NARACOOTA
Resources Ltd

20 November 2015

Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

DISPATCH OF NOTICE OF MEETING

Naracoota Resources Limited (**Naracoota**) (**Company**) is pleased to advise that it has today dispatched a Notice of Meeting to shareholders to approve the acquisition of Alcidion Corporation Pty Ltd (**Alcidion**).

Shareholders of the Company will meet 21 December 2015 at Suite 9, 330 Churchill Avenue Subiaco WA 6008 to consider the acquisition of Alcidion.

Please find enclosed a copy of the Notice of Meeting dispatched to shareholders.

For, and on behalf of, the Board of Directors,

Josh Puckridge

Josh Puckridge
Director
Naracoota Resources Limited
+61 (0) 452 440 100

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NARACOOTA RESOURCES LIMITED
ACN 143 142 410
(to be renamed "Alcidion Group Limited")

NOTICE OF GENERAL MEETING

For the General Meeting of the Company to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia 6008 on Monday, 21 December 2015 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 6489 1600.

NARACOOTA RESOURCES LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Naracoota Resources Limited will be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia 6008 on Monday, 21 December 2015 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 19 December 2015 at 5:00pm (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 Alcidion 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 Chairperson 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 - Approval of Issue of Securities to Prof. Malcolm Pradhan

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 item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the allotment and issue to Prof. Malcolm Pradhan (or his nominee) of:

(a) 139,861,782 Shares and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in those Shares;

(b) 46,620,594 Class A Contingent Share Rights and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in 46,620,594 Shares upon the conversion of those Class A Contingent Share Rights; and

(b) 46,620,594 Class B Contingent Share Rights and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in 46,620,594 Shares upon the conversion of those Class B Contingent Share Rights,

*(together the **Pradhan Securities**) as part consideration for the Alcidion Acquisition, on the terms and conditions detailed in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Prof. Malcolm Pradhan (and any of his associates) and any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that 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 Chairperson 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.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report, prepared by BDO Corporate Finance (WA) Pty Ltd, accompanying the Explanatory Memorandum (refer to Schedule 7). The Independent Expert's Report comments on the fairness and reasonableness to the non-associated Shareholders of the issue of the Vendor Securities in consideration for the Alcidion Acquisition. The Independent Expert has concluded that the Alcidion Acquisition is fair and reasonable to the Shareholders.

3. Resolution 3 - Approval of Issue of Securities to Remaining 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 Remaining Vendors (or their respective nominees) of an aggregate total of:

(a) 260,138,218 Shares;

(b) 86,712,739 Class A Contingent Share Rights; and

(b) 86,712,739 Class B Contingent Share Rights,

*(together the **Remaining Vendor Securities**) as part consideration for the Alcidion 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 Remaining 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 that 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 Chairperson 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.

4. Resolution 4 - 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 64,516,129 Shares each at an issue price of $0.031 to raise approximately $2,000,000 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 Chairperson 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 Director's Participation in Capital Raising

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 Nathan Buzza (or his nominee) to participate in the Capital Raising to the extent of up to 6,451,612 Shares each at an issue price of $0.031 on the terms and conditions detailed in the Explanatory Memorandum.

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Nathan Buzza (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 Chairperson 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 Issue of Securities to Beacon Capital Pty Ltd

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 Beacon Capital Pty Ltd (or its nominees) of:

(a) 11,827,957 Class A Contingent Share Rights; and

(b) 15,053,763 Class B Contingent Share Rights,

on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Beacon Capital Pty Ltd 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 Chairperson 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 - Appointment of Mr Nathan Buzza 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 6.2(c) of the Constitution, and with effect from Completion, Mr Nathan Buzza be appointed as a Director.*"

8. Resolution 8 - Appointment of Mr Raymond Blight 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 6.2(c) of the Constitution, and with effect from Completion, Mr Raymond Blight be appointed as a Director.*"

9. Resolution 9 - Appointment of Prof. Malcolm Pradhan 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 6.2(c) of the Constitution, and with effect from Completion, Prof. Malcolm Pradhan be appointed as a Director.*"

10. Resolution 10 - Appointment of Mr Nicholas Dignam 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 6.2(c) of the Constitution, and with effect from Completion, Mr Nicholas Dignam be appointed as a Director.*"

11. Resolution 11 - 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 "Alcidion Group Limited" on the terms and conditions detailed in the Explanatory Memorandum."

BY ORDER OF THE BOARD

Mr Josh Puckridge
Director

20 November 2015

NARACOOTA 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 Suite 9, 330 Churchill Avenue, Subiaco, Western Australia 6008 on Monday, 21 December 2015 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 Alcidion Acquisition and Change of Nature and Scale of Activities
Section 4:	Resolution 1 – Change to Nature and Scale of Activities
Section 5:	Resolution 2 – Approval of Issue of Securities to Prof. Malcolm Pradhan
Section 6:	Resolution 3 – Approval of Issue of Securities to Remaining Vendors
Section 7:	Resolution 4 – Approval of Issue of Capital Raising Shares
Section 8:	Resolution 5 – Approval of Director's Participation in Capital Raising
Section 9:	Resolution 6 – Approval of Issue of Securities to Beacon Capital Pty Ltd
Section 10:	Resolutions 7 to 10 (inclusive) – Appointment of Directors
Section 11:	Resolution 11 – Approval of Change of Name
Schedule 1:	Definitions and Interpretation
Schedule 2:	Vendors and Vendor 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:	Independent Expert's Report
Schedule 8:	Terms and Conditions of Class A Contingent Share Rights
Schedule 9:	Terms and Conditions of Class B Contingent Share Rights

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) post to Suite 9, 330 Churchill Street, Subiaco WA 6008, Australia; or

(b) facsimile on +61 8 6489 1601,

so that it is received not later than 10:00am (WST) on 19 December 2015. 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 corporate's 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 Alcidion 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: NRR) since 24 June 2011. The Company's principal activities are gold and copper exploration in Western Australia.

In May 2013 the Company divested its Horseshoe Range Project and part of its Fraser Range Project, retaining P52/1213 of the Fraser Range Project. Since then, the Company has been actively pursuing investment opportunities in Australia and overseas, with a view to creating Shareholder value. The opportunities have not been limited to the mineral exploration sector.

3.2 Acquisition of Alcidion Corporation Pty Ltd

On 18 August 2015, the Company announced it had entered into a binding term sheet (**Term Sheet**) with Alcidion Corporation Pty Ltd ACN 093 148 488 (**Alcidion**), Prof. Malcolm Pradhan and Mr Raymond Blight pursuant to which the Company agreed to acquire the entire issued share capital of Alcidion (**Alcidion Acquisition**).

On 17 November 2015, the Company and Alcidion entered into a share purchase agreement with the Long Form Sale Agreement Parties, comprising Professor Pradhan, Mr Blight, Allure Capital and Blue Sky, to effect the Alcidion Acquisition (**Long Form Sale Agreement**). For a summary of the terms of the Alcidion Acquisition and the Long Form Sale Agreement, refer to Section 3.5.

3.3 Information on Alcidion

<u>**Overview of Alcidion**</u>

Alcidion, incorporated in June 2000, is a leading provider of intelligent informatics for high performance healthcare. Alcidion empowers clinicians with decision support tools to ensure the highest quality of care for their patients. By providing clinicians with decision support tools and making recommendations about patient care, patient flow and patient safety, organisational efficiency may be optimised and key clinical risks eliminated.

Alcidion is focused on anticipating the needs of the healthcare industry and is focused on accelerating the commercialization of its innovative technologies that help create a healthier tomorrow, today.

Alcidion's Group Structure

Alcidion is private company with 15 private shareholders and 1 institutional shareholder.

Alcidion's Products

Alcidion's products target key problems for emergency rooms, inpatient services and outpatient departments and are built upon a next generation health informatics platform, which incorporates intelligent electronic medical records (**EMR**), clinical decision support engine and electronic smartforms.

Alcidion's Miya product suite currently comprises:

(a) **"Miya Flow":** Powerful, point of care, mobile, patient flow software that provides informatics support to the care team in real time and can be structured to provide best practice guidance. Patient journey status across the hospital's services is tracked and displayed on browser workstations and large digital display journeys, which are faster and safer than conventional manual processes (in avoiding human error). Further, the management of hospital bed stock is enhanced by being informed of real-time patient clinical needs;

(b) **"Miya ED":** Provides a set of clinical dashboards and whiteboards allowing emergency departments to have a dedicated display for risk management by augmenting existing emergency department information systems. "Miya ED" highlights key clinical risks, activates best practice guidance for common problems and detects high risk lab results, for clinical management, even for those results that arrive after the patient has been discharged;

(c) **"Miya Clinic":** An outpatient department solution, focused on supporting clinicians in faster and safer processing of patients, with higher service levels and a focus on bringing attendances to a safer conclusion;

(d) **"Miya iCVIS":** An intelligent cardiovascular information system, developed as a product within the FujiFilm Australia product range; a solution for more efficient and effective processing of cardiology patients; and

(e) **"Miya Orders":** A system which guides the ordering of expensive emergency department pathology tests in accordance with best practice ordering clinical guidelines promulgated by the Australian College of Pathologists and Australian College of Emergency Medicine.

Overview of Customers and Revenue

Alcidion’s typical clients are currently Australian and New Zealand based healthcare providers and departments such as public hospitals and medical centres.

Currently, Alcidion has 10 unique clients. An overview of Alcidion's contracted revenue for the financial year ended 30 June 2015 is set out below:

Client	Contracted Revenue FY15
Client 1	$0.7m
Client 1	$0.19m
Client 1	$0.15m
Client 1	$0.06m
Client 1	$0.16m
Client 2	$1.13m
Client 2	$0.35m
Client 2	$0.44m
Client 3	$0.19m
Client 3	$0.53m
Client 3	$0.1m
Client 3	$0.03m
Client 4	$0.01m
Client 5	$0.09m
Client 6	$0.25m
Client 7	$0.03m
Client 8	$0.04m
Client 9	$0.2m
Client 10	$0.21m
Total	**$4.84m**

Overview of business model and growth strategy

Business Model

The core of Alcidion's business model is to create intellectual property in the form of Clinical Decision Support System (**CDSS**) software, developed to improve the quality of care for all patients and to dramatically improve the productivity of clinicians and care teams. Alcidion's software is bundled with other technologies and services to create complete clinical and business solutions for healthcare providers. Succinctly, Alcidion designs, delivers, installs. runs and supports solutions for healthcare provider organisations around Australia and New Zealand.

This top-down business model flow sees various revenue streams from the initial pilot design of a client's CDSS systems, the installation of such systems and the ongoing servicing and maintenance of these systems.

Alcidion receives revenue from the following revenue streams:

(a) system design fees;

(b) system installation fees;

(c) servicing and maintenance fees; and

(d) consulting fees relating to bespoke consulting to clients.

Alcidion develops and licenses its IP (its system architecture, application software, executable and referential knowledge, data and algorithms) to clients where standard license terms are perpetual—providing clients permanent rights to use the software purchased. This approach contrasts with the approach of many competitors that typically focus on selling "upgrades" to clients. Alcidion believes this difference yields sustainable, positive, long term client relationships.

Growth Opportunities

Whilst growth domestically is still an objective, there is a unprecedented opportunity for growth in the United States of America (**US**). The US has the highest per capita healthcare costs in the world but still has lower life expectancy and higher infant mortality rates than other developed nations. It is estimated that over 30% of US health expenditure is wasted. As a result, it is not surprising that regulatory reforms are driving change in the US healthcare sector. The "payers', as a major source of healthcare funding, are highly motivated to reduce waste in the system. Healthcare software can help address many areas of waste.

The United States market is the primary target market for Alcidion and a concerted effort is planned to prepare the company for US market entry as quickly as possible.

The United States was identified as a core strategic target on the following basis:

(a) highest GDP expenditure on health in the world at 17.9% (versus 9.4% in Australia).

(b) largest volume of Acute Care Hospitals in the English speaking world.

(c) as a result of high labour costs, CDSSs yield the strongest return on investment.

(d) requirements to meet the criteria of “Meaningful Use” to receive incentives by the US Federal Government to encourage the adoption of Electronic Health Records (**EHR**).

Industry and Market Overview

The market for CDSS solutions is competitive, rapidly evolving and subject to rapid technological change. Alcidion’s principal competitors include: Allscripts, Cerner, Core Medical Systems, Epic, GE Healthcare Technologies, Health IQ, Computer Sciences Corporation (iSoft), McKesson and Orion Healthcare, each of which offers a suite of software solutions that compete with many of Alcidion's software solutions and services.

The pace of change in the CDSS market is rapid. The Company believes that Alcidion's principal competitive factors in this market include the breadth and quality of its solution and service offerings, the features and capabilities of the information systems, the availability of ongoing support for the Alcidion systems and the adoption of Alcidion's smartforms technology at the point of care.

Patient Flow Management Solutions Market

A 2015 report on the global patient flow management solutions market has estimated the market is currently valued at US$251 million and is likely to grow at an annual rate over the next five years of 22% in most geographical markets to reach US$678 million by 2019. This market is one which has developed recently. In 2012, Capsite, a leading US healthcare technology and consulting organisation with a substantial database of healthcare providers and vendors, undertook a survey of over 420 organisations in the US and found that 31% of US hospitals indicated their intention to purchase patient flow solutions.

Clinical Decision Support Systems Market

Currently, the term "clinical decision support systems" or "CDSS" covers a wide range of systems and the development of an effective CDSS is seen as a *panacea* for many problems associated with the healthcare industry.

The global CDSS market is estimated to be worth approximately US$550 million by 2018 and between 2013 and 2018 it will grow at an annual rate of 10%.

3.4 Consideration

The consideration payable by the Company for the Alcidion Acquisition is the issue of an aggregate total of:

(a) 400,000,000 Shares;

(b) 133,333,333 Class A Contingent Share Rights; and

(c) 133,333,333 Class B Contingent Share Rights,

(the **Vendor Securities**) to the Vendors in the proportions detailed in Schedule 2. The Vendor Securities comprise:

(a) 139,861,782 Shares, 46,620,594 Class A Contingent Share Rights and 46,620,594 Class B Contingent Share Rights to be issued to Prof. Malcolm Pradhan (or his nominee) (being the Pradhan Securities the subject of Resolution 2); and

(b) 260,138,218 Shares, 86,712,739 Class A Contingent Share Rights and 86,712,739 Class B Contingent Share Rights to be issued to each of the remaining shareholders of Alcidion (each being a **Remaining Vendor** as detailed in Schedule 2) (or their respective nominees) (being the Remaining Vendor Securities the subject of Resolution 3);

3.5 Summary of Alcidion Acquisition and Sale Agreements

The formal agreements to effect the Alcidion Acquisition comprise:

(a) the Long Form Sale Agreement; and

(b) the Short Form Sale Agreements,

(together, the **Sale Agreements**)

On 17 November 2015, the Company and Alcidion entered into the Long Form Sale Agreement with the Long Form Sale Agreement Parties, pursuant to which the Company will acquire the Alcidion shares held by the Long Form Sale Agreement Parties. Between them, the Long Form Sale Agreement Parties hold 12,271,219 shares in Alcidion, being 90.53% of the issued capital of Alcidion.

Prior to Completion, the Company will enter into Short Form Sale Agreement with each Remaining Vendor who is not a Long Form Sale Agreement Party, to effect the acquisition of the remaining 1,283,813 shares in Alcidion, being 9.47% of the issued capital of Alcidion.

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

Long Form Sale Agreement

(a) Completion of the Long Form Sale Agreement and the Alcidion Acquisition is subject to and conditional upon among other things:

    (i) BDO opining that the issue of the Pradhan Securities to Prof. Malcolm Pradhan is reasonable to Shareholders not related to Prof. Pradhan (refer to Sections 3.16 and Schedule 7);

    (ii) Alcidion providing the Company with management accounts for the period ended 31 December 2015;

    (iii) Shareholders approving the Acquisition Resolutions;

    (iv) completion of the Capital Raising (refer to Sections 3.6, 7 and 8);

    (v) the Company obtaining all necessary regulatory approvals and third party consents required to complete the Alcidion Acquisition, including re-complying with Chapters 1 and 2 of the Listing Rules, on terms which the Company considers are capable of satisfaction; and

    (vi) no Material Adverse Effect having occurred in relation to Alcidion between the date of the Sale Agreement and Completion,

(together, the **Conditions**).

(b) Prior to Completion, Alcidion may approve a capital reduction to permit a return of capital to certain Alcidion shareholders of an aggregate amount of up to $400,000 (**Capital Reduction**).

(c) At Completion, Mr Tom Bahen and Mr Gavin Wates will resign as Directors. Pursuant to the Long Form Sale Agreement, the Vendors have nominated that Professor Pradhan, Mr Blight, Mr Buzza and Mr Nicholas Dignam be appointed as Directors. Further details regarding the qualification and experience of the Proposed Directors is set out in Section 3.7.

(d) The Long Form Sale Agreement Parties have warranted to the Company that, at Completion:

(i) Alcidion's cash and cash equivalents will be equal to or exceed $1.75 million (**Target Cash**) (**Target Cash Warranty**); and

(ii) Alcidion's working capital will be equal to or exceed $1.5 million (**Target Working Capital**) (**Target Working Capital Warranty**),

and, to the extent that extent that the Target Cash Warranty and/or the Target Working Capital Warranty are not true, and the funds set aside for the Capital Reduction are insufficient to satisfy any deficiency in Target Cash and/or Target Working Capital, the Long Form Sale Agreement Parties have agreed to indemnify the Company, on a several basis, in respect of any such deficiency.

(e) The Company and each of the Long Form Sale Agreement Parties have provided other warranties, covenants and indemnities, which are customary for a transaction of this nature.

(f) The Long Form Sale Agreement Parties have agreed to procure that each Remaining Vendor, who is not a Sale Agreement Party, enters into a short form sale agreement to effect the transfer of all Alcidion shares not held by the Long Form Sale Agreement Parties (**Short Form Sale Agreement**).

(g) The Long Form Sale Agreement Parties have acknowledged that some or all of the Vendor 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.

(h) The Sale Agreement may be terminated by the Company and the Long Form Sale Agreement Parties:

(i) by agreement in writing; or

(ii) where the Conditions have not been satisfied by the End Date.

(i) Either the Company or the Long Form Sale Agreement Parties (**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 Sale 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.

(j) The Long Form Sale Agreement may be terminated by the Company if:

(i) any material breach of the warranties given by the Long Form Sale Agreement Parties 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 Alcidion.

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 Alcidion shares held by it.

Pursuant to each Short Form Sale Agreement, each of the Vendors who is not a Long Form Sale Agreement Party acknowledges that some or all of the Vendor 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 Alcidion shares under the Long Form Sale Agreement and Short Form Sale Agreements is interdependent and will occur contemporaneously.

3.6 Capital Raising

The Company is proposing to raise approximately $2,000,000 (before costs) through the offer of 64,516,129 Shares at an issue price of $0.031 per Share (**Capital Raising**) for the purposes of:

(a) the development of the business of Alcidion;

(b) satisfying the expenses associated with the Alcidion Acquisition and the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules (refer to Section 4);

(c) providing the Company with additional working capital; and

(d) pursuing business development opportunities in the US.

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**) and will have a minimum subscription of $2,000,000.

Refer to Sections 7 and 8 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 Nathan Buzza, Raymond Blight, Malcolm Pradhan and Nicholas Dignam will be appointed as Directors, effective from Completion. Pursuant to the Long Form Sale Agreement, from Completion:

(a) Mr Buzza will be appointed as Executive Vice-President of Sales and Marketing;

(b) Mr Blight will be appointed as Chief Executive Officer and Chairman;

(c) Prof. Pradhan will be appointed as Chief Medical Officer; and

(d) Mr Nicholas Dignam will be appointed as a Non-Executive Director.

On Completion, Messrs Tom Bahen and Gavin Wates will resign as Directors. Mr Josh Puckridge will continue to act as a Director.

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

Mr Nathan Buzza

Mr Buzza is recognised as a technology pioneer in the evolution and implementation of specialised medical technology. Having founded Clinical Middleware provider CommtechWireless in 1992, Mr Buzza grew his business into a successful multinational deploying the technology across 8,000 locations worldwide. Mr Buzza's accomplishments were recognised by Ernst & Young, where Mr Buzza was awarded the "Entrepreneur of the Year" as well as the WA IT & Telecommunications Life Time achievement Award for contribution to the IT community.

Refer to Schedule 3 for further details of the terms and conditions on which Mr Buzza has agreed to act as Director and Executive Vice-President of Sales and Marketing.

Mr Raymond Blight B.Tech, B.Ec, MBM, FIE (Aust), FAICD

Mr Blight is a co-founder and Chief Executive Officer of Alcidion. He brings a wealth of experience and knowledge to Alcidion, including the role of the Chief Executive and Chairman of the South Australian Health Ministries' Advisory Council. Mr Blight's qualifications include the awards of Bachelor of Technology (Electronics), Bachelor of Economics and Masters of Business. Mr Blight currently chairs the University of South Australia Information Technology and Mathematical Sciences Advisory Board.

Refer to Schedule 3 for further details of the terms and conditions on which Mr Blight has agreed to act as Director and Chief Executive Officer.

Prof. Malcolm Pradhan MBBS, PhD FACHI

Prof. Pradhan's broad knowledge and vision of the path to a high performance healthcare system are complimented by formal qualifications of an MBBS from University of Adelaide and a PhD in Medical Informatics from Stanford University. Prof. Pradhan was awarded the title of Adjunct Professor at the University of South Australia, and performs a leadership role within the University of South Australia's academic organisation as an educator and a researcher.

Refer to Schedule 3 for further details of the terms and conditions on which Prof. Pradhan has agreed to act as Director and Chief Medical Officer.

