rights attaching to Plan Shares:** Plan Shares will rank equally in all respects (other than with respect to any restrictions on transfer specified above or otherwise imposed by the Board) with other Shares on issue.



#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

☎ **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:30am AEDT on Monday 20 November 2017.**

### 🖥️ TO VOTE ONLINE

- STEP 1: VISIT** [www.votingonline.com.au/covataagm2017](http://www.votingonline.com.au/covataagm2017)
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** Where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** To sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** This form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy Forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:30am AEDT on Monday 20 November 2017**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxy Forms may be lodged using the enclosed Reply Paid Envelope or:**

💻 **Online** [www.votingonline.com.au/covataagm2017](http://www.votingonline.com.au/covataagm2017)

☎ **By Fax** +61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM****STEP 1 APPOINT A PROXY**

I/We being a member/s of **Covata Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Adina Apartment Hotel, 55 Shelley St, King Street Wharf, Sydney NSW 2000 on Wednesday, 22 November 2017 at 10:30am AEDT in the Spinnaker Room** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting is authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 3, 7a and 7b, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1, 3, 7a and 7b are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1, 3, 7a and 7b). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
<b>Res 1</b>	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 4</b>	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2a</b>	Re-election of Mr. Bill McCluggage as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 5</b>	Approval for Issue of Milestone One Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2b</b>	Election of Mr. David Irvine as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 6</b>	Approval for Issue of Milestone Two Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2c</b>	Election of Mr. Lindsay Tanner as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 7a</b>	Issue of Loan Plan Shares to a Director – Mr. Edward (Ted) Pretty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2d</b>	Election of Mr. Edward (Ted) Pretty as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 7b</b>	Issue of Loan Plan Shares to a Director – Mr. Edward (Ted) Pretty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 3</b>	Adoption of Loan Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 8</b>	Approval of Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SECURITYHOLDERS**

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017