Mr Nicholas Dignam BCom, LLB

Nick Dignam is an Investment Director at Blue Sky Funds and is responsible for originating new investment opportunities, working with portfolio companies to deliver growth and managing exit processes. Nick has more than ten years' experience working in private equity and corporate finance roles. Nick is currently a Non-Executive Director representing Blue Sky on the Boards of HPS, the largest outsourced hospital pharmacy services business in Australia; Wild Breads, a leading producer of artisan breads; and GM Hotels, a portfolio of ten hotels in South Australia.

Prior to joining Blue Sky Funds, Nick spent six years with Catalyst Investment Managers, a Sydney based mid-market private equity firm. During this period, Nick worked across a broad range of sectors including consumer goods, retail, e-commerce, mining services and trade distribution. During his time at Catalyst, Nick was a Non-Executive Director of EziBuy, the largest online apparel retailer in Australia and New Zealand; and Morris Corporation, a provider of industrial catering services to the resources sector.

Before Catalyst, Nick spent three years with Ernst & Young in the mergers and acquisitions group.

Nick holds a Bachelor of Commerce and a Bachelor of Laws from the University of Queensland, and a Masters of Applied Finance from Queensland University of Technology.

3.8 Capital Structure

If all of the Acquisition Resolutions are passed, upon Completion (and the issue of the additional Securities the subject of Resolution 6), the proposed capital structure of the Company will be as follows:

	Number of Shares	Number of Options	Number of Contingent Share Rights
Balance at the date of the Meeting	138,263,829	5,500,000[2]	Nil
To be issued pursuant to the Alcidion Acquisition	400,000,000[1]	Nil	266,666,666[3]
To be issued pursuant to the Capital Raising	64,516,129	Nil	Nil
To be issued to Beacon Capital Pty Ltd	Nil	Nil	26,881,053[4]
Total	**602,779,958**	**5,500,000[2]**	**293,548,386**

Notes:

(1) *Comprises 139,861,782 Shares to be issued to Prof. Malcolm Pradhan (or his nominees) and 260,138,218 Shares to be issued to the Remaining Vendors. Refer to Sections 3.4, 4 and 5.*

(2) *Comprises 5,500,000 unlisted Options with exercise prices ranging from $0.075 to $0.30 and expiry dates between 2 August 2016 and 23 August 2017.*

(3) *Comprises 133,333,333 Class A Contingent Share Rights and 133,333,333 Class B Contingent Share Rights to be issued to the Vendors in the proportions detailed in Schedule 2.*

(4) *Comprises 11,827,957 Class A Contingent Share Rights and 15,053,763 Class B Contingent Share Rights to be issued to Beacon Capital Pty Ltd (the subject of Resolution 6). Refer to Section 9.*

3.9 Effect of the Alcidion Acquisition and Capital Raising on control and Substantial Shareholdings

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

Name	Number of Shares	Percentage of Shares
Konkera Pty Ltd <Konkera Family Trust>	7,800,000	5.64%

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	Percentage of Shares
Prof. Malcolm Pradhan	139,861,782	23.20%
Mr Raymond Blight	98,548,711	16.35%
Blue Sky	90,863,812	15.07%
Allure Capital	32,841,225	5.45%

3.10 Pro-forma Financial Position of the Company

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

3.11 Proposed Budget

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

3.12 Advantages of the Alcidion 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 healthcare industry:** The Alcidion Acquisition provides Shareholders with exposure to an established, operating and growing healthcare technology business and a highly regarded executive management team (refer to Section 3.6), with a strong track record of growing healthcare businesses globally, which will place the Company in a strong competitive position and offer the Company an opportunity to take advantage of the global need for increased operational efficiencies in healthcare;

(b) **Independent Expert's Report:** The Independent Expert has concluded that the Alcidion Acquisition is fair and reasonable to the Shareholders;

(c) **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 Alcidion Acquisition and changing the nature and scale of the Company's activities to focus on the healthcare technology industry rather than remaining a junior mineral explorer;

(d) **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

(e) **no cash payment for an existing growing business**: The consideration for the Alcidion Acquisition will be entirely in the form of Shares, Class A Contingent Share Rights and Class B Contingent Share Rights (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 Alcidion's business.

3.13 Disadvantages of the Alcidion 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 healthcare technology sector, which may not be consistent with the investment objectives of some Shareholders;

(b) **issue of Securities pursuant to the Alcidion Acquisition and Capital Raising will dilute existing Shareholders' voting rights:** The issue of Securities pursuant to the Alcidion Acquisition and the Capital Raising will have a dilutionary effect on the current voting rights of Shareholders. Further, Prof. Malcolm Pradhan will become the largest Shareholder (refer to Sections 3.9 and 5 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 risk factors**: There are many risk factors associated with the change to the nature and scale of the Company's activities and attributable to business and operations of Alcidion (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.

3.14 Risk Factors

Shareholders should be aware that if Shareholders approve all of the Acquisition Resolutions and the Alcidion Acquisition is completed, the Company will be changing the nature and scale of its activities which will result in it being subject to various risk factors (in addition to those that are presently applicable). These risks are both specific to the industry in which Alcidion 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 risk factors is detailed in Schedule 6.

3.15 Plans for the Company if the Alcidion Acquisition is not completed

If the Company does not complete the Alcidion Acquisition, it will continue with its current business activities and will investigate, and as required, undertake due diligence on, new opportunities to complement its existing business. In addition, if the Alcidion 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.

3.16 Independent Expert's Report

The Company appointed BDO Corporate Finance (WA) Pty Ltd (**BDO**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the Alcidion Acquisition is fair and reasonable to the existing Shareholders.

The Independent Expert's Report was prepared to satisfy the requirements of item 7 of section 611 of the Corporations Act, an exception to section 606 which expressly prohibits a party (and its associates) acquiring a relevant interest (as defined in the Corporations Act) in more than 20% of the issued share capital of a public company. Prof. Malcolm

Pradhan will acquire a relevant interest in more than 20% of the issued share capital of the Company, if Shareholders approve all of the Acquisition Resolutions and the Alcidion Acquisition is completed.

What is fair and reasonable must be judged by BDO in all the circumstances of the Alcidion Acquisition. This requires taking into account the likely advantages to Shareholders if Shareholders approve all Acquisition Resolutions and the Alcidion Acquisition proceeds and comparing them with the disadvantages to Shareholders if the Alcidion Acquisition does not proceed.

BDO has concluded that the Alcidion Acquisition is both fair and reasonable.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is set out in Schedule 7.

3.17 Current Business

The Company will retain its current mineral exploration interests and asses divestment opportunities, following Completion.

3.18 Indicative Timetable

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

Event	Indicative Date
Despatch of Notice	20 November 2015
Lodgement of Prospectus with ASIC and ASX	10 December 2015
Capital Raising offer opens	17 December 2015
Last day for lodgement of Proxy Form	19 December 2015 at 10:00am (WST)
Suspension of Shares from trading on ASX	21 December 2015
Meeting	21 December 2015
Capital Raising offer closes	23 December 2015
Completion of the Alcidion Acquisition	28 January 2016
Satisfaction of Chapters 1 and 2 of the Listing Rules	4 February 2016
Expected date for reinstatement of the Company's securities to trading on ASX	8 February 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 the Completion as the Alcidion 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 Alcidion 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 Vendor Securities (being both the Pradhan Securities and the Remaining Vendor Securities) and the Contingent Share Rights to be issued to Beacon pursuant to Resolution 6.

The Company is waiting for formal confirmation from ASX as to the escrow restrictions ASX will impose on Securities issued in connection with the Alcidion Acquisition. The Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Securities being reinstated to trading on ASX.

3.20 Directors' Recommendation

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

(a) will give Shareholders the opportunity to benefit from the presented merits (as set out in this Notice) of acquiring Alcidion; 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 Alcidion Acquisition and the Capital Raising to proceed. Resolution 5, relating to the approval of Proposed Director, Nathan Buzza's, participation in the Capital Raising, is not an Acquisition Resolution. 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 Alcidion 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 Alcidion and its business and the likely affect that the Alcidion 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 Alcidion Acquisition.

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

The Chairperson 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 Alcidion 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 Alcidion 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.

ASX has confirmed that:

(a) Listing Rule 11.1.2 does apply in respect of the Alcidion Acquisition and that the Company does need to obtain Shareholder approval to undertake the change of scale and activities arising from the Alcidion Acquisition. The Company has agreed to undertake the Alcidion 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 Alcidion Acquisition and accordingly the Company will need to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. The Company proposes to undertake the Capital Raising (the subject of Resolution 4) to satisfy the requirements of re-compliance.

On the basis 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 be 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 late January or early February 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 Alcidion Acquisition and the likely effect that the Alcidion 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 $0.031 each and that Shareholders approve the issue price (as contemplated by Resolution 4).

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. ASX treats share rights as a nil exercise price option and, accordingly, Listing Rule 1.1 Condition 11 applies to the Contingent Share Rights. The Company has applied for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the exercise price of the Class A Contingent Share Rights and Class B Contingent Share Rights not 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 Shareholders approve the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights (as contemplated by Resolutions 2, 0 and 6).

Further, ASX Guidance Note 12 provides that it 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 (refer to Section 3.8) to increase their exercise price to at least $0.20.

5. Resolution 2 – Approval of Issue of Securities to Prof. Malcolm Pradhan

5.1 General

Resolution 2 seeks Shareholder approval for the Company to issue to Prof. Malcolm Pradhan (or his nominees):

(a) 139,861,782 Shares and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in those Shares;

(b) 46,620,594 Class A Contingent Share Rights and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in 46,620,594 Shares upon the conversion of those Class A Contingent Share Rights; and

(c) 46,620,594 Class B Contingent Share Rights and the acquisition by Prof. Pradhan (or his nominee) of a relevant interest in 46,620,594 Shares upon the conversion of those Class B Contingent Share Rights,

as part consideration for the Alcidion Acquisition and otherwise on the terms and conditions in this Explanatory Memorandum.

Refer to Section 3 for further details regarding the background to Resolution 2.

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

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

5.2 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.

An exception is where the issue is approved by Shareholders in a general meeting pursuant to item 7 of section 611 of the Corporations Act (refer to Listing Rule 7.2 exception 16). If Shareholder approval is obtained pursuant to item 7 of section 611 of the Corporations Act, Shareholder approval is not required under Listing Rule 7.1.

Further, the effect of passing Resolution 2 will be to allow the Directors to issue the Pradhan Securities to Prof. Malcolm Pradhan (or his nominees) without using up the Company's 15% placement capacity under Listing Rule 7.1.

5.3 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 in sections 210 to 216 of the Corporations Act.

Prof. Malcolm Pradhan, a Proposed Director, is a related party of the Company for the purposes of section 208 of the Corporations Act.

The issue of the Pradhan Securities to Prof. Pradhan (or his nominee) constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act.

The Directors have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of the Pradhan Securities to Prof. Pradhan as the exception in section 210 of the Corporations Act applies. The Directors have determined that the Pradhan Securities will be issued to Prof. Pradhan on arms' length terms.

5.4 Section 611 of the Corporations Act

(a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a public company if, because of the acquisition, that person's or another person's voting power in the company increases from:

  (i) 20% or below to more than 20%; or

  (ii) a starting point that is above 20% and below 90%.

(b) The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

(c) Under section 608 of the Corporations Act, a person will have a relevant interest in shares if:

  (i) the person is the registered holder of the shares;

  (ii) the person has the power to exercise or control the exercise of votes or disposal of the shares; or

(iii) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.

(d) For the purpose of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference to associate in Chapters 6 to 6C of the Corporations Act has the meaning give to that term in section 12. A person is only an associate for the purpose of Chapters 6 to 6C if that person is an associate under section 12.

(e) Section 12 of the Corporations Act provides that a person (**first person**) will be an associate of the other person (**second person**) if:

(i) the first person is a body corporate and the second person is:

(A) a body corporate the first person controls;

(B) a body corporate that controls the first person: or

(C) a body corporate that is controlled by an entity that controls the first person;

(ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Board or the conduct of the designated body's affairs; or

(iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the designated body's affairs.

(f) The Corporations Act defines "control" and "relevant agreement" very broadly as follows:

(i) section 50AA of the Corporations Act defines "control" as the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the company's financial or operating policies; and

(ii) section 9 of the Corporations Act defines "relevant agreement" as an agreement, arrangement or understanding:

(A) whether formal or informal or partly informal and partly informal;

(B) whether written or oral or partly written and partly oral; and

(C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.

(g) Associates are determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.

(h) Section 611 of the Corporations Act contains exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:

(i) 20% or below to more than 20%; or

(ii) a starting point that is above 20% and below 90%.

Upon Completion, Prof. Malcolm Pradhan (and his associates) will:

(i) hold 139,861,782 Shares, 46,620,594 Class A Contingent Share Rights and 46,620,594 Class B Contingent Share Rights (refer to Section 3.4 and Schedule 2); and

(j) have a voting power of 23.20% in the Company.

Refer to Section 5.5(b) for further details.

To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 5.5 to Shareholders in relation to Resolution 2.

5.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **The identity of the persons who will have a relevant interest in the Pradhan Securities to be issued.**

The persons who will have a relevant interest in the Pradhan Securities to be issued are as follows:

	Number of Shares	Number of Class A Contingent Rights	Number of Class B Contingent Rights
Prof. Malcolm Pradhan	139,861,782	46,620,594	46,620,594

(b) **Full particulars (including the number and percentage) of Securities in which Prof. Malcolm Pradhan (or his nominees) has or will have a relevant interest immediately before and after Completion.**

As at the date of this Notice, and prior to Completion, Prof. Pradhan does not and will not hold, a relevant interest in Securities.

Assuming Shareholders approve all Acquisition Resolutions, upon Completion Prof. Pradhan (and his associates) will:

(i) hold 139,861,782 Shares, 46,620,594 Class A Contingent Share Rights and 46,620,594 Class B Contingent Share Rights; and

(ii) have a voting power of 23.20% in the Company;

Assuming the applicable milestone for the Class A Contingent Share Rights is satisfied and the Company issues to Prof. Pradhan (or his nominee) 46,620,594 Shares, Prof. Pradhan (and his associates) will have a voting power of:

(i) 24.93% in the Company (assuming all other Class A Contingent Share Rights are converted into Shares, all Options are not exercised and all Class B Contingent Share Rights are not converted into Shares); and

(ii) 24.75% in the Company (assuming all Options are exercised, all other Class A Contingent Share Rights are converted into Shares and all Class B Contingent Share Rights are not converted into Shares).

Assuming the applicable milestone for the Class A Contingent Share Rights is not satisfied but the applicable milestone for the Class B Contingent Share Rights is satisfied and the Company issues to Prof. Pradhan (or his nominee) 46,620,594 Shares, Prof. Pradhan (and his associates) will have a voting power of:

(i) 24.82% in the Company (assuming all other Class A Contingent Share Rights are not converted into Shares, all Options are not exercised and all Class B Contingent Share Rights are converted into Shares); and

(ii) 24.65% in the Company (assuming all Options are exercised, all other Class A Contingent Share Rights are not converted into Shares and all Class B Contingent Share Rights are converted into Shares).

Assuming the applicable milestones for the Class A Contingent Share Rights and Class B Contingent Share Rights are satisfied and the Company issues to Prof. Pradhan (or his nominee) 93,241,188 Shares, Prof. Pradhan (and his associates) will have a voting power:

(i) 26.01% in the Company (assuming all other Class A Contingent Share Rights and all other Class B Contingent Share Rights are converted into Shares and all Options are not exercised); and

(ii) 25.85% in the Company (assuming all other Class A Contingent Share Rights and all other Class B Contingent Share Rights are converted into Shares and all Options are exercised).

The maximum voting power in the Company that Prof. Pradhan (and his associates) will hold after Completion is 26.01%. This represents a maximum increase in voting power of 26.01%.

(c) **The identity, associations (with Prof. Malcolm Pradhan and his associates) and qualifications of any person who is intended to become a Director if Shareholders approve Resolution 2.**

If the Alcidion Acquisition is completed, it is proposed that Prof. Malcolm Pradhan, Mr Raymond Blight, Mr Nathan Buzza and Mr Nicholas Dignam will be appointed as Directors, effective from Completion. Shareholder approval is being sought for these appointments. Refer to Sections 3.7 and 10 and Schedule 3 for further information.

None of Mr Blight, Mr Buzza or Mr Dignam has any association with Prof. Pradhan

(d) **An explanation of the reasons for the proposed issue of the Pradhan Securities to Prof. Malcolm Pradhan (or his nominees).**

The Pradhan Securities are being issued as part of the consideration for the Alcidion Acquisition. Refer to Section 3 for the background to and the advantages and disadvantages of the Alcidion Acquisition.

(e) **When the issue of the Pradhan Securities to Prof. Malcolm Pradhan (or his nominees) is to be made.**

The Pradhan Securities are required to be issued 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) and is expected to occur on or about the end of January 2016.

(f) **Particulars of the terms of the proposed issue of the Pradhan Securities and details of the terms of any other relevant agreement between Prof. Malcolm Pradhan and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholder approval of Resolution 2.**

Refer to Section 3 for details of the Long Form Sale Agreement.

There are no other contracts or proposed contracts between the Company and Prof. Pradhan or his associates which are conditional upon, or directly or indirectly dependent on, the Shareholders' approval of Resolution 2, save for an agreement between the Company and Prof. Pradhan in respect to Prof. Pradhan's engagement as a Director (to be effective upon Completion). Refer to Sections 3.7 and 10 and Schedule 3 for further details of the terms and conditions on which Prof. Pradhan has agreed to act as Director.

(g) **Prof. Malcolm Pradhan's intentions regarding the future of the Company if Shareholders approve Resolution 2.**

Other than as disclosed in this Explanatory Memorandum, Prof. Pradhan has advised the Company that he:

(i) has no current intention to make any significant change to the existing business of the Company;

(ii) has no current intention to inject further capital into the Company;

(iii) intends that the Board and management changes will be in accordance with the information provided in Section 3.7 and otherwise intends to continue to employ the current employees and consultants of the Company;

(iv) does not intend for any property be transferred between the Company and Prof. Pradhan or any person associated with any of them; and

(v) has no current intention to redeploy any of the Company's fixed assets.

(h) **Any intention of Prof. Malcolm Pradhan or his associates to significantly change the Company's financial or dividend policies.**

Prof. Pradhan has advised the Company that he has no current intention to change the Company's financial or dividend policies.

(i) **The interests of the Directors in Resolution 2.**

None of the Directors are associated with Prof. Pradhan and, accordingly, none of the Directors have an interest in Resolution 2. For details relating to Prof. Pradhan's engagement as a Director, refer to Sections 3.7 and 10 and Schedule 3).

(j) **Identity of the Directors who approved or voted against the proposal to put Resolution 2 to Shareholders.**

All of the Directors approved the proposal to put Resolution 2 to Shareholders.

(k) **Recommendation of each Director as to whether Shareholders should approve Resolution 2.**

Refer to Section 3.20.

(l) **An analysis of whether the proposed issue of the Pradhan Securities to Prof. Malcolm Pradhan (or his nominees) is fair and reasonable when considered in the context of the Shareholders other than Prof. Pradhan and his associates.**

The Independent Expert has concluded that the Alcidion Acquisition is fair and reasonable to Shareholders.

Refer to Sections 3.16 and 5.7 and Schedule 7.

5.6 Advantages and Disadvantages of the Alcidion Acquisition

Refer to Sections 3.12 and 3.13 for a non-exhaustive list of advantages and disadvantages the Directors consider may be relevant to a Shareholder's determination on how to vote on Resolution 2. However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 2.

5.7 Independent Expert's Report

The Company has appointed the Independent Expert and commissioned it to prepare the Independent Expert's Report to provide an opinion as to whether or not the Alcidion Acquisition is fair and reasonable to Shareholders.

The Independent Expert has concluded that the Alcidion Acquisition is fair and reasonable to Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which accompanies this Explanatory Memorandum as Schedule 7.

5.8 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, and ASX generally applies Listing Rule 1.1 Condition 11 to share rights as if they were a nil exercise price option. The Company has applied to ASX for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the exercise price of the Class A Contingent Share Rights and Class B Contingent Share Rights not to be at least $0.20. The Company expects that, if ASX grants the waiver, it will be subject to the condition that Shareholders approve the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights (as contemplated by Resolutions 2, 0 and 6).

6. Resolution 3 – Approval of Issue of Securities to Remaining Vendors

6.1 General

Resolution 3 seeks Shareholder approval for the issue of 260,138,218 Shares, 86,712,739 Class A Contingent Share Rights and 86,712,739 Class B Contingent Share Rights to the Remaining Vendors (or their respective nominees), in the proportions set out in Schedule 2 as part consideration for the Alcidion Acquisition. The Remaining Vendor Securities are proposed to be issued on the terms and conditions in this Explanatory Memorandum.

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

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

6.2 Listing Rule 7.1

As noted in Section 5.2, 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 3 will be to allow the Directors to issue the Remaining Vendor Securities (refer to Section 3.4 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.

6.3 Specific Information Required by Listing Rule 7.3

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

(a) A maximum of 260,138,218 Shares, 86,712,739 Class A Contingent Share Rights and 86,712,739 Class B Contingent Share Rights will be issued.

(b) The Remaining Vendor 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 Remaining Vendor Securities will be issued to the Remaining Vendors (in the proportions detailed in Schedule 2) each of whom are neither related parties nor associates of related parties of the Company save for:

  (i) Mr Raymond Blight, a proposed Director; and

  (ii) Allure Capital Pty Ltd, an entity controlled by Mr Nathan Buzza who is also a proposed Director.

(d) The Shares will each be issued for nil cash consideration.

(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) Each Class A Contingent Share Right will be converted into a Share if the Company achieves audited sales revenue of at least $10,000,000 in a period of

12 consecutive months no later than two years from the date on which the Company's securities are reinstated to trading on ASX. Refer to **Error! Reference source not found.** for the full terms and conditions of the Class A Contingent Share Rights. The Shares issued upon the conversion of the Class A Contingent Share Rights will rank equally with and confer rights identical with all other Shares then on issue.

(g) Each Class B Contingent Share Right will be converted into a Share if the Company achieves audited sales revenue of at least $15,000,000 in a period of 12 consecutive months no later than three years from the date on which the Company's securities are reinstated to trading on ASX. Refer to Schedule 9 for the full terms and conditions of the Class B Contingent Share Rights. The Shares issued upon the conversion of the Class B Contingent Share Rights will rank equally with and confer rights identical with all other Shares then on issue.

(h) No funds will be raised from the issue of the Remaining Vendor Securities as they are being issued as part consideration for the Alcidion Acquisition (refer to Section 3.4).

(i) Subject to Section 6.3(b), the allotment and issue of the Remaining Vendor 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).

(j) A voting exclusion statement is included in the Notice.

6.4 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, and ASX generally applies Listing Rule 1.1 Condition 11 to share rights as if they were a nil exercise price option. The Company has applied to ASX for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the exercise price of the Class A Contingent Share Rights and Class B Contingent Share Rights not to be at least $0.20. The Company expects that, if ASX grants the waiver, it will be subject to the condition that Shareholders approve the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights (as contemplated by Resolutions 2, 0 and 6).

7. Resolution 4 – Approval of Issue of Capital Raising Shares

7.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 64,516,129 Shares at an issue price of $0.031 per Share to raise up to approximately $2,000,000 (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 to be raised pursuant to the Capital Raising.

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

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

7.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 6.2 above.

The effect of approving Resolution 4 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.

7.3 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, information is provided as follows:

(a) A maximum of 64,516,129 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 each be issued at a price of $0.031.

(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 Resolution 5).

(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 to:

  (i) develop the business of Alcidion;

  (ii) pay the expenses associated with the Alcidion Acquisition, the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules; and

  (iii) provide additional general working capital; and

  (iv) pursue business development opportunities in the US.

  Refer to Section 3.6 and Schedule 5 for further details.

(g) Subject to Section 7.3(b), the allotment and issue of the Shares may occur progressively.

(h) A voting exclusion statement is included in the Notice.

7.4 Listing Rule Waiver

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 grants the waiver, it will be subject to the condition that the issue price of Shares under the Capital Raising is not less than $0.031 each and that Shareholders approve the issue price (as contemplated by Resolution 4). Refer to Section 4.3 for further details.

8. Resolution 5 – Approval of Director's Participation in Capital Raising

8.1 General

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 10.11 to enable Mr Nathan Buzza (or his nominee) to participate in the Capital Raising on the same terms and conditions as offered to the other investors (retail, professional and sophisticated) under the Capital Raising.

Subject to obtaining the approval of Shareholders, an aggregate of 6,451,612 Shares will be issued to Mr Buzza (or his nominee) under the Capital Raising.

If Shareholders do not approve Resolution 5, Mr Buzza (or his nominee) will not be issued any Shares under the Capital Raising.

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

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

8.2 Section 208 of Corporations Act

A summary of section 208 of the Corporations Act is provided in Section 5.3 above.

Mr Nathan Buzza, a proposed Director, is a related party of the Company for the purposes of section 208 of the Corporations Act.

The issue of Shares to Mr Buzza constitutes the giving of a financial benefit for the purposes of section 208 of the Corporations Act.

The Directors have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of Shares to Mr Buzza under the Capital Raising as the exception in section 210 of the Corporations Act applies. The Directors have determined that the Shares will be issued to Mr Buzza on arms' length terms.

8.3 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.

Mr Nathan Buzza 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 Buzza (or his nominee).

The effect of passing Resolution 5 will be to allow the Company to issue and allot 6,451,612 Shares to Mr Buzza (or his nominee) 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.

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).

8.4 Information required by Listing Rule 10.13

For the purposes of Shareholder approval for the issue of the Shares the subject of Resolution 5 and the requirements of Listing Rule 10.11

(a) The Shares will be issued to Mr Nathan Buzza (or his nominee), a proposed Director.

(b) The maximum number of securities to be issued to Mr Buzza (or his nominee) is 6,451,612 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 $0.031 each. Accordingly, the total amount to be paid by Mr Buzza is $200,000.

(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) All Directors recommend that Shareholders approve Resolution 5 on the basis that the participation of Mr Buzza in the Capital Raising aligns his interests with the Company and will enable the Company to raise additional funding under the Capital Raising.

(g) The funds raised from the issue of the Shares to Mr Buzza, in conjunction with all other funds raised from the Capital Raising, will be utilised by the Company to:

    (i) develop the business of Alcidion;

    (ii) pay the expenses associated with the Alcidion Acquisition, the Capital Raising and re-complying with Chapters 1 and 2 of the Listing Rules;

    (iii) provide additional general working capital; and

    (iv) pursue business development opportunities in the US.

    Refer to Section 3.6 and Schedule 5 for further details.

(h) Subject to 8.4(c), the allotment and issue of the Shares may occur progressively.

(i) A voting exclusion statement is included in the Notice.

9. Resolution 6 – Approval of Issue of Securities to Beacon Capital Pty Ltd

9.1 General

Resolution 6 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 11,827,957 Class A Contingent Share Rights and 15,053,763 Class B Contingent Share Rights to Beacon Capital Pty Ltd (**Beacon**), who is neither a related party nor an associate of a related party of the Company. The Class A Contingent Share Rights and Class B Contingent Share Rights are being issued to Beacon in consideration for the introduction of the Alcidion Acquisition to the Company.

Resolution 6 is an ordinary resolution. Resolution 6 is subject to the approval of each of the other Acquisition Resolutions.

The Chairperson will cast all available proxies in favour of Resolution 6.

9.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 6.2 above.

The effect of approving Resolution 6 will be to allow the Directors to issue the Class A Contingent Share Rights and Class B Contingent Share Rights to Beacon 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.

9.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights and the requirements of Listing Rule 7.3, information is provided as follows:

(a) A maximum of 11,827,957 Class A Contingent Share Rights and 15,053,763 Class B Contingent Share Rights will be issued to Beacon Capital Pty Ltd.

(b) The Class A Contingent Share Rights and Class B Contingent Share Rights 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) Each Class A Contingent Share Right will be converted into a Share if the Company achieves audited sales revenue of at least $10,000,000 in a period of 12 consecutive months no later than two years from the date on which the Company's securities are reinstated to trading on ASX. Refer to **Error! Reference source not found.** for the full terms and conditions of the Class A Contingent Share Rights. The Shares issued upon the conversion of the Class A Contingent Share Rights will rank equally with and confer rights identical with all other Shares then on issue.

(d) Each Class B Contingent Share Right will be converted into a Share if the Company achieves audited sales revenue of at least $15,000,000 in a period of 12 consecutive months no later than three years from the date on which the Company's securities are reinstated to trading on ASX. Refer to Schedule 9 for the full terms and conditions of the Class B Contingent Share Rights. The Shares issued upon the conversion of the Class B Contingent Share Rights will rank equally with and confer rights identical with all other Shares then on issue.

(e) No funds will be raised from the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights as they are being issued for nil cash consideration and as consideration for the introduction of the Alcidion Acquisition to the Company.

(f) Subject to Section 9.3(b), the allotment and issue of the Class A Contingent Share Rights and Class B Contingent Share Rights 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.

9.4 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, and ASX generally applies Listing Rule 1.1 Condition 11 to share rights as if they were a nil exercise price option. The Company has applied to ASX for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the exercise price of the Class A Contingent Share Rights and Class B Contingent Share Rights not to be at least $0.20. The Company expects that, if ASX grants the waiver, it will be subject to the condition that Shareholders approve the issue of the Class A Contingent Share Rights and Class B Contingent Share Rights (as contemplated by Resolutions 2, 0 and 6).

10. Resolutions 7 to 10 (inclusive) – Appointment of Directors

Under the Long Form Sale Agreement, the Company is required to appoint four nominees of Alcidion as Directors. Messrs Nathan Buzza, Raymond Blight, Malcolm Pradhan and Nicholas Dignam have been nominated to be appointed as Directors.

Article 6.2(c) of the Constitution provides that the Company in general meeting may by ordinary resolution appoint any person as Director.

Each of Messrs Buzza, Blight, Pradhan and Dignam, 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 Buzza has agreed to act as a Director and Executive Vice-President of Sales and Marketing;

(b) Mr Blight has agreed to act as a Director, Chief Executive Officer and Chairman;

(c) Prof. Pradhan has agreed to act as a Director and Chief Medical Officer;

(d) Mr Dignam has agreed to act as a non-executive Director.

Resolution 7 is an ordinary resolution. Resolution 7 is subject to the approval of each of the other Acquisition Resolutions.

Resolution 8 is an ordinary resolution. Resolution 8 is subject to the approval of each of the other Acquisition Resolutions.

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

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

The Chairperson will cast all available proxies in favour of Resolutions 7 to 10 (inclusive).

11. Resolution 11 – Change of Company Name

Resolution 11 seeks Shareholder approval for the change of the name of the Company to "Alcidion Group Limited" in accordance with section 157 of the Corporations Act. Section 157(1) of the Corporations Act provides that if a company wants 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 Alcidion Acquisition. It will also maintain the goodwill that Alcidion has built up in its brand name.

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

The Chairperson will cast all available proxies in favour of Resolution 11.

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 Directors will also request that ASX change the Company's ASX listing code from "NRR" to "ALC". The ASX listing code "ALC" has been reserved by the Company.

Schedule 1 – Definitions and Interpretation

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

Acquisition Resolutions means Resolutions 1 to 0 (inclusive) and 6 to 11 (inclusive).

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

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

Allure Capital means Allure Capital Pty Ltd ACN 152 310 766.

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.

Beacon has the meaning given to that term in Section 9.1.

BDO has the meaning given to that term in Section 3.16.

Blue Sky means Blue Sky Medical Technology Pty Limited as trustee for the BSPE Medical Technology Unit Trust.

Board means the board of Directors from time to time.

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

Capital Reduction has the meaning given to that term in Section 3.5(b).

CDSS means Clinical Decision Support System.

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

Class A Contingent Share Rights means the contingent share rights issued on, and subject to, the terms and conditions detailed in **Error! Reference source not found.**.

Class B Contingent Share Rights means the contingent share rights issued on, and subject to, the terms and conditions detailed in Schedule 9.

Company means Naracoota Resources Limited ACN 143 142 410.

Completion means completion of the Alcidion Acquisition in accordance with the Sale Agreements.

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

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

Constitution means the constitution of the Company.

Contingent Share Rights means the Class A Contingent Share Rights and/or the Class B Contingent Share Rights, as the context requires.

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

Director means any director of the Company and **Directors** means all of them.

End Date means 31 March 2016.

Explanatory Memorandum means this explanatory memorandum.

Independent Expert means BDO.

Independent Expert's Report has the meaning given to that term in Section 3.16.

Listing Rules means the official listing rules of ASX.

Long Form Sale Agreement has the meaning given in Section 3.2

Long Form Sale Agreement Parties means Prof. Pradhan, Mr Blight, Allure Capital and Blue Sky.

Material Adverse Effect means any event, change, circumstance, effect or other matter occurring after the date of the Long Form Sale 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 Alcidion or its Subsidiaries, including but not limited to the assets, liabilities, properties, condition (financial or otherwise), operations, reputation or prospects of Alcidion or its business

Meeting means the general meeting of the Company to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia 6008 on Monday, 21 December 2015, at 10:00am (WST).

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

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.

Pradhan Securities has the meaning given to that term in Resolution 2.

Pre-Completion Dividend or Return of Capital has the meaning given in Section 3.5(b).

Proposed Directors means each of Mr Nathan Buzza, Professor Malcolm Pradhan, Mr Raymond Blight and Mr Nicholas Dignam and **Proposed Director** means any one of them.

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

Proxy Form means the proxy form attached to the Notice.

Remaining Vendor has the meaning given to that term in Section 3.4.

Remaining Vendor Securities has the meaning given to that term in Resolution 3.

Resolution means a resolution in the Notice.

Restricted Securities has the meaning given in the Listing Rules.

Sale Agreements has the meaning given to that term in Section 3.5.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Securities means any Shares, Contingent Share Rights or Options issued 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 Registry means Computershare Investor Services Pty Limited.

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

Target Cash has the meaning given in Section 3.5(d)(i).

Target Cash Warranty has the meaning given in Section 3.5(d)(i).

Target Working Capital has the meaning given in Section 3.5(d)(ii).

Target Working Capital Warranty has the meaning given in Section 3.5(d)(ii).

Vendor means Prof. Malcolm Pradhan or a Remaining Vendor as the context requires and **Vendors** means all of them.

Vendor Securities has the meaning given to that term in Section 3.4.

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 Vendor Securities

	Number of Shares	Number of Class A Contingent Share Rights	Number of Class B Contingent Share Rights
Prof. Malcolm Pradhan	139,861,782	46,620,594	46,620,594

Remaining Vendors

	Number of Shares	Number of Class A Contingent Share Rights	Number of Class B Contingent Share Rights
Mr Raymond Blight	98,548,711	32,849,570	32,849,570
BSPE Medical Technology Trust	90,863,812	30,287,937	30,287,937
Allure Capital Pty Ltd	32,841,225	10,947,075	10,947,075
Ms Lin Lin	9,221,668	3,073,889	3,073,889
Bellwether Super Pty Ltd as trustee for the Craig Superannuation Fund	5,901,868	1,967,289	1,967,289
Mr Duncan Robert Craig	3,873,101	1,291,033	1,291,033
Mr Phillip John Coulson	3,177,329	1,059,110	1,059,110
Walani Pty Ltd	3,177,329	1,059,110	1,059,110
Mr Jacob Oscar Coulson	2,541,863	847,288	847,288
Mr Timothy Arthur Kestell	1,906,397	635,465	635,465
Mr Samuel Jefferson Blight	1,844,334	614,778	614,778
Mr Chris Michael Threlfo	1,844,333	614,778	614,778
Smac Nominees Pty Ltd	1,270,931	423,644	423,644
Mr Sean Barry Colyer	276,650	92,217	92,217
David John Datson and Carolyn Mary Datson as trustees for the EDT Computer Services Superannuation Fund	922,167	307,389	307,389
Mr David Jay Karon	922,167	307,389	307,389
Konkera Pty Ltd	635,465	211,822	211,822
Mr Chris James van der Pennen	92,217	30,739	30,739
Mr Ida Bagus Gede Indra Parwita	276,650	92,217	92,217

Schedule 3 – Terms of Proposed Directors' Appointments

Mr **Nathan Buzza** will be engaged as a Director and Executive Vice President of Sales and Marketing on the following key terms:

(a) base salary of A$235,000 per annum plus superannuation, to be reviewed after 6 months;

(b) home office allowance of $25,000; and

(c) 6-month notice period.

Mr **Raymond Blight** will be engaged as Director and Chief Executive Officer:

(a) base salary of A$235,000 per annum plus superannuation, to be reviewed after 6 months; and

(b) 6-month notice period.

Prof. **Malcolm Pradhan** will be engaged as an Executive Director and Chief Medical Officer on the following key terms:

(a) base salary of A$235,000 per annum plus superannuation, to be reviewed after 6 months; and

(b) 6-month notice period.

At completion a Chairman will be nominated from the Proposed Directors and will be paid $25,000 in excess of their engagement terms.

Non-Executive Directors, including Mr Nicholas Dignam, will be paid $40,000 per annum plus superannuation.

Schedule 4 Pro Forma Statement of Financial Position

The pro-forma statement of financial position is located below and is based on the audited accounts of the Company and Alcidion at 30 June 2015.

Description	Year Ending 30-Jun-15 Company Audited	Year Ending 30-Jun-15 Consolidated Pro Forma
Cash & cash equivalents[i]	3,737,819	8,421,588
Trade & other receivables	12,195	10,502
Inventory	0	0
Total Current Assets	**3,750,014**	**8,432,090**
Property, plant & equipment	13,172	203,284
Goodwill	0	0
Deferred tax asset	0	124,690
Total Non-Current Assets	**13,172**	**327,974**
Total Assets	**3,763,186**	**8,760,064**
Trade & other payables	14,859	0
Provisions	0	227,116
Financial liabilities - Equipment Loans	0	878,568
Total Current Liabilities[ii]	**14,859**	**1,105,684**
Trade & other payables	0	155,476
Total Non-Current Liabilities	**0**	**155,476**
Total Liabilities	**14,859**	**1,261,160**
Net Assets	**3,748,327**	**7,498,904**
Issued capital	8,689,184	9,686,856
Reserves	509,619	0
Retained Earnings	(5,450,476)	(2,187,952)
Total Equity	**3,748,327**	**7,498,904**

Notes:

(i) Assumes $400,000 transaction costs in connection with the Alcidion Acquisition; and

(ii) Includes the conversion of a $1.5 million convertible note currently sitting on Alcidion's Balance Sheet.

Schedule 5 – Proposed Budget and Use of Funds

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

ITEM	AMOUNT
Cash position of the Company as at 30 September 2015	$3,650,000
Proceeds from the Capital Raising	$2,000,000
Cash position and working capital of Alcidion at Completion	$1,750,000
Total Cash on Completion	$**7,400,000**
USE OF FUNDS	
Costs of the Capital Raising and Alcidion Acquisition	$400,000
Research and Development	$1,000,000
US Market Expansion	$1,500,000
Sales and Marketing	$1,000,000
Business Development	$1,750,000
Working Capital	$1,750,000
TOTAL	**$7,400,000**

Notes:

1. 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.

Schedule 6 – Risk Factors

There are a number of risks associated with the Alcidion 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 risk factors 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. Conditional Acquisition and Re-compliance with Chapters 1 and 2 of the Listing Rules

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. The Prospectus will be issued to assist the Company to re-comply with these requirements. The Shares will be suspended on the morning of the day of the Meeting. It is anticipated that the Shares will remain suspended until Completion, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that the Shares will consequently remain suspended from quotation.

Further, if any of the Conditions are not satisfied (or waived), the Alcidion Acquisition will not proceed.

2. Dilution Risk

The Company currently has 138,263,829 Shares on issue and will issue:

(a) a further 400,000,000 Shares as part of the consideration for the Alcidion Acquisition;

(b) a further 64,516,129 Shares under the Capital Raising; and

(c) a further 293,547,719 Shares if all applicable milestones for the Class A Contingent Share Rights and Class B Contingent Share Rights are satisfied and are converted into Shares.

Existing Shareholders will retain approximately:

(a) 22.94% if no Options are exercised and the milestones for the Class A Contingent Share Rights and Class B Contingent Share Rights are not satisfied;

(b) 22.73% if all Options are exercised and the milestones for the Class A Contingent Share Rights and Class B Contingent Share Rights are not satisfied;

(c) 18.49% if no Options are exercised, the milestone for the Class A Contingent Share Rights is satisfied and the milestone for the Class B Contingent Share Rights is not satisfied;

(d) 18.35% if all Options are exercised, the milestone for the Class A Contingent Share Rights is satisfied and the milestone for the Class B Contingent Share Rights is not satisfied;

(e) 18.41% if no Options are exercised, the milestone for the Class A Contingent Share Rights is not satisfied and the milestone for the Class B Contingent Share Rights is satisfied;

(f) 18.27% if all Options are exercised, the milestone for the Class A Contingent Share Rights is not satisfied and the milestone for the Class B Contingent Share Rights is satisfied;

(g) 15.43% if no Options are exercised and the milestones for the Class A Contingent Share Rights and the Class B Contingent Share Rights are satisfied; and

(h) 15.33% if all Options are exercised and the milestones for the Class A Contingent Share Rights and the Class B Contingent Share Rights are satisfied.

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

3. Substantial Shareholders

On Completion, assuming no Options are exercised and no Class A Contingent Share Rights or Class B Contingent Share Rights are converted into Shares:

(a) Prof. Malcolm Pradhan (and his associates) will hold approximately 23.20% of the Company's issued capital;

(b) Mr Raymond Blight (and his associates) will hold approximately 16.51% of the Company's issued capital;

(c) Blue Sky (and its associates) will hold approximately 15.12% of the Company's issued capital; and

(d) Allure Capital (and its associates) will hold approximately 5.34% 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 the Shares proposed to be issued to the Vendors will be subject to escrow restrictions. Until those Shares 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 Shares once they are released from their escrow restrictions, the Share price may be adversely affected.

4. New product development and technology risk

Moving forward, Alcidion's business will be reliant upon certain technologies and upon the successful commercialisation of these technologies. The Company is confident that

Alcidion'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 healthcare technology industry, there may be certain product developments that supersede, and render obsolete, Alcidion's products and services. This will adversely affect the Company's financial performance and position and the likely value of the Shares.

5. Acceptance of Alcidion's products and services

Alcidion's business model depends on the ability to sell Alcidion's products and services. Acceptance of Alcidion's products and services requires physicians and hospitals to adopt different behaviour patterns and new methods of conducting business and exchanging information. There is no guarantee that physicians and hospitals will integrate Alcidion's products and services into their workflow or that participants in the healthcare market will accept Alcidion's products and services as a replacement for traditional methods of conducting healthcare information management. Achieving market acceptance for Alcidion's products and services will require substantial sales and marketing efforts and the expenditure of significant financial and other resources to create awareness and demand by participants in the healthcare industry. If the Company or Alcidion fails to achieve broad acceptance of Alcidion's products and services by physicians, hospitals and other healthcare industry participants or to position Alcidion's products and services as a preferred method for information management and healthcare delivery, 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 Alcidion's products and services. The duration of the sales cycle and implementation schedule for Alcidion'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. Sales and marketing efforts with respect to hospitals and large health organisations will generally involve a lengthy sales cycle due to these organisations' complex decision-making processes. If potential clients take longer than expected to decide whether to purchase Alcidion's products and services, selling expenses could increase, which could harm the Company's business, financial condition and results of operations.

6. Failure to renew existing contracts or win new contracts

The ability of Alcidion'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. Alcidion's business face competition in the healthcare 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 Alcidion's business may not win these contracts for any of a number of reasons. These include, for example:

(a) lower pricing from competitors;

(b) increased competition;

(c) inability to differentiate Alcidion's products and services and to market them effectively;

(d) failure to maintain the quality or efficiency of Alcidion's products and services or to anticipate, identify or react to changes in client preferences or requirements;

(e) failure to react to new developments in healthcare information management technology; and

(f) negative perceptions adversely affecting Alcidion's brand and reputation as a result of the eventuation of some of the other risk factors detailed in this Schedule 6.

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.

7. Failure to properly understand client requirements and client demand

A large number of Alcidion's contracts are long term contracts, and many are not able to be terminated by Alcidion unless the client is in breach. The Company and Alcidion 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 Alcidion's products and services into new markets. If the Company or Alcidion enter into low margin contracts, the Company's revenue and profitability could be adversely impacted.

8. Ability to manage growth effectively

The Company will need to expand its operations if the Company successfully achieves market acceptance for Alcidion'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 Alcidion Acquisition, could have a significant negative impact on the Company's business, financial condition and results of operations.

9. Reliance on key management personnel

The Company's business strategy will be implemented by the Board and the management team led by Messrs Malcolm Pradhan, Raymond Blight and Nathan Buzza. 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.

10. Ability to establish and maintain additional strategic relationships

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

(a) extend the reach of Alcidion's products and services to a larger number of physicians and hospitals and to other participants in the healthcare industry;

(b) develop and deploy new products and services;

(c) further enhance the "Alcidion" brand; and

(d) generate additional revenue and cash flows.

11. Product failure

If Alcidion'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 Alcidion's products and services, often contains 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 Alcidion'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 Alcidion'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 Alcidion's products and services could result in:

(a) harm to the Company's reputation or the "Alcidion" brand;

(b) lost sales;

(c) delays in commercial releases;

(d) product liability claims;

(e) delays in or loss of market acceptance of Alcidion's products and services;

(f) license terminations or renegotiations; and

(g) unexpected expenses and diversion of resources to remedy errors.

Furthermore, clients may use Alcidion'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 Alcidion'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 "Alcidion" brand or cause significant client relations problems.

12. Contractual Risk

Alcidion'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 Alcidion.

The Company's financial performance will depend upon the performance of 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 Alcidion (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 Alcidion has contracted with will not meet and satisfy their obligations under their respective agreements or arrangements.

13. Intellectual Property

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

(a) register or other protect new intellectual property it develops in the future; or

(b) prevent the unauthorised use of its intellectual property.

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

14. Competition

Each healthcare technology product or service has its own character. However, the Company will be subject to competition from other operators in the healthcare technology industry in Australia, New Zealand 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:

(a) acquiring or developing technologies which give them a competitive advantage;

(b) lowering prices;

(c) increasing scale or range of products or services; or

(d) undertaking strategic moves to combine or consolidate their business.

15. Liability claims

Alcidion'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 Alcidion, the Company or Alcidion (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.

16. Brand Name Risk

The "Alcidion" brand is a key aspect of the business and the growth of Alcidion's business is dependent on market awareness of its brand. The "Alcidion" 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 "Alcidion" reputation or brand may adversely affect the Company's financial performance or position.

17. Insurance

The Company faces various risks in connection with Alcidion'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.

18. Regulatory Risks

The Company will be subject to a number of domestic and international government regulations regarding the sale and use of medical devices. Regulations for medical devices change frequently and, as such, there is no guarantee that Alcidion's products will always satisfy, or be in-compliance with, all regulations and these regulations may adversely affect the timing and magnitude of sales by the Company and potentially negatively impact future profitability. Alcidion's products, whilst generally of a software nature, are regulated by Therapeutic Goods Act of 1989, captured under section 41(b)(d), and this act outlines requirements for the sale of many of Alcidion's products in Australia.

In the US, many of Alcidion's products do not constitute a medical devices under section 201(h) of the Federal Food, Drug and Cosmetics Act (1938). The Food & Drug Authority of the US does have the capacity to exercise enforcement discretion in relation to products similar to that of Alcidion's. Compliance with such regulations in the US may also adversely affect the timing and magnitude of sales by the Company and potentially negatively impact future profitability.

General Risks

1. Market Conditions

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) introduction of tax reform or other new legislation;

(c) interest rates and inflation rates;

(d) changes in investor sentiment toward particular market sectors;

(e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology related 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.

2. Taxation

There is the potential for further changes to tax laws and changes in the way tax laws are interpreted. Any change to the current rates of taxes imposed on the Company is likely to affect returns to Shareholders.

The Company obtains external expert advice on the application of the tax laws to its operations. An interpretation of taxation laws by a revenue authority that is contrary to the Company's interpretation of those laws may increase the amount of tax to be paid.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

3. Economic and government risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the security industry including, but not limited to, the following:

(a) general economic conditions in jurisdictions in which the Company operates;

(b) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;

(c) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology and healthcare sectors;

(d) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and

(e) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

Schedule 7 – Independent Expert's Report

See enclosed as separate document.

Schedule 8 – Terms and Conditions of Class A Contingent Share Rights

1. Satisfaction

1.1 Each Class A Contingent Share Right will be satisfied by the issuance of one Share in accordance with this paragraph 1.

1.2 Subject to paragraph 2 below, each Class A Contingent Share Right will be satisfied by the issuance of one Share upon the occurrence of the Company achieving audited sales revenue of at least $10,000,000 in a period of 12 consecutive months no later than two years from the date on which Shares are re admitted to quotation on ASX (**Class A Milestone**).

1.3 Subject to paragraph 1.1 above and paragraph 2 below, upon the occurrence of a Change of Control of the Company (other than as a result of the transactions contemplated in this Agreement):

1.3.1 where, at the date of the Change of Control, the satisfaction of all Contingent Share Rights will result in the issue of less than or equal to 10% of the total number of Shares on issue, each Contingent Share Right will automatically entitle the holder to one Share; and

1.3.2 where, at the date of the Change of Control, the satisfaction of all Contingent Share Rights will result in the issue of greater than 10% of the total number of Shares on issue:

1.3.2.1 the total number of Contingent Share Rights to be satisfied through the issuance of Shares in exchange therefor must be equal to 10% of the total number of Shares on issue;

1.3.2.2 the number of Shares to be issued with respect to each class of Contingent Share Rights shall be on an equal basis between each such class; and

1.3.2.3 any Class A Contingent Share Rights that are not satisfied through the issuance of Shares in accordance with paragraphs 1.3.2.1 and 1.3.2.2 above will continue to be held by the holder on the same terms and conditions set out herein.

2. Expiry Date

2.1 If the Class A Milestone has not been satisfied by the date which is two years from the date on which Shares are re admitted to quotation on ASX, all Class A Contingent Share Rights shall not be capable of satisfaction and shall immediately lapse.

3. No Official Quotation of Class A Contingent Share Rights

3.1 The Company will not apply for official quotation of the Class A Contingent Share Rights.

4. Shares Issued on Satisfaction

4.1 Shares issued on satisfaction of the Class A Contingent Share Rights will rank equally with the Shares then on issue.

5. Official Quotation of Shares on Satisfaction

5.1 Application will be made by the Company to ASX for official quotation of Shares issued within three business days of the satisfaction of the Class A Contingent Share Right.

6. Timing of Issue of Shares

6.1 Within three Business days of the satisfaction of the Class A Contingent Share Rights by the issuance of Shares, the Company must:

6.1.1 issue Shares (subject to paragraph 6.2 below) to a holder or its nominee for nil consideration, and

6.1.2 at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.

6.2 If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:

6.2.1 issue a prospectus on the date that Shares are issued under paragraph 6.1 above (in which case the date for issuing those Shares may be extended to not more than 10 Business days after the satisfaction of the Class A Contingent Share Rights, to allow the Company time to prepare that prospectus); or

6.2.2 issue a prospectus before the date that Shares are issued under paragraph 6.1 above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued,

in accordance with the requirements of section 708A(11) of the Corporations Act.

7. Escrow Restrictions

7.1 Holders of the Class A Contingent Share Rights must comply with all escrow restrictions imposed by ASX in respect of Shares issued on satisfaction of the Class A Contingent Share Rights.

8. Reconstruction

8.1 In the event of any reconstruction, consolidation or division of the issued capital of the Company, the Class A Contingent Share Rights and their terms of satisfaction through the issuance of Shares in exchange therefor will be reconstructed, consolidated or divided in the same manner such that no additional benefits are conferred on the holder by virtue of such reconstruction, consolidation or division.

9. Non-Transferable

9.1 The Class A Contingent Share Rights are not transferable or assignable to another party.

10. Copies of Notices ad Reports

10.1 Holders of the Class A Contingent Share Rights have the same right as shareholders of the Company to receive notices, reports and audited accounts.

11. Voting Rights

11.1 Holders of the Class A Contingent Share Rights will have no right to vote in respect of their Class A Contingent Share Rights.

12. Dividends

12.1 Holders of Class A Contingent Share Rights are not entitled to a dividend on their Class A Contingent Share Rights.

13. Participation in New Issues

13.1 There are no participation rights or entitlements inherent in the Class A Contingent Share Rights and holders of the Class A Contingent Share Rights will not, in respect of their Class A Contingent Share Rights, be entitled to participate in new issues of capital offered to shareholders of the Company.

14. Winding Up

14.1 If the Company is wound up before satisfaction of all of the Class A Contingent Share Rights by the issuance of Shares in exchange therefor, the holders will have no right to participate in surplus assets or profits of the Company on winding up in respect of their Class A Contingent Share Rights.

15. Interpretation

15.1 In these terms and conditions, the following terms have the following meanings:

15.1.1 **Associates** has the meaning given to that term in the Corporations Act;

15.1.2 **Change of Control** means:

15.1.2.1 the offeror under a Takeover Bid in respect of all Shares has achieved acceptances in respect of more than 50.01% of Shares and that Takeover Bid has become unconditional;

15.1.2.2 the announcement by the Company that its 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 securities of the Company are to be either:

(a) cancelled; or

(b) transferred to a third party,

and the Court, by order, approves the proposed scheme of arrangement; or

15.1.2.3 any person, individually or together with their Associates, acquires a Relevant Interest in 50.01% or more of the total number of Shares on issue by any other means (other than as a result of the transactions contemplated pursuant to the Sale Agreement);

15.1.3 **Corporations Act** means the *Corporations Act 2001* (Cth);

15.1.4 **Relevant Interest** has the meaning given to that term in the Corporations Act; and

15.1.5 **Takeover Bid** has the meaning given to that term in the Corporations Act.

Schedule 9 – Terms and Conditions of Class B Contingent Share Rights

1. Satisfaction

1.1 Each Class B Contingent Share Right will be satisfied by the issuance of one Share in accordance with this paragraph 1.

1.2 Subject to paragraph 2 below, each Class B Contingent Share Right will be satisfied by the issuance of one Share upon the Company achieving audited sales revenue of at least $15,000,000 in a period of 12 consecutive months no later than three years from the date on which Shares are re admitted to quotation on ASX (**Class B Milestone**).

1.3 Subject to paragraph 1.1 above and paragraph 2 below, upon the occurrence of a Change of Control of the Company (other than as a result of the transactions contemplated in this Agreement):

1.3.1 where, at the date of the Change of Control, the satisfaction of all Contingent Share Rights will result in the issue of less than or equal to 10% of the total number of Shares on issue, each Contingent Share Right will automatically entitle the holder to receive one Share; and

1.3.2 where, at the date of the Change of Control, the satisfaction of all Contingent Share Rights through the issuance of Shares in exchange therefor will result in the issue of greater than 10% of the total number of Shares on issue:

1.3.2.1 the total number of Contingent Share Rights to be satisfied through the issuance of Shares must equal be to 10% of the total number of Shares on issue;

1.3.2.2 the number of Shares to be issued with respect to each class of Contingent Share Rights shall be on an equal basis between each such class; and

1.3.2.3 any Class B Contingent Share Rights that are not satisfied through the issuance of Shares in accordance with paragraphs 1.3.2.1 and 1.3.2.2 above will continue to be held by the holder on the same terms and conditions set out herein.

2. Expiry Date

2.1 If the Class B Milestone has not been satisfied by the date which is three years from the date on which Shares are re admitted to quotation on ASX, all Class B Contingent Share Rights shall not be capable of satisfaction and shall immediately lapse.

3. No Official Quotation of Class B Contingent Share Rights

3.1 The Company will not apply for official quotation of the Class B Contingent Share Rights.

4. Shares Issued on Satisfaction

4.1 Shares issued on satisfaction of the Class B Contingent Share Right will rank equally with the Shares then on issue.

5. Official Quotation of Shares on Satisfaction

5.1 Application will be made by the Company to ASX for official quotation of Shares issued within three business days of the satisfaction of the Class B Contingent Share Rights.

6. **Timing of Issue of Shares**

6.1 Within three Business days of the satisfaction of the Class B Contingent Share Rights by the issuance of Shares, the Company must:

6.1.1 issue Shares (subject to paragraph 6.2 below) to a holder or its nominee for nil consideration, and

6.1.2 at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.

6.2 If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:

6.2.1 issue a prospectus on the date that Shares are issued under paragraph 6.1 above (in which case the date for issuing those Shares may be extended to not more than 10 Business days after the satisfaction of the Class B Contingent Share Rights, to allow the Company time to prepare that prospectus); or

6.2.2 issue a prospectus before the date that Shares are issued under paragraph 6.1 above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued,

in accordance with the requirements of section 708A(11) of the Corporations Act.

7. **Escrow Restrictions**

7.1 Holders of the Class B Contingent Share Rights must comply with all escrow restrictions imposed by ASX in respect of Shares issued on satisfaction of the Class B Contingent Share Rights.

8. **Reconstruction**

8.1 In the event of any reconstruction, consolidation or division of the issued capital of the Company, the Class B Contingent Share Rights and their terms of satisfaction through the issuance of Shares in exchange therefor will be reconstructed, consolidated or divided in the same manner such that no additional benefits are conferred on the holder by virtue of such reconstruction, consolidation or division.

9. **Non-Transferable**

9.1 The Class B Contingent Share Rights are not transferable or assignable to another party.

10. **Copies of Notices and Reports**

10.1 Holders of the Class B Contingent Share Rights have the same right as the shareholders of the Company to receive notices, reports and audited accounts.

11. **Voting Rights**

11.1 Holders of the Class B Contingent Share Rights will have no right to vote in respect of their Class B Contingent Share Rights.

12. **Participation in New Issues**

12.1 There are no participation rights or entitlements inherent in the Class B Contingent Share Rights and holders of the Class B Contingent Share Rights will not, in respect of its Class

B Contingent Share Rights, be entitled to participate in new issues of capital offered to shareholders of the Company.

13. Dividends

13.1 Holders of Class B Contingent Share Rights are not entitled to a dividend on their Class B Contingent Share Rights.

14. Winding Up

14.1 If the Company is wound up before satisfaction of all of the Class B Contingent Share Rights by the issuance of Shares in exchange therefor, the holders will have no right to participate in surplus assets or profits of the Company on winding up in respect of their Class B Contingent Share Rights.

15. Interpretation

15.1 In these terms and conditions, the following terms have the following meanings:

15.1.1 **Associates** has the meaning given to that term in the Corporations Act;

15.1.2 **Change of Control** means:

15.1.2.1 the offeror under a Takeover Bid in respect of all Shares has achieved acceptances in respect of more than 50.01% of Shares and that Takeover Bid has become unconditional;

15.1.2.2 the announcement by the Company that its 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 securities of the Company are to be either:

(a) cancelled; or

(b) transferred to a third party,

and the Court, by order, approves the proposed scheme of arrangement; or

15.1.2.3 any person, individually or together with their Associates, acquires a Relevant Interest in 50.01% or more of the total number of Shares on issue by any other means (other than as a result of the transactions contemplated pursuant to the Sale Agreement);

15.1.3 **Corporations Act** means the *Corporations Act 2001* (Cth);

15.1.4 **Relevant Interest** has the meaning given to that term in the Corporations Act; and

15.1.5 **Takeover Bid** has the meaning given to that term in the Corporations Act.

PROXY FORM

NARACOOTA RESOURCES LIMITED
ACN 143 142 410

GENERAL MEETING

I/We ______________________

of: ______________________

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

Name: ______________________

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

or failing the person so named or, if no person is named, the Chair, or the Chair'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 the offices of Suite 9, 330 Churchill Ave, Subiaco, WA 6008 on Monday, 21 December 2015 at 10:00 am (WST), and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1	Change to Nature and Scale of Activities	☐	☐	☐
Resolution 2	Approval of Issue of Securities to Prof. Malcolm Pradhan	☐	☐	☐
Resolution 3	Approval of Issue of Securities to Remaining Vendors	☐	☐	☐
Resolution 4	Approval of issue of Capital Raising Shares	☐	☐	☐
Resolution 5	Approval of Director's Participation in Capital Raising	☐	☐	☐
Resolution 6	Approval of Issue of Securities to Beacon Capital Pty Ltd	☐	☐	☐
Resolution 7	Appointment of Mr Nathan Buzza as a Director	☐	☐	☐
Resolution 8	Appointment of Mr Raymond Blight as a Director	☐	☐	☐
Resolution 9	Appointment of Prof. Malcolm Pradhan as a Director	☐	☐	☐
Resolution 10	Appointment of Mr Nicholas Dignam as Director	☐	☐	☐
Resolution 11	Approval of Change of Name	☐	☐	☐

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:

1. Being presented to the Company at Suite 9, 330 Churchill Ave, Subiaco, WA 6008;
2. Being sent by facsimile transmission on +61 (8) 6489 1601;
3. Being emailed to loren@cicerocorporate.com.au; or
4. Being mailed to PO Box 866, Subiaco, WA, 6904.

For the Proxy Form to be valid it must be received by the Company not less than 48 hours prior to the time of commencement of the Meeting (WST) by any of the above means.

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NARACOOTA RESOURCES LIMITED
Independent Expert's Report

OPINION: Fair and reasonable

18 November 2015

BDO

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Financial Services Guide

18 November 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by Naracoota Resources Limited ('**NRR**') to provide an independent expert's report on the proposal for NRR to acquire 100% of the share capital of Alcidion Corporation Pty Ltd ('**Alcidion**'). You will be provided with a copy of our report as a retail client because you are a shareholder of NRR.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $23,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from NRR for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

18 November 2015

The Directors
Naracoota Resources Limited
Suite 9, 330 Churchill Avenue
SUBIACO WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 18 August 2015, Naracoota Resources Limited (**'NRR'** or **'the Company'**) announced that it had entered into a binding term sheet (**'Term Sheet'**) to acquire Alcidion Corporation Pty Ltd (**'Alcidion'**). In consideration for the acquisition, NRR will issue the following securities to the shareholders of Alcidion:

- 400,000,000 fully paid ordinary shares (**'Consideration Shares'**);
- 133,333,333 Class A Contingent Share Rights that convert to ordinary shares on NRR achieving $10 million in revenue (audited) over 12 consecutive months, within 24 months from re-admission of NRR as Alcidion on the Australian Securities Exchange (**'ASX'**) (**'Class A Contingent Share Rights'**); and
- 133,333,333 Class B Contingent Share Rights that convert to ordinary shares on NRR achieving $15 million in revenue (audited) over 12 consecutive months, within 36 months from re-admission of NRR as Alcidion on the ASX (**'Class B Contingent Share Rights'**);

(together referred to as **'Consideration Securities'**).

As a result of the issue of the Consideration Shares, one of the shareholders of Alcidion, Dr Malcolm Pradhan will obtain a 23.20% interest in the share capital of NRR. Therefore, the issue of the Consideration Securities is subject to the approval by the non-associated shareholders of NRR, which is to be sought under Section 611 of the Corporations Act 2001 (Cth) (**'the Act'**).

2. Summary and Opinion

2.1 Purpose of the report

The directors of NRR have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the issue of the Consideration Securities for the acquisition of Alcidion (**'the Transaction'**) is fair and reasonable to the non-associated shareholders of NRR (**'Shareholders'**).

Our Report is prepared pursuant to Section 611 of the Act and is to be included in the Notice of Meeting for NRR in order to assist the Shareholders in their decision whether to approve the Transaction.

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**'), Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of a NRR share prior to the Transaction on a control basis compares to the value of a NRR share following the Transaction on a minority basis;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that **the Transaction is fair and reasonable to the Shareholders of NRR**.

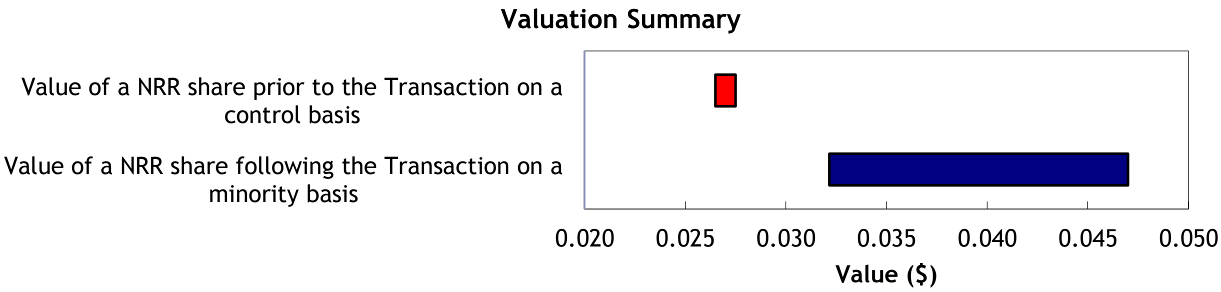
2.4 Fairness

In Section 12 we have considered how the value of a NRR share prior to the Transaction on a control basis compares to the value of a NRR share following the Transaction on a minority basis, as detailed below.

	Ref	Low $	Preferred $	High $
Value of a NRR share prior to the Transaction on a control basis	10.3	0.027	0.027	0.027
Value of a NRR share following the Transaction on a minority basis	11	0.032	0.038	0.047

Source: BDO analysis

The above valuation ranges are graphically presented below:



We note from the table above that the range of values of a NRR share following the Transaction on a minority interest basis is greater than the value of a NRR share prior to the Transaction on a controlling interest basis. The above pricing indicates that, in the absence of any other relevant information, the Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this Report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Transaction is fair	13.2.1	Dilution of existing Shareholders' interests and control passing to a single shareholder
13.1.2	Changing the nature and scale of NRR may attract new investors	13.2.2	Change in the nature and scale of NRR's activities may not align with Shareholders' investment objectives
13.1.3	The Transaction provides the Company with a cash injection	13.2.3	Decreases likelihood of a takeover
13.1.4	Experienced management team and Board of Directors		
13.1.5	Alcidion's interests are aligned to Shareholders' interests with the issue of the contingent share rights		
13.1.6	Shareholders of Alcidion will own shares in a company with a greater potential to generate a return for Shareholders		

Other key matters we have considered include:

Section	Description
13.3.1	Alternative proposals
13.3.2	Practical level of control
13.3.3	Movement in the Company's share price following the announcement of the Transaction
13.3.4	Impact on liquidity of the Company's shares

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If Shareholders approve the Transaction, Dr Pradhan will hold 23.20% of the share capital of NRR, prior to any conversion of Class A Contingent Share Rights or Class B Contingent Share Rights.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of NRR, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of NRR have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Act defines the meaning of ‘fair and reasonable’. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. When considering the value of the securities which are the subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a NRR share prior to the Transaction on a control basis and the value of a NRR share following the Transaction on a minority basis (fairness – see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness – see Section 13 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 18 August 2015, NRR announced that it had entered into a binding Term Sheet to acquire Alcidion. Since then, NRR has entered into a share purchase agreement (‘**SPA**’) to acquire Alcidion. NRR will issue the following securities to the shareholders of Alcidion:

- 400,000,000 fully paid ordinary shares;
- 133,333,333 Class A Contingent Share Rights that convert to ordinary shares on NRR achieving $10 million in revenue (audited) over 12 consecutive months, within 24 months from re-admission of NRR as Alcidion on the ASX; and
- 133,333,333 Class B Contingent Share Rights that convert to ordinary shares on NRR achieving $15 million in revenue (audited) over 12 consecutive months, within 36 months from re-admission of NRR as Alcidion on the ASX.

The Company will also issue the following to advisors to the Transaction, Beacon Capital Pty Ltd (‘**Beacon**’):

- 11,827,957 Class A Contingent Share Rights; and
- 15,053,763 Class B Contingent Share Rights.

As a result of the Transaction, the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and will issue a full form prospectus. The Company will complete a capital raising, in which a total of 64,516,129 shares at an issue price of $0.031 per share will be issued to raise $2 million before costs (**‘Capital Raising’**).

Conditions Precedent to the Transaction

Set out below are the conditions precedent to the Transaction as set out under the SPA:

i. The Independent Expert opining that the Transaction is reasonable to the shareholders of NRR not related to Dr Malcolm Pradhan;
ii. Alcidion providing NRR with management accounts for the period ended 31 December 2015;
iii. NRR obtaining all shareholder approvals required in connection with the Transaction;
iv. Re-compliance with Chapters 1 and 2 of the ASX Listing Rules and the satisfaction of any other conditions or requirements of the ASX;
v. Completion of the Capital Raising;
vi. No material adverse effect having occurred in relation to Alcidion between the date of the SPA and completion of the Transaction.

(Together referred to as **‘the Conditions Precedent’**).

In addition to the above Conditions Precedent, the Company will acquire 100% of the issued capital of Alcidion on the following terms:

- Immediately following completion, Alcidion will have cash (in excess of all liabilities, including any resulting from the Pelsaert Acquisition) equal to $1.75 million (‘**Target Cash’**). Any cash in excess of this will be paid to the Alcidion shareholders by way of a capital return; and
- Immediately following completion, the working capital of Alcidion will be equal to or exceed $1.5 million (**‘Target Working Capital’**).

Board and management following the Transaction

At completion of the Transaction and upon re-compliance with Chapters 1 and 2 of the ASX Listing Rules, two current directors of NRR, being Mr Tom Bahen and Mr Gavin Wates, shall resign and four new directors, being Dr Malcolm Pradhan, Mr Raymond Blight, Mr Nathan Buzza and Mr Nicholas Dignam, will be nominated by Alcidion and be appointed as directors of NRR.

Shareholding following the Transaction

Following the Transaction, the potential changes in shareholding are summarised in the table below.

NRR share structure	Dr Pradhan	Other Vendors	Beacon	Other Shareholders	Total
Issued Shares as at the date of this Report	**-**	**-**	**-**	**138,263,829**	**138,263,829**
% holdings as at the date of this Report	*0.00%*	*0.00%*	*0.00%*	*100.00%*	*100.00%*
Consideration Shares issued under Transaction	139,861,782	260,138,218	-	-	400,000,000
Shares issued pursuant to Capital Raising (based on minimum raising)	-	-	-	64,516,129	64,516,129
Issued shares following the Transaction	**139,861,782**	**260,138,218**	**-**	**202,779,958**	**602,779,958**
% holdings following the Transaction	*23.20%*	*43.16%*	*0.00%*	*33.64%*	*100.00%*
Conversion of Class A Contingent Share Rights	46,620,594	86,712,739	11,827,957	-	145,161,290
Conversion of Class B Contingent Share Rights	46,620,594	86,712,739	15,053,763	-	148,387,096
Issued shares following conversion of Contingent Share Rights	**233,102,970**	**433,563,696**	**26,881,720**	**202,779,958**	**896,328,344**
% holdings following the exercise of Contingent Share Rights	*26.01%*	*48.37%*	*3.00%*	*22.62%*	*100.00%*

Source: BDO analysis

5. Profile of NRR

5.1 History

NRR was incorporated on 15 April 2010 and officially listed on the Australian Securities Exchange (‘**ASX**’) on 24 June 2011. The current board members and senior management of NRR comprise:

- Mr Tom Bahen, Non-Executive Director;
- Mr Gavin Wates, Non-Executive Director; and
- Mr Josh Puckridge, Non-Executive Director.

On 29 May 2013, NRR announced that it had completed the sale of the Horseshoe Range Project and part of the Fraser Range Project to Resource and Investment Limited (‘**RNI**’). Under the terms of the sale agreement, the Company received 3,805,554 shares in RNI as consideration for the sale of its Horseshoe Range and part of the Fraser Range Project. The investment of 3,805,554 shares in RNI was disposed of in its entirety during the year ended 30 June 2014.

The Company has stated that its remaining Fraser Range Project maintains a low probability of exploration success in its own right.

The Company continues to review appropriate acquisition opportunities, not limited to mineral exploration projects.

5.2 Historical Statement of Financial Position

Historical Consolidated Statement of Financial Position	Audited for the year ended 30-Jun-15 $	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $
CURRENT ASSETS			
Cash and cash equivalents	3,737,819	4,021,943	3,868,047
Trade and other receivables	12,195	5,692	13,843
Financial assets at fair value through profit or loss	-	-	209,305
TOTAL CURRENT ASSETS	3,750,014	4,027,635	4,091,195
NON-CURRENT ASSETS			
Property, plant and equipment	-	267	62,367
Exploration and evaluation expenditure	13,172	13,172	13,172
Financial assets	-	-	35,000
TOTAL NON-CURRENT ASSETS	13,172	13,439	110,539
TOTAL ASSETS	3,763,186	4,041,074	4,201,734
CURRENT LIABILITIES			
Trade and other payables	14,859	14,326	26,398
TOTAL CURRENT LIABILITIES	14,859	14,326	26,398
TOTAL LIABILITIES	14,859	14,326	26,398
NET ASSETS	3,748,327	4,026,748	4,175,336
EQUITY			
Issued capital	8,689,184	8,689,184	8,689,184
Reserves	509,619	509,619	509,619
Accumulated losses	(5,450,476)	(5,172,055)	(5,023,467)
TOTAL EQUITY	3,748,327	4,026,748	4,175,336

Source: NRR audited financial statements for the years ended 30 June 2015, 2014 and 2013.

Commentary of financial position

We note that NRR's auditor issued a clean audit report with no qualifications for the year ended 30 June 2015.

We note the following in relation to NRR's Historical Statement of Financial Position:

- Cash and cash equivalents have remained relatively stable over the period from 30 June 2013 to 30 June 2015 as a direct result of the decrease in exploration activities over the same period.
- Current and non-current financial assets reduced to nil balances in the year ended 30 June 2014 due to the sale of all financial assets which resulted in a cash inflow of $360,000.
- Exploration and evaluation expenditure has remained unchanged over the period from 30 June 2013 to 30 June 2015 as a direct result of the decrease in exploration activities over the same period.

5.3 Historical Statement of Financial Performance

Historical Consolidated Statement of Financial Performance	Audited for the year ended 30-Jun-15 $	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $
Revenue			
Interest revenue	113,744	127,711	110,245
Other income	-	136,267	-
Expenses			
Employee and consultancy expenses	(305,746)	(329,090)	(458,012)
Exploration and evaluation expenses	(15,860)	(26,198)	(239,009)
Finance costs	-	(4,003)	(69,479)
Corporate expenses	-	-	(40,959)
Depreciation	(267)	(2,204)	(25,600)
Impairment expense	-	(13,750)	-
Loss on sale of tenements	-	-	(990,356)
Other expenses	(70,292)	(167,044)	(263,403)
Loss before income tax expense	(278,421)	(278,311)	(1,976,573)
Income tax credit (Research and Development rebate)	-	129,723	782,784
Total comprehensive loss for the year	**(278,421)**	**(148,588)**	**(1,193,789)**

Source: NRR audited financial statements for the years ended 30 June 2015, 2014 and 2013.

Commentary of financial performance

We note the following in relation to NRR's Historical Statement of Financial Performance

- The Company does not have any operating mines and as such the revenue predominantly comprises interest received from financial institutions on short term cash investments.
- Other income for the year ended 30 June 2014 consisted of a gain on disposal of shares in Resource and Investment NL and Argentina Mining Limited.
- There was significant expenditure in FY13 as NRR was still funding exploration projects, which ceased in FY14. In FY14 and FY15, NRR concentrated its efforts on reviewing appropriate acquisition opportunities within Australia and overseas.
- The loss on sale of tenements in FY13 of $0.99 million was the outcome on divestment of the Horseshoe Range Project and part of the Fraser Range Project.

5.4 Capital Structure

The share structure of NRR as at 21 September 2015 is outlined below:

	Number
Total ordinary shares on issue	138,263,829
Top 20 shareholders	63,807,862
Top 20 shareholders - % of shares on issue	46.15%

Source: Share registry

The range of shares held in NRR as at 21 September 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	5	422	0.00%
1,001 - 5,000	11	46,431	0.03%
5,001 - 10,000	94	908,566	0.66%
10,001 - 100,000	233	12,499,820	9.04%
100,001 - and over	181	124,808,590	90.27%
TOTAL	**524**	**138,263,829**	**100.00%**

Source: Share registry

The ordinary shares held by the most significant shareholders as at 21 September 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Konkera Pty Ltd	7,800,000	5.64%
Kobia Holdings Pty Ltd	6,700,000	4.85%
Upsky Equity Pty Ltd	6,700,000	4.85%
Blu Bone Pty Ltd	5,539,665	4.01%
Subtotal	26,739,665	19.34%
Others	111,524,164	80.66%
Total ordinary shares on Issue	**138,263,829**	**100.00%**

Source: Share registry

NRR has the following options on issue as at 21 September 2015:

Current options on issue	Number of Options
Unlisted options exercisable at $0.30 on or prior to 2 August 2016	1,000,000
Unlisted options exercisable at $0.30 on or prior to 19 October 2016	4,000,000
Unlisted options exercisable at $0.075 on or prior to 23 August 2017	500,000
Total options on issue	**5,500,000**

Source: Option registry information

6. Profile of Alcidion

6.1 History

Alcidion, formerly known as Pradhan Corporation Pty Ltd, was incorporated on 1 June 2000 and is focussed on the provision of healthcare informatics technology for clinicians. Alcidion is based in Adelaide and its current board members and senior management comprise:

- Dr Malcolm Pradhan, Chief Medical Officer;
- Mr Raymond Blight, Chief Executive Officer and Chairman;
- Mr Nathan Buzza, Executive Director; and
- Mr Alexander McNab, Non-Executive Director

On 13 February 2015, Alcidion raised $1.5 million in the form of convertible notes from Blue Sky Private Equity (**'Blue Sky Private'**), Allure Capital and Alcidion co-founders Raymond Blight and Malcolm Pradhan.

On 2 September 2015, Alcidion announced that it had secured a $1.75 million contract with the Northern Territory Department of Health over a period of 60 months. The contract relates to the installation and commissioning of the Miya platform within the Royal Darwin Hospital and Alice Springs Hospital emergency departments.

6.2 Key management

Set out below is a brief description of the key management of Alcidion.

Dr Malcolm Pradhan is currently the Chief Medical Officer and the co-founder of Alcidion. Dr Pradhan holds formal qualifications of an MBBS from University of Adelaide and a PhD in Medical Informatics from Stanford University. Prior to Alcidion, Dr Pradhan was a Clinical Lead within the Australian Government's e-Health Transition Authority.

Mr Raymond Blight is a co-founder and the Chief Executive of Alcidion. Mr Blight was previously the Chief Executive and Chairman of the South Australian Health Commission from 1994 to 1998 and Chairman of the South Australian Health Ministries' Advisory Council. Mr Blight currently chairs the University of South Australia Information Technology and Mathematical Sciences Advisory Board.

Mr Nathan Buzza is recognised as a technology pioneer in the evolution and implementation of specialised medical technology. Having founded Clinical Middleware provider, Commtech Wireless, in 1992, Nathan grew his business into a successful multinational corporation with offices in Perth, Sydney, Jacksonville, Hong Kong, Shenzhen and Vejle prior to divesting this business in 2008. Mr Buzza was recognised by Ernst & Young as the Entrepreneur of the Year in 2005.

Mr Alex McNab is a director of Blue Sky Alternative Investments (**'Blue Sky'**), an ASX listed alternative asset manager. Mr McNab primary focus is on Blue Sky's private equity business, and led Blue Sky's investment in Alcidion. In addition to Alcidion and Blue Sky, Mr McNab sits on the boards of Readify, CommStrat, Milk & Company, Balance Carbon and the Queensland Youth Orchestras.

6.3 Products and Services

The principal activities of Alcidion are the provision of healthcare informatics solutions and clinical information system solutions targeting key problems for emergency rooms, inpatient services and outpatient departments.

Miya ED

Miya ED provides a set of clinical dashboards and emergency department's "whiteboards" that enables emergency department teams to have a display which highlights key risks, best practice guidance for common problems, and that detects and manages high risk lab results that arrive after the patient has been discharged.

Set out below is a brief list of the solutions provided by the Miya ED:

- Reacts to critical results as they arrive through the use of a colour coding system;
- A Computerised Physician Order Entry ('**CPOE**') solution that allows clinicians to order diagnostic tests at the point of care;
- Improves patient safety by responding to critical results that arrive after patients are discharged;
- Reinforces best practice with guidelines that appear based on the patient's current health state; and
- Improves productivity with a touch based user interface.

Miya Patient Flow

Miya Patient Flow System is an e-health guidance system that optimises the patient journey by integrating powerful electronic journey boards, mobile Electronic Medical Record ('**EMR**') data capture, EMR software, and a monitoring system. The Miya patient flow also enables bed managers to track hospital capacity and respond to demand issues to manage bed management.

Miya Clinic

Miya Clinic Outpatient Software and Referral Management System saves clinical time and effort spent searching for relevant data during clinics, and optimises outpatient processes from referral through to discharge ensuring that patients receive best practice while reducing clinical risk.

Set out below is a brief list of the solutions provided by the Miya Clinic:

- Improves productivity by displaying the clinical information for the days' patient;
- Reduces time spent locating lab and radiology results;
- Reinforces best practice with smart e-forms that are tailored to the patient's current health state; and
- Utilises an electronic referral management system for clinical triage and waiting list management.

Further details of Alcidion's Miya platform and modules can be found in Appendix 3.

Miya iCVIS

Miya iCVIS is an intelligent cardiovascular information system, developed as a product within the FujiFilm Australia product range. Miya iCVIS is a solution for more efficient and effective processing of cardiology patients.

Miya Orders

Miya Orders is a system which guides the ordering of expensive emergency department pathology tests in accordance with best practice ordering clinical guidelines promulgated by the Australian College of Pathologists and Australian College of Emergency Medicine.

Further details of Alcidion's Miya platform and modules can be found in Appendix 3.

6.4 Historical Statement of Financial Position

Historical Consolidated Statement of Financial Position	Audited for the year ended 30-Jun-15 $	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $
CURRENT ASSETS			
Cash and cash equivalents	2,321,254	2,249	2,399,074
Trade and other receivables	1,269,176	2,668,247	927,215
TOTAL CURRENT ASSETS	3,590,430	2,670,496	3,326,289
NON-CURRENT ASSETS			
Property, plant and equipment	190,112	227,788	326,093
Intangible assets	5,775	6,479	7,183
Deferred tax assets	124,690	113,935	131,155
TOTAL NON-CURRENT ASSETS	320,577	348,202	464,431
TOTAL ASSETS	3,911,007	3,018,698	3,790,720
CURRENT LIABILITIES			
Trade and other payables	499,270	365,478	435,193
Borrowings	47,096	181,434	100,262
Provisions	227,116	228,397	213,017
Other	831,472	1,046,826	407,129
TOTAL CURRENT LIABILITIES	1,604,954	1,822,135	1,155,601
NON-CURRENT LIABILITIES			
Borrowings	1,500,000	100,000	14,098
Provisions	155,476	127,722	213,025
TOTAL NON-CURRENT LIABILITIES	1,655,476	227,722	227,123
TOTAL LIABILITIES	3,260,430	2,049,857	1,382,724
NET ASSETS	650,577	968,841	2,407,996
EQUITY			
Issued capital	2,100,004	2,100,004	2,100,004
Accumulated losses	(1,449,427)	(1,131,163)	307,992
TOTAL EQUITY	650,577	968,841	2,407,996

Source: Audited financial statements for the years ended 30 June 2015, 2014 and 2013.

Commentary of financial position

We note that Alcidion's auditor issued a clean audit report with no qualifications for the year ended 30 June 2015.

We note the following in relation to NRR's Historical Statement of Financial Position:

- Cash and cash equivalents increased significantly from 30 June 2014 to 30 June 2015 due to the issuance of $1.5 million convertible notes and the decrease of approximately $1.4 million in the Trade and other receivables balance from $2.67 million at 30 June 2014 to $1.27 million at 30 June 2015. Cash and cash equivalents decreased significantly from a balance of $2.40 million as at

30 June 2013 to approximately $2,000 as at 30 June 2014. This decrease is due to Alcidion incurring a loss of $1.44 million in the year ended 30 June 2014 and also trade and other receivables increasing significantly over the year ended 30 June 2014.

- The high balance in trade and other receivables as at 30 June 2014 is due to the research and development ('**R&D**') tax offset refund receivable being $1.40 million in FY14, compared to $0.33 million in FY15 and nil in FY13.
- Deferred tax assets relate to the current and non-current employee leave provisions.
- Current and non-current provisions consist of employee leave provisions.
- Other current liabilities consist of income in advance. Alcidion usually bills clients for licence, maintenance and support of their products in advance for the upcoming quarter (three months).
- Non-current borrowings increased significantly as at 30 June 2015 due to the $1.5 million of convertible notes issued in January 2015.

6.5 Historical Statement of Financial Performance

Historical Consolidated Statement of Financial Performance	Audited for the year ended 30-Jun-15 $	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $
Sales			
Recurring income	1,568,582	1,449,568	1,314,365
Non-recurring income	3,276,892	817,736	2,687,846
Total sales	4,845,474	2,267,304	4,002,211
Cost of sales	(1,982,168)	(2,550,195)	(2,306,148)
Gross profit	2,863,306	(282,891)	1,696,063
Interest income	19,446	35,701	59,941
Other income	1,784	99,572	1,046,959
Expenses			
Employee and consultancy expenses	(2,633,909)	(2,018,277)	(1,829,736)
Finance costs	(13,945)	(8,014)	(7,154)
Travel expenses	(197,874)	(87,207)	(115,180)
Corporate expenses	(529,550)	(440,765)	(451,053)
Depreciation	(115,066)	(99,234)	(126,560)
Other expenses	(53,757)	(63,903)	(34,616)
Profit/(loss) before income tax expense	(659,565)	(2,865,018)	238,664
Income tax benefit	341,301	1,425,863	17,074
Total comprehensive loss for the year	**(318,264)**	**(1,439,155)**	**255,738**

Source: Audited financial statements for the years ended 30 June 2015, 2014 and 2013.

Commentary of Historical Financial Information

We note the following in relation to Alcidion's Historical Statement of Financial Performance

- Recurring income has grown at a stable rate over the period from FY13 through FY15.
- Non-recurring income has been volatile over the three years ended 30 June 2015. FY14 decreased by $1.87 million from FY13, and subsequently increased by $2.46 million in FY15.
- Cost of sales includes direct salaries, commission and purchases of hardware for customers. FY13 and FY14 were significantly higher than FY15 as Alcidion was in the product development phase in FY13 and FY14, before moving to product delivery in FY15.
- Other income predominantly consists of grants with approximately $98,000 in FY14 and $1.04 million in FY13.
- The increase in employee and consultancy expenses over the three years ended 30 June 2015 is predominantly due to the increased activity in the sales and marketing division of the business.

7. Economic analysis

7.1 Global

Growth of global economic activity remains moderate. In the euro area, economic conditions have improved gradually, although activity is still low. In the United States, recent data suggest that the slowdown at the beginning of the year was temporary and the economic outlook is favourable. In turn, economic growth in China remains low and continues to shift towards fiscal stimulatory programs. China is concerned they may not reach their stated 7% Gross Domestic Product (GDP) target so the Chinese government is looking to spend $161 billion on infrastructure projects including airports and addressing flooding problems in major cities. This enormous infrastructure program should partially support metal prices and utilise some of China's excess cement capacity.

Despite the ongoing recovery in developed economies, the sentiment in the financial markets has recently deteriorated in the wake of growing fears of a Greek insolvency. This was conducive to a fall in prices of some financial assets as well as a weakening of exchange rates of Central and Eastern European currencies. S&P also downgraded its European Union (EU) outlook from Stable to Negative. The International Monetary Fund (IMF) is also trying to enforce more conditions onto EU and European Central Bank (ECB) to better control the funding arrangements with Greece. Greece needs a debt reconstruction but the EU and ECB are avoiding the idea due to the potential contagion effects in other debt ridden countries like Spain, Italy and Portugal.

Following a sharp and long-lasting fall, oil prices have risen slightly in recent months. This has weakened disinflationary forces in many countries, fuelling an increase in price growth in the euro area. However, price growth in the global economy remains very low, and in some European economies it is still negative. In these conditions, major central banks are keeping interest rates close to zero and the European Central Bank continues with its asset purchase programme.

7.2 Australia

The global economy is expanding at a moderate pace, with some further softening in conditions in China and East Asia of late, but stronger US growth. Key commodity prices are much lower than a year ago, in part reflecting increased supply, including from Australia. Australia's terms of trade are falling.

The Federal Reserve is expected to start increasing its policy rate over the period ahead, but some other major central banks are continuing to ease policy. Equity market volatility has continued, but the functioning of financial markets generally has not, to date, been impaired. Long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low. Overall, global financial conditions remain very accommodative.

In Australia, the available information suggests that moderate expansion in the economy continues. While growth has been somewhat below longer-term averages for some time, it has been accompanied with somewhat stronger growth of employment and a steady rate of unemployment over the past year. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet, with domestic inflationary pressures contained. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending. Credit is recording moderate growth overall, with growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney and Melbourne, though trends have been more varied in a number of other cities. Regulatory measures are helping to contain risks that may arise from the housing market. In other asset markets, prices for commercial property have been supported by lower long-term interest rates, while equity prices have moved lower and been more volatile recently, in parallel with developments in global markets. The Australian dollar is adjusting to the significant declines in key commodity prices.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 6 October 2015*

7.3 United States of America

Information received since June indicates that economic activity has been expanding moderately in recent months. Growth in household spending has been moderate and the housing sector has shown additional improvement; however, business fixed investment and net exports have stayed soft. The labour market has continued to improve, with solid job gains and declining unemployment. On balance, a range of labour market indicators suggests that underutilization of labour resources has diminished since early this year. Inflation continued to run below the US Federal Reserve ('USFR') longer-run objective, partly reflecting earlier declines in energy prices and decreasing prices of non-energy imports. Market-based measures of inflation compensation remain low and survey based measures of longer-term inflation expectations have remained stable.

Current expectation indicate that economic activity is expected to expand at a moderate pace, with labour market indicators continuing to move toward levels the USFR judges consistent with its dual mandate. The USFR continues to see the risks to the outlook for economic activity and the labour market as nearly balanced. Inflation is anticipated to remain near its recent low level in the near term, but the USFR expects inflation to rise gradually toward 2 percent over the medium term as the labour market improves further and the transitory effects of earlier declines in energy and import prices dissipate.

Source: www.federalreserve.gov *Statement by Federal Open Market Committee, 29 July 2015*

8. Industry analysis

8.1 Overview of the health information technology industry

Electronic Health ('**eHealth**') is defined as *'the transfer of health resources and healthcare by electronic means'* by the World Health Organisation ('**WHO**'). The services that eHealth is comprised of are:

- The delivery and management of health information for health professionals and health consumers via the use of internet and telecommunications;
- E-commerce and information technology to improve public health services; and
- The use of e-business practices in health systems management.

A subset of eHealth is mobile health ('**mHealth**') which relates to the provision of health services and information through mobile technologies. According to the International Telecommunication Union, overall mobile penetration rates are estimated to have reached 96% globally by 2013 (128% in the developed world and 89% in the developing world). Most of the market share will be in Europe and the Asia-Pacific regions with 30% of share each, followed by North America with 28%. With the increase in mobile access globally, mobile health is set to support the healthcare industry.

8.2 Factors driving change

Drivers of mHealth in each country are different, creating a diversity of interests. The key drivers to consider in the take up of mHealth include healthcare access, mobile penetration, rural urban divide, disease profiles, dependant population and income levels.

There have been rapid advances in mobile technology and applications, growth in coverage of cellular network and a rise in new opportunities for integrated mobile health.

Regulatory reform driven by demographic changes, such as an ageing population and chronic illness, is levelling out the balance between public and private sector participation in healthcare. The public sector is seeking to optimise access and quality while looking towards private healthcare providers for innovation and efficiency, all of which can be enabled with mHealth.

8.3 Clinical Decision Support Systems ('CDSS')

One form of mHealth is CDSS which aims at improving the efficiency of health care providers in delivering patient care.

CDSS is defined by the Department of Health of Victoria as an electronic medium which provides clinicians and medical staff with patient specific data and knowledge which encompasses a variety of decision support tools to assist clinicians with making recommendations, patient flow, patient safety and to achieve operational efficiency.

Set out below is a brief list of the support which CDSS can offer:

- Clinical documentation;
- Discharge summaries;
- Electronic forms such as care plans and order requests;
- Diagnostic support;

- Clinical guidelines, protocols and relevant standards;
- Test results;
- Emergency response; and
- Clinical care.

8.4 General hospitals industry in Australia

The demand for CDSS is largely driven by the demand for health services, in particular, the demand for treatment at general hospitals. General hospitals provide diagnostic, medical and surgical services along with continuous impatient nursing care. Currently, Alcidion's 'Miya' platform operates in 11 Australian hospitals with the following factors below influencing the level of demand for the services provided by general hospitals.

8.5 Demand determinants

Median age of the population

Older people generate a larger amount of hospital services revenue per capita. As Australia's baby boomer generation begins to reach 65 years of age, the median age of the population is expected to increase in 2015-16, which will result in an increase in the demand for hospital services.

Government funding for public hospitals

The level of government funding of hospitals affects the level of public service provision and demand for both public and private hospital services. Public hospitals receive the majority of their funding from state government owners, with some funding also coming from the Federal Government. According to the Australian Institute of Health and Welfare ('**AIHW**'), expenditure on public hospitals has steadily increased over the last five years.

Private health insurance membership

The demand for private hospital and allied health services revenue is influenced by the level of private health insurance coverage throughout the population. It is expected that private health insurance coverage will further increase in 2015-16 with an estimated 11.6 million Australians to be covered in private health in 2015-16. Expanding private health insurance coverage has led to the use of non-essential health services, with health insurers covering the benefits.

Number of births

Women in their child-bearing years are heavy users of hospital services, in particular, maternity services. In 2015-16, the number of births is expected to increase.

Emergency department activities

Patients often use general hospitals for emergency department services which provide care for patients who may require urgent medical attention. A study conducted by AIHW estimates that one in four hospitalisations were emergency admissions, with the majority emergency department services provided by public hospitals. AIHW estimates that between 2009-10 and 2013-14, the number of emergency department presentations increased by 4.8% on average each year.

8.6 Current performance of general hospitals in Australia

As a result of Australia's ageing population, the demand for both public and private hospitals has risen in the last five years. A study conducted by AIHW, estimates that there were approximately 9.7 million hospitalisations in 2013-14, with over 55% arising from public hospitals. The rise in the overall number of patients visiting general hospitals has driven revenue forecasts to increase by a compound annual rate of 4.9% over the five years through to 2015-16, with general hospital industry revenue estimated to increase by 4.7% for 2015-16.

8.7 Industry outlook for general hospitals in Australia

The general hospital industry is expected to continue its steady growth over the next five years as a result of Australia's ageing population, the rise of chronic disease and growth in private health insurance coverage. It is estimated that people aged 65 and over will account for approximately 40.1% of general hospital revenue despite only making up 14.7% of Australia's population.

Overall, health services revenue in Australia is forecast to increase at a compound rate of 3.8% over the five years through to 2020-21 to reach $78.5 billion.

8.8 Health care market in the United States of America

According to the WHO, the USA has the highest expenditure on healthcare than any other country in the world. With the introduction of the Affordable Care Act ('**ACA**') in 2010 which aims to make healthcare more affordable for those who are currently not covered by health insurance, health care expenditure in the USA is estimated to increase by approximately 4.8% per year between 2014-18, providing an opportunity for mHealth.

Furthermore, the introduction of the Health Information Technology for Economic and Clinical Health ('**HITECH**') Act in 2009 provides a further opportunity for health care providers and hospitals to invest in new health information technology to meet reporting requirement under the HITECH Act.

Further details of the healthcare informatics industry can be found in Appendix 3.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment (such as a Resource Multiple)

A summary of each of these methodologies is outlined in Appendix 2.

9.1 Valuation of a NRR share prior to the Transaction

In our assessment of the value of a NRR share prior to the Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The NAV methodology is the most appropriate to consider given the Company is essentially a listed exploration company with no active operations.
- The QMP basis is a relevant methodology to consider because NRR's shares are listed on the ASX. This means there is a regulated and observable market where NRR's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 10.2 of our Report;
- NRR does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate; and
- In its current form, NRR has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not considered appropriate.

9.2 Valuation of a NRR share following the Transaction

In our assessment of the value of a NRR share following the Transaction we have chosen to employ the sum-of-parts methodology. The sum-of-parts methodology comprises:

- The value of NRR prior to the Transaction based on the NAV approach as a primary methodology and the QMP as our secondary methodology;
- The cash raised under the Capital Raising (net of capital raising costs) which is to be undertaken by the Company in conjunction with the Transaction;
- The value of Alcidion;
- The payment of any transaction costs or fees as a result of the Transaction;

- The number of shares on issue following the Transaction will include the issue of shares to the shareholders of Alcidion as consideration for the Transaction and the issue of shares pursuant to the Capital Raising; and
- A minority discount is applied to the NAV to arrive at the value of a NRR share following the Transaction on a minority interest basis.

In our assessment of the value of Alcidion, we have taken into consideration the following items when assessing the appropriate valuation methodology:

- Alcidion's shares are not listed on the ASX (or any other exchange) and hence, there is no regulated and observable market where Alcidion's shares are traded. Accordingly, we cannot value the shares of Alcidion based on the QMP methodology;
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. However, we have been unable to use this approach with regard to the valuation of Alcidion, given that it has been operating at a normalised loss historically. This implies that we do not have a reasonable basis to assess future maintainable earnings of Alcidion at this point in time;
- The DCF approach is particularly applicable to businesses with limited lives, experiencing growth and that are in the start-up phase, with irregular cash flows. Although Alcidion has now reached a stage of commercialisation within Australia and is generating revenues it has been loss making. The DCF approach has not been considered, given that insufficient information for a DCF valuation to be undertaken is available at this point in time and (based on reasonable grounds under RG 170); and
- Being a technology company, the core value of Alcidion is in the intellectual property that it holds. We have instructed Valutech Pty Ltd ('Valutech') to act as an independent specialist to value the intangible assets of Alcidion. The NAV methodology has therefore been considered an appropriate valuation methodology to undertake and we have incorporated the value of Alcidion's intangible assets into our NAV of Alcidion.

Based on the above, we consider the most appropriate methodology to value Alcidion is the NAV methodology.

10. Valuation of NRR prior to the Transaction

10.1 Net Asset Valuation of NRR

The value of NRR's assets on a going concern basis is reflected in our valuation below:

	Notes	30-Jun-15 $	Low value $	Preferred value $	High value $
CURRENT ASSETS					
Cash and cash equivalents		3,737,819	3,737,819	3,737,819	3,737,819
Trade and other receivables		12,195	12,195	12,195	12,195
TOTAL CURRENT ASSETS		3,750,014	3,750,014	3,750,014	3,750,014
NON-CURRENT ASSETS					
Exploration and evaluation expenditure	1)	13,172	-	-	-
TOTAL NON-CURRENT ASSETS		13,172	-	-	-
TOTAL ASSETS		3,763,186	3,750,014	3,750,014	3,750,014
CURRENT LIABILITIES					
Trade and other payables		14,859	14,859	14,859	14,859
TOTAL CURRENT LIABILITIES		14,859	14,859	14,859	14,859
TOTAL LIABILITIES		14,859	14,859	14,859	14,859
NET ASSETS		3,748,327	3,735,155	3,735,155	3,735,155
Shares on issue (number)			138,263,829	138,263,829	138,263,829
Value per share ($)			0.0270	0.0270	0.0270

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of NRR since 30 June 2015 apart from those adjustments discussed below. Other than those items discussed below, we have assumed that the fair market value of the assets and liabilities as at 30 June 2015 are equal to the carrying values as set out in the above statement of financial position.

The table above indicates the net asset value of a NRR share is $0.027. The following adjustments were made to the net assets of NRR as at 30 June 2015 in arriving at our valuation.

Note 1) Exploration and evaluation expenditure

NRR stated in the Annual Report for the year ended 30 June 2015 that the Company had completed a review of its remaining project, Windy Day, concluding that it maintains a low probability of exploration success. Due to the stage of exploration and the results of the review work undertaken, our opinion is that the exploration assets do not have a material value and we have adopted a valuation of nil.

10.2 Quoted Market Prices for NRR securities

To provide a comparison to the valuation of NRR in Section 10.1, we have also assessed the quoted market price for a NRR share. The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 of the Act the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Dr Pradhan will not be obtaining 100% of NRR, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13 of this Report.

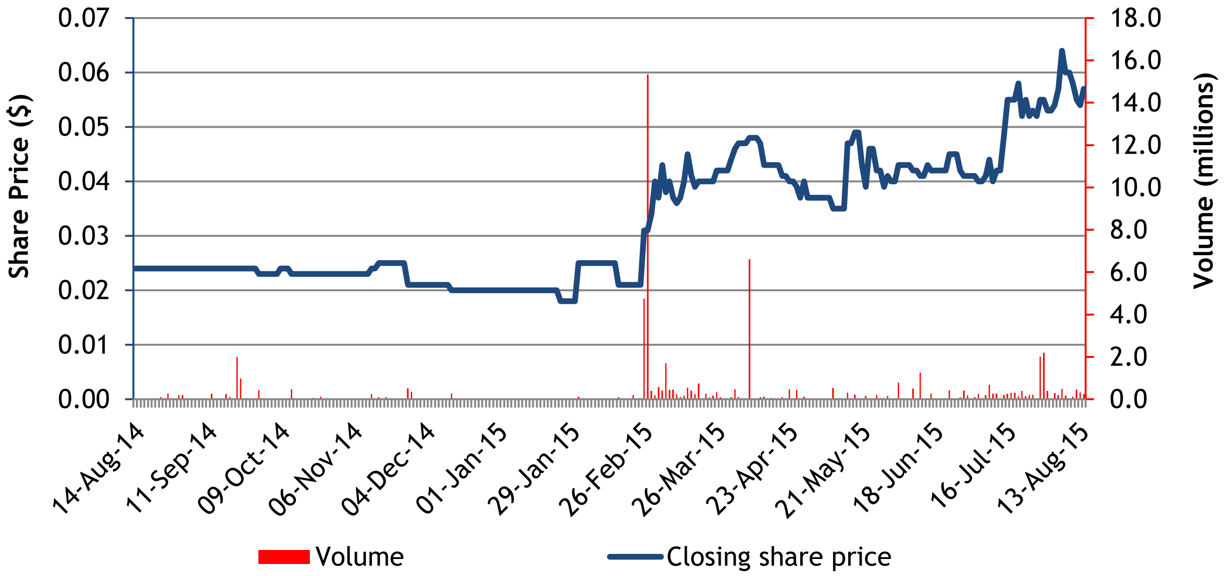
Therefore, our calculation of the quoted market price of a NRR share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a NRR share is based on the pricing prior to the announcement of the Transaction. This is because the value of a NRR share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a NRR share following the announcement when we have considered reasonableness in Section 13 of this Report.

Information on the Transaction was announced to the market on 18 August 2015 however the Company went into a trading halt on 14 August 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 13 August 2015, which was the last full trading day prior to the announcement of the Transaction.

NRR share price and trading volume history



Source: Bloomberg and BDO analysis

The daily price of NRR shares from 14 August 2014 to 13 August 2015 has ranged from a low of $0.018 on 23 January 2015 to a high of $0.064 on 5 August 2015. We note that the closing price of a NRR share on the 13 August 2015 was $0.057. From August 2014 to January 2015, NRR's share price exhibited a slight downward trend. During this time, the Company's shares were thinly traded and there were extended periods in which no trade activity occurred at all. On the 20 February 2015, the share price entered a steep upswing and continued this trend for the rest of the period. The most significant trading volumes were experienced in February 2015, with the highest single day of trading occurring on 26 February 2015, where 15,332,142 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
31/07/2015	Quarterly Activities and Cash Flow Statement	0.053	►	0.0%	0.064	▲	20.8%
30/04/2015	Quarterly Activities and Cash Flow Statement	0.037	►	0.0%	0.037	►	0.0%
25/02/2015	Response to Price Query	0.031	▲	47.6%	0.040	▲	29.0%
29/01/2015	Quarterly Activities and Cash Flow Statement	0.018	►	0.0%	0.025	▲	38.9%
30/10/2014	Quarterly Activities and Cash Flow Statement	0.023	►	0.0%	0.023	►	0.0%

Source: Bloomberg and BDO analysis

On 25 February 2015, the Company issued a response to an ASX Price and Volume Query. On the day of the announcement NRR's share price closed 47.6% higher at $0.031. The share price continued to increase in the three days subsequent to the response, closing at $0.040.

To provide further analysis of the market prices for a NRR share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 13 August 2015.

Share Price per unit	13-Aug-15	10 Days	30 Days	60 Days	90 Days
Closing price	$0.057				
Volume weighted average price (VWAP)		$0.058	$0.054	$0.050	$0.049

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of NRR shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in NRR shares for the twelve months to 13 August 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.057	$0.058	241,000	0.17%
10 Days	$0.053	$0.065	2,294,690	1.66%
30 Days	$0.040	$0.065	10,738,900	7.77%
60 Days	$0.039	$0.065	15,370,800	11.12%
90 Days	$0.035	$0.065	18,227,257	13.18%
180 Days	$0.018	$0.065	53,888,477	38.98%
1 Year	$0.018	$0.065	60,718,095	43.91%

Source: Bloomberg and BDO analysis

This table indicates that NRR's shares display a moderate level of liquidity, with 38.98% of the Company's current issued capital being traded in a six month period. We also note that only 13.18% of NRR's issued capital had traded in the 90 days to 13 August 2015. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of NRR, despite 38.98% of the average issued capital being traded in the past six months, we do not consider there to be a deep market for the shares. This is mainly a result of the unexplained price movements and volume of shares traded as discussed above.

Despite there not being a deep market for the Company's shares, we still consider the trading price of the Company's shares to be relevant in our assessment of the value of a NRR share.

Our assessment of a NRR share based on market pricing, after disregarding post announcement pricing, is between $0.050 and $0.060.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2015	12	1408.37	28.28
2014	41	467.79	31.68
2013	40	190.88	46.72
2012	54	327.08	38.48
2011	67	766.18	48.45
2010	69	741.25	37.60
2009	63	324.62	46.53
2008	42	744.89	39.04
2007	84	1008.24	21.79
2006	96	647.74	22.95
	Mean	**662.70**	**36.15**
	Median	**694.50**	**38.04**

Source: Bloomberg and BDO analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data set comprising control transactions from 2006 onwards, as set out below.

Entire Data Set Metrics			
	Mean	**638.83**	**35.26**
	Median	**84.86**	**28.81**

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates the long term average control premiums paid by acquirers of all companies on the ASX is approximately 35.26%.

In assessing the sample of transactions that were included in the table, we've noted transactions within the list which appear to be extreme outliers. These outliers include 29 transactions where the announced control premium was in excess of 100% and 45 transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%). In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was 28.8%.

In the case of NRR, we have taken the following considerations into account:

- The primary asset of NRR is cash - an acquirer would not pay a control premium for cash. Due to the high proportion of cash a lower or nil premium would be appropriate.
- The current market capitalisation of NRR is considerably smaller than a number of the sample companies determined above, we note that larger transactions tended to have higher control premium; and
- Dr Pradhan has the potential to increase his holding from nil to a range between 23.20% and 26.01%, assuming no further shares are issued.

In determining the premium for control to be paid by Dr Pradhan we have taken into account the above analysis including the nature of the Transaction. We believe an appropriate control premium to apply to our valuation is between 20% and 30%.

Quoted market price including control premium

Applying a control premium to NRR's quoted market share price results in the following quoted market price value including a premium for control:

	Low ($)	Preferred ($)	High ($)
Quoted market price value	0.050	0.055	0.060
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	**0.060**	**0.069**	**0.078**

Source: BDO analysis

Therefore, our valuation of a NRR share based on the quoted market price method and including a premium for control is between $0.060 and $0.078, with a midpoint value of $0.069.

10.3 Assessment of NRR Value

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
NAV methodology (Section 10.1)	0.027	0.027	0.027
QMP methodology (Section 10.2)	0.060	0.069	0.078

Source: BDO analysis

Our valuation of a NRR share under the QMP methodology (including a premium for control) is significantly higher than our valuation under the NAV methodology in all scenarios. In our assessment of the value of a NRR share prior to the Transaction we have taken into consideration the following items:

- The NAV value is lower than the QMP value, which is not uncommon for exploration companies which often trade at a premium to their net asset values. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue-sky' prospects for the company, which are factored into the share price in advance of any such value being warranted.
- Over the past 12 months there had been limited operations in NRR and the Company has incurred minimal exploration costs on its tenements. Additionally, NRR has been evaluating alternative corporate opportunities, both in Australia and overseas. The QMP value reflects investors' perception of the future prospects of NRR.
- Under RG 111.69(d), the QMP methodology is considered appropriate where a liquid and active market exists for the securities. From our share price analysis in section 10.2, we consider there is not a deep market for the Company's shares with only 13.18% of the Company's share capital traded in the 90 days prior to the announcement of the Transaction. The trading has also been very irregular over the period and the closing price of a NRR share ranging from a low of $0.035 to a high of $0.065 over the 90 trading days leading up until the date of the announcement.
- We conclude that there is no apparent reason why the quoted market price of a NRR share should materially exceed its net asset value which is essentially its cash backing.
- It is probable that the market price incorporates a view that NRR would undertake a transaction due to the cash balance and status of the exploration assets. As such the potential upside from a future transaction may be incorporated into the QMP.

For the reasons described above, we conclude that the value obtained under the NAV approach is more reflective of the value of a NRR share prior to the Transaction. Therefore, we consider the value of a NRR share to be $0.027.

11. Valuation of NRR following the Transaction

The sum-of-parts valuation of NRR following the Transaction is set out below.

	Notes	Low value $	Preferred value $	High value $
NAV of NRR prior to the Transaction	a)	3,735,155	3,735,155	3,735,155
NAV of Alcidion prior to the Transaction	b)	650,578	650,578	650,578
Adjustments to NAV of Alcidion:				
Alcidion cash	c)	(571,254)	(571,254)	(571,254)
Conversion of Alcidion convertible note to equity	d)	1,500,000	1,500,000	1,500,000
Alcidion working capital	e)	1,491,552	1,491,552	1,491,552
Alcidion intangible asset valuation	f)	16,794,225	20,294,225	25,594,225
Cash raised under Capital Raising	g)	2,000,000	2,000,000	2,000,000
Costs associated with Transaction and Capital Raising	g)	(400,000)	(400,000)	(400,000)
NAV of NRR following the Transaction (control basis)		**25,200,256**	**28,700,256**	**34,000,256**
Discount for minority interest	h)	23%	20%	17%
NAV of NRR following the Transaction (minority interest basis)		**19,384,812**	**22,960,205**	**28,333,547**
Number of shares on issue post Transaction	i)	602,779,958	602,779,958	602,779,958
Value of a NRR share following the Transaction (minority interest basis)		**0.032**	**0.038**	**0.047**

Source: BDO analysis

Based on the above, we consider the value of a share in NRR following the Transaction on a minority interest basis to be between $0.032 and $0.047, with a preferred value of $0.038. We note the following in relation to the sum-of-parts valuation above:

a) NAV of NRR prior to the Transaction

This figure is taken from section 10.1, as the net asset balance as at 30 June 2015 for NRR.

b) NAV of Alcidion prior to the Transaction

This figure is taken from section 6.4, as the net asset balance as at 30 June 2015 for Alcidion.

The net asset value as at 30 June 2015 is $650,578; we have been advised that there has not been a significant change in the net assets of Alcidion since 30 June 2015 apart from those adjustments discussed below in points c) through f). Other than those items discussed below, we have assumed that the fair market value of the assets and liabilities as at 30 June 2015 are equal to the carrying values as set out in the above statement of financial position.

c) Cash and cash equivalents

The SPA states that, at the time of the Transaction, Alcidion will have a cash balance equal to $1.75 million. Any cash in excess of $1.75 million will be paid as a dividend to Alcidion's shareholders.

We have made an adjustment to the 30 June 2015 cash balance, as set out below:

Alcidion cash adjustment	$
Alcidion cash balance as at 30 June 2015	2,321,254
Cash balance as at the Transaction date	1,750,000
Cash adjustment	**(571,254)**

Source: BDO analysis

d) Conversion of Alcidion convertible note to equity

The SPA states that at the time of the Transaction, Alcidion will be acquired free of any convertible debt obligations. Any convertible debt currently on issue will be converted to fully paid ordinary equity in Alcidion prior to the completion of the Transaction.

Alcidion had $1.5 million convertible notes on the balance sheet as at 30 June 2015. As a result, we have increased net assets of Alcidion by $1.5 million to account for the conversion of the convertible notes to equity.

e) Alcidion working capital

The SPA states that, at the time of the Transaction, Alcidion will have net working capital equal to $1.50 million.

We have made an adjustment to the 30 June 2015 working capital balance, as set out below:

Alcidion working capital adjustment	$
Balance Sheet items included in working capital calculation:	
Trade and other receivables	1,269,176
Trade and other payables	(499,270)
Provisions	(227,116)
Income in advance	(831,472)
Income in advance adjustment (as per SPA Schedule 8: Working Capital Statement)	297,130
Net working capital as at 30 June 2015	8,448
Working capital adjustment as at the Transaction date	1,500,000
Alcidion working capital adjustment	**1,491,552**

Source: BDO analysis

f) Alcidion intangible asset valuation

We instructed Valutech to provide an independent market valuation of the intangible asset held by Alcidion.

Valutech used the income-based approach as the primary valuation methodology, and the market-based and cost-based methodologies as cross-checks.

The income-based approach was preferred for the valuation of the Alcidion Miya platform and modules because this intellectual property is already generating revenues and has been installed in 11 Australian hospitals.

The market-based approach was based on the comparison with a similar New Zealand company that provides integrated solutions in healthcare IT.

The cost-based approach was based on the historical cost to develop Alcidion's Miya platform and associated modules.

See Valutech's independent valuation report in Appendix 3 for further details.

The adjustment made to Alcidion's intangible asset balance as at 30 June 2015 is set out below:

	Low value $	Preferred value $	High value $
Valutech valuation of Alcidion intangible asset	16,800,000	20,300,000	25,600,000
Intangible asset balance as at 30 June 2015	5,775	5,775	5,775
Adjustments to Alcidion intangible asset balance	**16,794,225**	**20,294,225**	**25,594,225**

Source: Valutech independent valuation report (Appendix 3), BDO analysis

g) Capital raising

As set out in section 4, NRR will undertake a capital raising of $2 million as part of the Transaction which we have accounted for by increasing net assets of NRR by $2 million.

As part of the capital raising, there will be costs associated totalling approximately $400,000, as set out in the SPA. We have accounted for these costs by decreasing net assets of NRR by $400,000.

h) Discount for minority interest

The net asset value of a NRR share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of the company. Therefore, if the Transaction is approved, Shareholders may become minority interest shareholders in NRR as the vendors of Alcidion could hold a controlling interest, meaning that Shareholders' individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a NRR share following the Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – [1/(1+control premium)]. As discussed in section 10.2, we consider an appropriate control premium for NRR to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of approximately 17% to 23%.

i) Shares on issue

We have adjusted the shares on issue as shown below:

Number of shares on issue following the Transaction	Number
Number of shares on issue prior to the Transaction	**138,263,829**
Consideration Shares issued under the Transaction	400,000,000
Shares issued pursuant to Capital Raising	64,516,129
Number of shares on issue following the Transaction	**602,779,958**

Source: BDO analysis

We have adjusted the total shares on issue by including the issue of the 400 million Consideration Shares that will be issued to Dr Pradhan and the other vendors of Alcidion. We have also included the shares to be issued as part of the Capital Raising that is taking place as part of the Transaction.

We determined that it would not be appropriate to value NRR on a fully diluted basis and as such we have assumed that no shares will be issued on account of the vesting of the Class A Contingent Share Rights and Class B Contingent Share Rights, nor the exercise of the unlisted options outlined in section 5.4.

We consider this appropriate as we do not consider we have reasonable grounds to make assumptions with respect to the vesting of the Class A Contingent Share Rights and Class B Contingent Share Rights given there is insufficient information available about the certainty surrounding the future performance of NRR to achieve the respective performance milestones; and the unlisted options are presently out-of-the-money.

We note that should the Class A Contingent Share Rights and Class B Contingent Share Rights vest, there is likely to be a corresponding increase in the value of the Company which will benefit Shareholders.

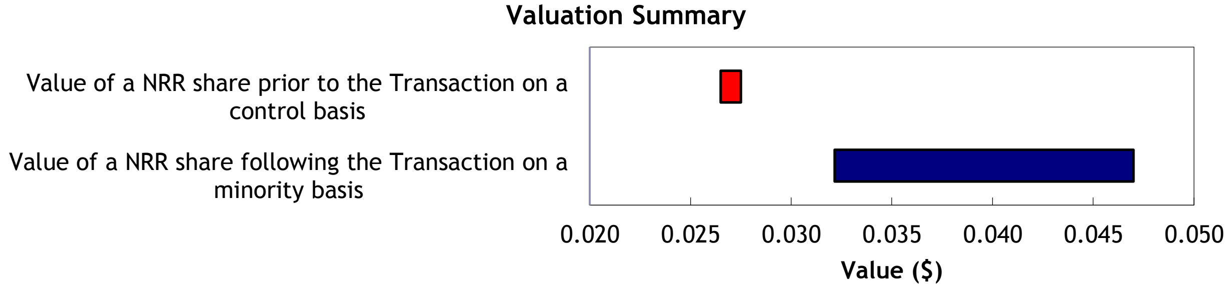
12. Is the Transaction fair?

The value of a NRR share prior to the Transaction on a control basis compares to the value of a NRR share following the Transaction on a minority basis, as detailed below.

	Ref	Low $	Preferred $	High $
Value of a NRR share prior to the Transaction on a control basis	10.3	0.027	0.027	0.027
Value of a NRR share following the Transaction on a minority basis	11	0.032	0.038	0.047

Source: BDO analysis

The above valuation ranges are graphically presented below:



We note from the table above that the range of values of a NRR share following the Transaction on a minority interest basis is greater than the value of a NRR share prior to the Transaction on a controlling interest basis. The above pricing indicates that, in the absence of any other relevant information, the Transaction is fair for Shareholders.

13. Is the Transaction reasonable?

13.1 Advantages of approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

13.1.1. The Transaction is fair

As set out in section 12, the Transaction is fair. RG 111 states that a Transaction is reasonable if it is fair - in this case it is fair.

13.1.2. Change in the nature and scale of NRR may attract new investors

On approval of the Transaction, NRR will cease business operations in mining exploration and move into the healthcare informatics industry where Alcidion operates. This will change the nature and scale of NRR which could attract new investors and may allow the Company to more readily raise additional working capital when required.

13.1.3. The Transaction provides the Company with a cash injection

The Transaction provides immediate funding via the Share Placement to fund Alcidion's growth in the healthcare informatics market in Australia and USA. This additional cash will give NRR the ability to extinguish liabilities in the normal course of business.

13.1.4. Experienced management team and Board of Directors

On approval of the Transaction, current NRR directors, Mr Wates and Mr Bahen, will be replaced with Alcidion directors, Dr Pradhan, Mr Blight, and Mr Buzza. Mr Nicholas Dignam will also join the Board of Directors. See the Explanatory Memorandum for further details on each of the new Board members. The Alcidion directors will bring with them a strong management team of eight employees.

The incoming directors and senior personnel have significant experience in Alcidion's operations and will provide the appropriate experience and knowledge to NRR.

13.1.5. Alcidion's interests are aligned to Shareholders' interests with the issue of the contingent share rights

The 266,666,666 contingent share rights issued to the vendors of Alcidion vest in two tranches on the satisfaction of specific performance milestones for the Company. We consider the achievement of these milestones to be beneficial and value accretive for Shareholders.

133,333,333 Class A Contingent Share Rights will vest on achieving audited sales revenue of at least $10 million in a period of 12 consecutive months no later than 24 months from re-admission of NRR as Alcidion on the ASX.

133,333,333 Class B Contingent Share Rights will vest on achieving audited sales revenue of at least $15 million in a period of 12 consecutive months no later than 36 months from re-admission of NRR as Alcidion on the ASX.

In our view, the issue of the contingent share rights as part of the consideration ensure that the interests of Alcidion and the Shareholders are aligned towards successfully developing, marketing and selling Alcidion's Miya products.

13.1.6. Greater potential to generate a return for Shareholders

NRR current mining exploration opportunities have been extinguished, with a low probability of exploration success. On approval of the Transaction, NRR will acquire Alcidion, an established and rapidly growing healthcare informatics business, currently operating in 11 Australian hospitals.

Approval of the Transaction will provide Shareholders with exposure to the healthcare informatics industry, which is currently in a high growth phase.

13.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

13.2.1. Dilution of existing Shareholders' interests and control passing to a single shareholder

If the Transaction is approved, existing Shareholders will be diluted from holding 100% of the issued capital of NRR to holding 22.93% (prior to the conversion of Class A Contingent Share Rights or Class B Contingent Share Rights). Shareholders' existing interests may be further diluted if the milestones are met and the conversion of Class A Contingent Share Rights and Class B Contingent Share Rights occurs. This will dilute Shareholders' interests and their level of collective influence on the operations of the Company.

13.2.2. The change in operations as a result of the Transaction may not suit the risk profile of Shareholders

Shareholders invested in NRR assuming that it was a mineral exploration company. Therefore the change in operations of the Company following the Transaction may not suit the risk profile of investors.

13.2.3. Decreases the likelihood of a takeover offer

If the Transaction is approved, Dr Pradhan will hold 23.20% of the issued capital of NRR (prior to the conversion of Class A Contingent Share Rights or Class B Contingent Share Rights). This may discourage any other potential bidder from making a takeover bid in the future as Dr Pradhan will have significant control over the Company. This may reduce the opportunity for Shareholders to receive a takeover premium in the future.

13.3 Other considerations

13.3.1. Alternative offers

We are unaware of any alternative proposal that might offer the Shareholders of NRR a premium over the value, resulting from the Transaction.

13.3.2. Practical level of control

If the Transaction is approved then Dr Pradhan will hold an initial interest of 23.20% in NRR. In addition to this, two of the three current NRR Board members will be replaced with four Board members nominated by Alcidion. This means that Alcidion nominated directors will make up 80% of the Board.

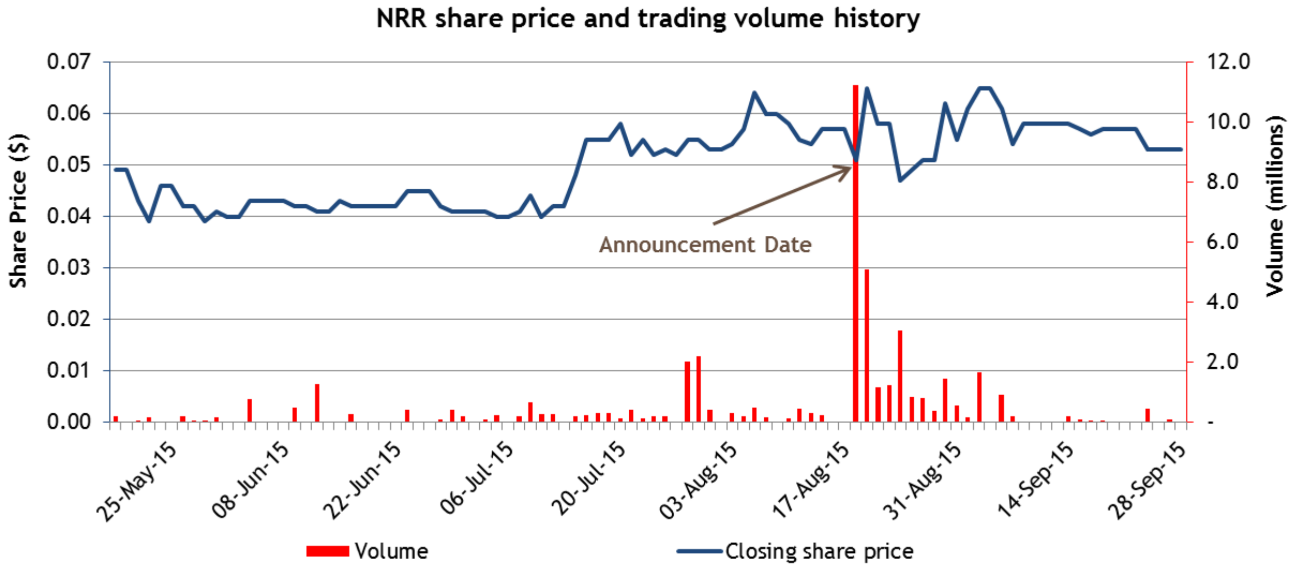
When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved then Dr Pradhan will not be able to block special nor general resolutions, however Dr Pradhan is likely to have a significant influence in the decision making of the Company.

In addition, assuming the issue of Consideration Shares and the vesting of the Class A Contingent Share Rights and Class B Contingent Share Rights, Dr Pradhan will have a maximum relevant interest of 26.01%. In this case, Dr Pradhan will be able to block special resolutions

Dr Pradhan's control of NRR following the Transaction will be significant when compared to all other shareholders. However, with an initial 23.20% shareholding, Dr Pradhan will not have control to pass resolutions at shareholder level. We note that although there is an opportunity for Dr Pradhan to increase his interest in NRR, given the uncertainty surrounding the achievement of the respective performance milestones, as detailed in section 11, we have concluded that these performance milestone events will not immediately occur. Therefore, in our opinion, while Dr Pradhan will be able to significantly influence the activities of NRR, he will not be able to exercise a similar level of control as if he held 100% of NRR. As such, Dr Pradhan should not be expected to pay a similar premium for control as if he were acquiring 100% of NRR.

13.3.3. Movement in the Company's share price following the announcement of the Transaction

We have analysed movements in NRR's share price since the Transaction was announced. A chart of NRR's share price since the announcement is set out below.



Source: Bloomberg and BDO analysis

The announcement of the Transaction was first made to the market on 18 August 2015. On that day 11,242,073 shares were traded and NRR's share price closed at $0.051. Between the announcement date and 28 September 2015, the VWAP was $0.055. Given this VWAP is equivalent to our QMP before applying a control premium as outlined in section 10.2, we consider it is possible that if the Transaction is not approved then NRR's share price may remain at current price levels.

13.3.4. Impact on liquidity of the Company's shares

We note that the volume of shares has increased significantly since the announcement of the Transaction on 18 August 2015. 30 million shares have traded from the announcement to 28 September 2015, which represents 21.70% of the issued capital in NRR. As a comparison, only 13.18% of the Company's shares traded in the 90 days to 13 August 2015 which was the last trading date prior to the announcement. As such, it is probable that the liquidity of NRR's shares may decrease if the Transaction is not approved.

14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that **the Transaction is fair and reasonable to the Shareholders of NRR**.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Signed Term Sheet between NRR, Alcidion, Malcolm Pradhan and Raymond Blight;
- Share Purchase Agreement signed on or about the date of this report;
- Audited financial statements of NRR for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- Audited financial statement of Alcidion for the years ended 30 June 2015, 30 June 2014 and 30 June 2013
- Independent Valuation Report of Alcidion's intangible assets dated on or around the date of this report, performed by Valutech Pty Ltd;
- Share registry information of NRR;
- Information in the public domain; and
- Discussions with Directors and Management of NRR.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $23,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by NRR in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Company, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to NRR and Alcidion and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of both NRR and Alcidion and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have had within the past two years any professional relationship with NRR, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to NRR and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Stuart Moore of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Stuart Moore is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia. Stuart has over twenty years' of experience in corporate finance. Stuart has expertise in valuations, independent expert reports, financial modelling and business reviews for a range of industries. Stuart is also a Chartered Accountants Business Valuations Specialist.

18. Disclaimers and consents

This report has been prepared at the request of NRR for inclusion in the Explanatory Memorandum which will be sent to all NRR Shareholders. NRR engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for NRR to acquire 100% of the share capital of Alcidion.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Alcidion. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of NRR, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for intangible assets held by Alcidion.

The valuer engaged for the intangible asset valuation, Valutech Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers	**Stuart Moore**
Director	Associate Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
Alcidion	Alcidion Corporation Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Class A Contingent Share Rights	133,333,333 contingent share rights that convert to ordinary shares on NRR achieving $10 million in revenue (audited) over 12 consecutive months, within 24 months from re-admission of NRR as Alcidion on the ASX
Class B Contingent Share Rights	133,333,333 contingent share rights that convert to ordinary shares on NRR achieving $15 million in revenue (audited) over 12 consecutive months, within 36 months from re-admission of NRR as Alcidion on the ASX
The Company	Naracoota Resources Limited
Consideration Shares	400 million fully paid ordinary shares in NRR
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
NAV	Net Asset Value
NRR	Naracoota Resources Limited
QMP	Quoted market price

Reference	Definition
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of NRR not associated with Alcidion
The Transaction	The proposal to issue 400 million ordinary shares and 266,666,666 contingent share rights in NRR to the vendors of Alcidion
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

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Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 – Valutech Report

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18 October 2015

The Directors,
Naracoota Resources Limited
Level 9, 105 St Georges Terrace
PERTH WA 6000

Mr A. Myers
Director
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Dear Sirs,

INDEPENDENT SPECIALIST REPORT:
VALUATION OF INTELLECTUAL PROPERTY OWNED BY ALCIDION CORPORATION PTY LTD

1. INTRODUCTION

Naracoota Resources Limited ('NRR') has entered into a binding term sheet to acquire Alcidion Corporation Pty Ltd ('Alcidion') a healthcare informatics business, currently operating in 11 Australian hospitals.

Alcidion has developed an e-health software platform called Miya which allows clinicians to interact with various hospital departments wirelessly to provide real-time clinical risk alerts, patient results and medical history which can assist in clinical decision making by clinicians and facilitate the flow of patients through the hospital.

In order to provide an impartial report to shareholders to accompany a Notice of Meeting to consider the acquisition, the Board of NRR is undertaking to determine whether the proposed acquisition is fair and reasonable to holders of the Company's ordinary securities. To this end, NRR has engaged BDO Corporate Finance (WA) Pty Ltd. ('BDO') to prepare an Independent Expert's Report as required by Australian Securities Exchange Listing Rule 7.1 and Section 611 of the Corporations Act in relation to the proposed transaction. To assist in the preparation of this report, BDO has requested that Valutech Pty Ltd prepare a valuation of Alcidion's intellectual property including a valuation of the associated software relating to the Miya platform in the form of a report that could be attached to the Independent Expert's Report assessing the fairness and reasonableness of the proposed acquisition.

This report is provided by us in our capacity as a specialist in the assessment and valuation of intangible assets including intellectual property. The information and comments it contains are to be used by BDO, the independent expert, as part of its assessment as to whether the proposed acquisition is fair and reasonable to NRR shareholders.

For the purposes of our assessment, fair market value is defined as being a price within a range of prices available in an open and unrestricted market which might be negotiated between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth. We have taken into account the current plans of Alcidion for utilising and developing its assets and associated products as well as the financial history and current financial projections of Alcidion.

2. RESTRICTIONS

This report will be included as an Appendix to BDO's Independent Expert's Report and is not to be used by Alcidion or NRR for any other purpose or in another context without our prior written approval. In the event that we provide written approval to the issue of the report in another context, we will need to approve the form in which it is released and be satisfied as to the context of its release. We may also require the report to be issued under a suitable covering letter from our firm.

3. BACKGROUND: ALCIDION GROUP PTY. LIMITED, ITS TECHNOLOGY AND ITS MARKET

Alcidion was formed in June 2000 to provide intelligent informatics for high performance healthcare. Since that time, it has built the Miya platform which is capable of integrating, extracting or viewing information on the plethora of disparate clinical information systems (CIS) being used in most hospitals in Australia. These systems have often been adopted by some departments in hospitals for specific uses such as patient administration systems (PAS) to handle patient flow in the hospital, radiology information systems (RIS) which are repositories of patient data gathered from radiology equipment or laboratory information systems (LIS) which are used by hospital pathology departments to record patient clinical data. Miya interfaces with these systems to build previously unstructured clinical data to present it in a structured format of an electronic medical record (EMR) which can assist clinicians and allied health professionals operating in emergency departments and inpatient services and ancillary staff in moderating and facilitating the flow of patients through the hospital.

Because the information is structured, it can be used by the platform to prompt care guidance in accordance with hospital approved clinical protocols, it can modify and update the patient record on the basis of tests carried out and can provide and highlight alerts in data observations that might be considered outside the norm and may be overlooked by the clinician. The system using a smartform capability may also assist clinicians in organising appropriate testing by hospital facilities to ensure optimum clinical outcomes. Using application program interfaces (APIs) developed for mobile devices, the system is able to provide relevant information to clinicians and support staff as they move through the ward, either on mobile devices or on distributed terminals, enabling patients and clinicians to be well informed on treatment progress and in a timely manner.

The Miya platform is currently focussed on three critical product areas which are important for efficient hospital operation:

- The Emergency Department (ED) where the structured data produced by the Miya platform can be used to highlight key risks, activate best practice guidance for coming problems and detect and manage high risk pathology results that may arrive after the patient has been discharged. This "second guessing" can be vital in situations where crisis management is a priority and it is easy for critical tests or data to be over looked. While many emergency department information systems (EDIS) already exist in Australian hospitals, systems provided by global health IT vendors primarily focus on administration and patient records. The Miya ED product provides significant service performance improvement by enabling the commencement of treatment to be advanced, reduces redundant test orders, highlights critical test results and reduces processing time spent on searching for missed results.

- Patient Flow in which the structured data is presented in mobile devices to clinicians and ancillary staff to optimise a patient's journey through the hospital services. By ensuring that this processing is efficient, it supports the efficient use of hospital beds and resources and provides effective clinical outcomes for patients, reducing the workload for hospital staff and increasing the throughput of patients.

- Clinical or Outpatient Management where a referral management system uses the structured data to save clinical time and effort often spent searching for relevant data during clinic operation and optimises outpatient processes from referral through to discharge ensuring that patients receive best practice, high quality care with reduced clinical risk.

Each of these areas has been highlighted as ones of critical inefficiency in patient processing by the hospital system in Australia and internationally. Because data input into the system is not onerous and because the system is capable of extracting data from legacy systems in hospitals and presenting this data in a mobile form for timely treatment of patients by clinicians and in speeding up the processing of patients, the Miya platform appears to be well regarded by clinicians and executive management in hospitals where it is used. Furthermore, the software system is being sold at a fraction of the cost of larger comprehensive Electronic Health Record (EHR) platforms used by large hospitals overseas for inpatients, registration, scheduling, pharmacy and critical care.

While the Alcidion product suite in conjunction with the Miya platform is not as comprehensive as other suites offered by other global health companies, it is a form of clinical decision support system (CDSS) or a patient flow management solution integrated with a support system for clinicians. It may evolve into a more comprehensive clinical decision support system. However, it its current form, the product suite and platform which has been developed in conjunction with local hospitals, appears to be a most effective form of software platform to make current critical areas of hospitals more efficient and more effective in processing patients. Furthermore, it utilises Clinical Information Systems already operating in hospitals without the need to standardise all these systems in the hospital in what is often an expensive, disruptive but comprehensive solution.

3.1 The Market

Because the Alcidion Miya platform provides the dual function of assisting patient flow through hospital facilities and acts as a support system for clinicians, we have covered the market potential of the platform in both the patient flow management solutions market and the clinical decision support system market.

3.1.1 Patient Flow Management Solutions

A 2015 report on the global patient flow management solutions market[1] has estimated that the market is currently US$251 million and will grow at an annual rate over the next five years of 22% in most geographical markets to reach US$678 million by 2019. This market is one which has developed recently but is gaining a very high profile because it is critical to hospital survival. In 2012, Capsite, a leading US healthcare technology and consulting organisation with a substantial database of healthcare providers and vendors, undertook a survey of over 420 organisations in the US[2] and found that 31% of US hospitals indicated their intention to purchase patient flow solutions to address the current patient crowding bottleneck effect seen in hospital departments nationwide. An earlier study on the financial impact of emergency department crowding found that reducing the length of stay in emergency departments could lead to substantial savings for hospitals[3].

The 2015 report found that the major factors driving the market was the high return on investment achieved by adopting the solutions, demand for improved quality of care and focus on patient satisfaction and incentives by the various governments for the adoption of healthcare information technology (HCIT) and patient flow management solutions. Perceived benefits were cost reduction, increased patient throughput, enhanced staff productivity and ability to manage patients across the care continuum. However, barriers to the adoption of these solutions were the huge investments required, disruptions to other operations in the hospital, the lack of skilled analysts and concerns about security of patient data. The report noted that the

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[1] Patient Flow Management Solutions Market by Type (RTLS, Event Driven), Product (Integrated, Standalone), Component (Hardware, Software, Services) & Delivery Mode (Web-based, On-premise, Cloud-based) - Trends & Global Forecasts to 2019, January 2015, Markets and markets

[2] "2012 US Patient Flow Study" Capsite, November 2012

[3] Financial Impact of Emergency Department Crowding, M. Foley, N, Kifaieh, W. K. Mallon, Western Journal of Emergency Medicine, v12(2), 2011 May p 192-197

market for patient flow management solutions is a fragmented market and indicated the following major players:

Allscripts Healthcare Solutions Inc. (US)
Awarepoint Corporation (US)
Care Logistics LLC (US)
Central Logic Inc. (US)
Cerner Corp. (US)
McKesson Corp. (US)
Medworxx Solutions Inc. (Can)
Stanley Healthcare (US)
Monitor Technologies Inc. (US)
Tele tracking Technologies (US)
Epic Systems Corp (US)

3.1.2 Clinical Decision Support Systems (CDSS)

Currently the term CDSS covers a wide range of such systems and the development of an effective CDSS is seen as the panacea for all of the problems associated with the healthcare industry: the massive increase in healthcare costs, the trend for patients to acquire and use medical information from sources other than their physicians, the rising demand for analytical solutions, increasing concerns about litigation associated with inefficient medical practice and government initiatives for the adoption of CDSS in an attempt to reduce costs. The major bottlenecks are the growing concerns over security, interoperability, integration challenges, costs incurred while integrating, problems in implementing CDSS solutions particularly relating to pharmaceutical selection, alert fatigue, incomplete or poor quality of data entry, poor IT skills among staff and poor financial support from governments in some countries[4].

It has been estimated that the global clinical decision support system market will be approximately US$550 million by 2018 and between 2013 and 2018 it will grow at an annual rate of 10%. The same study has found that the major market is North America followed by Europe where there is a growing demand for Electronic Health Records with clinical support system modules in the Netherlands and Spain, initiatives by the European Commission such as eGovernment action plans 2011-2015 and 2016-2020 to support and complement information and communications technologies including eHealth and increased digitisation of information.

The key players in this market are similar to the companies in the patient flow management solutions market above and include:

Agfa Healthcare (Belgium)
athenahealth Inc (US)
Allscripts Healthcare Solutions Inc. (US)
Carestream Health Inc. (US)
Cerner Corporation (US)
Epic Systems Corp (US)
GE Healthcare (UK)
McKesson Corp. (US)
Meditech (US)
NextGen Healthcare Information System LLC (US)
Philips Healthcare (Netherlands)
Siemens Healthcare (Germany)
Wolters Kluwer (US)
Lynx Health (US)

[4] Clinical Decision Support System (CDSS) Market by Product - Integrated (EHR, CPOE)], Model (Knowledge-based), Applications (Drug Allergy Alerts, Drug Interactions), Delivery Mode (Web-based, Cloud-based), Component (Hardware, Software) - Global Forecast to 2018, February 2014, Markets and Markets.

However, there is considerable uncertainty in the industry. On the one hand, Gartner[5], a leading information technology research and advisory company, has commented that implemented well, CDSS has a favourable impact on:

- Clinical performance
- Increased quality of care and enhanced health outcomes
- Avoidance of errors and adverse events
- Provider and patient satisfaction
- Significant reduction in medication errors
- Improved patient safety and care
- Reduction in costs of preventable harm

The Gartner review commented that CDSS become problematic and typically stall in the planning stages due to poor project management, lack of clinical engagement and a lack of resources dedicated to it.

Gartner found that a CDSS solution should be able to:

- Demonstrate changes in decision making that lead to better quality of care and patient outcomes.
- Impact the bottom line by saving clinician time, decreasing the length of stay, eliminating unnecessary diagnostic testing and referrals and even decreasing mortality rates.
- Encourage shared decision making between clinicians and patients proving a continuum of care from what clinicians are reading and then sharing with patients.
- Provide patient education materials at different reading levels to meet the varying need of patients
- Answer the majority of clinical questions at the point of care, including the granular questions in complex areas of medicine.
- Build clinical trust in the information to make clinical decisions.

However, studies of the effectiveness of CDSS have been mixed. One study in 2014 found that new generation CDSSs integrated with Electronic Health Records do not affect mortality but might moderately improve morbidity outcomes[6]. Australian experience in the area has also resulted in qualified comments on the usefulness of CDSS. The Deeble Institute in its assessment[7] found that "despite numerous randomised controlled trials, there is poor quality evidence for the effect of CDSS on processes of care and patient outcomes. The University of New South Wales has also reviewed CDSS in general and found that comprehensive CDSS were problematic. "The varied clinical information systems used in Australian general practice lack a valid and reliable data quality assurance methodology and suffer an interoperability problem where information aggregated from diverse systems may be misinterpreted because of different meanings and contexts."[8]

Alcidion has advised that in the US, CDSS refers generally to systems linked to medication order entry systems in which pharmaceutical prescribing software programs are used by CDSS to provide a range of treatment options and associated risks. It is this aspect of CDSS which is the cause of most qualification by potential users and some reaction by clinicians has been recently publicised[9]. Alcidion believes this aspect of CDSS is one of high implementation risk. It has therefore chosen not to target the medication market but rather to concentrate on workflow automation and clinical safety outside of medication order entry which are lower risk and can more easily be applied across heterogeneous health IT systems with clear evidence of economic value to hospitals. In this way, Alcidion is best able to meet the criteria set by Gartner for a successful CDSS set out above.

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[5] Electronic Clinical Decision Support Systems should be Integral to Any Healthcare System, Z. Chaudry and M. Koehler, Gartner, 28 May 2013

[6] Effectiveness of computerized decision support systems linked to electronic health records: a systematic review and meta-analysis. Am J. Public Health 2014 Dec;104(12);e12-22

[7] Deeble Institute Issues Brief "Clinical decision-making tools:how effective are they in improving the quality of health care? 17 June 2014

[8] Decision support systems A general practice research journey, Prof Siaw-Teng Liaw, Australian Family Physician Vol40, No. 9 September 2011

[9] New Royal Adelaide Hospital faces a dud IT system, surgeons say, The Advertiser, July 2, 2015

A further issue with CDSS is that some systems are proprietary systems in that all clinical information systems in the hospital must be standardised with removal of legacy Clinical Information Systems with the roll out of the CDSS. This results in significant cost increases in the systems used and problems in migrating and integrating legacy data and operational approaches. Gartner noted this in its review and noted that it would be technically possible for the capability of a CDSS to work across a distributed/community environment versus using a single integrated electronic medical record system, although it found no workable examples to support this system. The Alcidion Miya system is a clear example of this model and while Alcidion acknowledges that this may involve additional costs to maintain and sustain interfaces with a diversity of clinical information systems, it ensures close interaction with hospital operations and ensures there are no major disruption to operations that could occur with the adoption of an integrated EMR across all hospital departments.

This interoperability issue has been highlighted by commentators on CDSS in Australia and is an issue of such magnitude overseas such that in 2014, the US Congress asked the Department of Justice to report on the healthcare industry, the role of competition and how antitrust enforcement should work to protect competition[10]. In response to this interest, in 2015, twenty of the largest health IT vendors in the US, including Cerner and Epic Systems created the Argonaut group that is working to adopt FHIR (Fast Health Interoperability Resources) as an interoperability standard. Cerner recently unveiled a production version of Health Level Seven's FHIR framework for information sharing based on the latest web standards[11]. Alcidion is aware of these developments and has indicated that it is working actively to adopt the FHIR standard so that there is less mapping required when integrating systems. It is automating more than a hundred data feed validation tests that are used during integration so feeds can be validated by lower skilled staff and more rapidly. This work is regarded as high priority for Alcidion because it will reduce the cost and time of deployment and reduce the barriers of entry for the Miya platform to be integrated with existing hospital clinical information systems[12].

4. ASSETS OF ALCIDION GROUP PTY. LIMITED

Discussions with Alcidion and a subsequent review of company material indicates that the company has the following intellectual property which has relevant value:

- Software in the form of copyright material or material subject to copyright in the software products of Alcidion including the Miya Platform, the three Alcidion products, Miya Emergency Department, Miya Patient Flow and Miya Clinic, software to support creation of an intelligent Electronic Health Record, software modules covering dashboards, mobility, results management, bed management, patient flow, smart forms, clinical risk, missed results and notification services and a range of adaptors for accessing and structuring information from other Clinical Information Systems. The source code of this software is stored in multiple repositories on the company servers and are backed up, encrypted and synced to external drives rotated off-site. All of this code is subject to audit and regulatory procedures.

- Alcidion and Miya registered trademarks.

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[10] Executive Summary of Healthcare, The United States Department of Justice, Antitrust Division, June 25, 2015

[11] FHIR Interoperability Advancing, Cerner Expects First Apps Soon, Health Data Management, October 9, 2015

[12] Comment by Dr M. Pradhan, Alcidion 16 October 2015.

5. COMMERCIALISATION APPROACH

Alcidion has successfully installed its Miya Emergency Department Platform and product in the Royal Melbourne, the Royal Darwin, Alice Springs, Footscray, Sunshine and three other public hospital emergency departments. It is also rolling out its platform in Tasmania and providing demonstrations to hospitals in Western Australia. The Miya platform is operational in Western Health (comprising three regional hospitals, Footscray, Sunshine and Williamstown hospitals) where the patient flow management solution is implemented and is being demonstrated to staff and executives from other hospitals on its scalability and ready implementation across a range of hospitals. The solution in Western Health has been implemented using mobile devices which are being widely used. The solution has also been implemented in the Royal Melbourne Hospital where the solution is available through distributed terminals throughout the hospital which can be readily accessed by clinicians.

The company is making presentations in conferences and workshops covering patient flow and the role of information technology in improving patient safety. In addition to this, the company is growing organically by winning smaller contracts in the hospital sector and gradually introducing their products and services through demonstrating the effectiveness of the services previously provided. One example of this is the recent winning of a contract by Alcidion of a computerised physician order entry (CPOE) contract for the Northern Territory Health Department. Under this contract, Alcidion will introduce the Order Sets part of the Miya platform. This will assist in embedding evidence-based best clinical practice for pathology ordering and will reduce the ordering of inappropriate unnecessarily high cost and redundant tests. Staff will be able to see the status of orders and identify workflow problems that may affect the timely delivery of lab results and overall patient flow. The technology will ask junior doctors to justify ordering unusual tests which will also reduce the number of high cost unnecessary tests. The orders module will provide a differentiated approach to CPOE in that it does not focus on medication order entry, but rather it focusses on laboratory ordering and radiology ordering. This approach allows a hospital to start implementing CPOE in a much lower risk implementation and importantly a lower cost implementation. Through demonstration of the effectiveness of this approach and the ability of the system to integrate with existing laboratory and radiology information systems in the hospital, Alcidion will gain the confidence of the hospital management that it is focussed on reduction of waste and improvement of patient care which will enable it to roll out further services to the hospital without the need to introduce costly proprietary systems which could disrupt the operations of the hospital.

The commercialisation approach adopted by Alcidion, is a more subtle and organic approach than that adopted by the larger Information technology providers in the industry such as Allscripts Healthcare Solutions which undertakes very large and costly implementation of its integrated platform with the potentials for substantial disruption and cost overruns. The Alcidion approach is one in which implementation of its platform is a much lower risk undertaking, but once the confidence of the hospital client is gained, the relationship is likely to be very long term and provide economic returns over a long period where the financial costs are not regarded as onerous because commercial advantages of implementation of the platform can be demonstrated. The company has also formed partnerships with other healthcare providers so that joint solutions can be used in a number of different hospitals and countries[13].

The key selling points in the commercialisation approach of Alcidion will be:

- a low cost solution that can be introduced without disruption to existing operations
- the ability to retain existing clinical information systems operating in the hospital without the need for substantial retraining of staff in other departments
- ease of implementation where clinicians can readily see a new way of accessing patient information
- ready demonstration of advantages to clinicians covering avoidance of missed tests, clearer indication of patient alerts, reduction in unnecessary testing, better patient flow up
- reduced potential for litigation over missed tests and inattentiveness to alerts

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[13] Alcidion to integrate with Ascribe's acute care platform, Pulse+IT, April 7 2015

- Better interaction between clinician and patient, faster access to information, commencement of treatment and discussion of test results with the patient

- reduced costs through reduction in preventable harm and faster processing through the system.

This approach can lead to an initial slow growth in revenues and short term losses associated with the need for more resources to integrate the platform with other clinical information systems in the hospital. However, once market traction is gained, revenues can grow substantially and because of the need to maintain integration with other systems operating in the hospital, support and maintenance income for the system can continue for a substantial period of more than ten years.

6. ADVANTAGES AND RISKS

Initially Alcidion's main resources were directed at the Miya platform and the integration of the platform with a number of clinical information systems in hospitals. The Miya platform is now substantially complete and standardised interfaces with a number of clinical information systems have been demonstrated. The company now has a number of hospitals which can be used to demonstrate the effectiveness of its system to provide effective patient care and processing at a cost which is not onerous for the hospital system and which can be implemented without major disruption or significant retraining of staff. The Gartner report referred to in Section 3.1.2 indicates that the Alcidion model, an Electronic Medical Record system that integrates with several other systems rather than a single integrated EMR, is a rare but necessary one as the problems of integration with other systems can be minimised. This is becoming even more important as the industry moves to open protocols such as FHIR and as Alcidion moves to make its platform more compliant with this new standard, its solutions should become more acceptable to the market.

The Miya platform and associated modules is a complete product with little further development required so there are few technical risks facing the company. However, in the Australian market where there is a tendency to use more expensive international systems in larger hospitals, there may be some risks associated with gaining acceptance in the local market. The fact that Alcidion has worked closely with Western Health to develop a platform which meets the requirements of a distributed group of hospitals provides an opportunity for the company to demonstrate a system made to meet Australian conditions.

The platform does not have all of the modules to meet specialised department requirements available in the comprehensive healthcare solutions provided by the global companies such as Allscripts Healthcare Solutions, Epic Systems, Cerner Corp. or McKesson Corp.. However, Alcidion is entering into partnerships with other companies to develop integrated solutions with other healthcare providers. Furthermore, as the industry moves to a more open, less proprietorial system with the adoption of the FHIR standard, this limitation is likely to become less critical. Alcidion has indicated that it is not promoting development of a pharmacy module as part of its product offering. This has the advantage of avoiding the perceived limitations of other systems which have these modules but if the market requires more use of these modules, it is possible that Alcidion could build modules or enter partnerships with other companies developing these modules as the market adopts more open protocols.

Alcidion documentation indicates that its products are being well received by clinicians and ancillary staff in hospitals but it will need to provide documentation indicating the savings that can be made from utilising its system. Until this is done, there will always be a question as to whether the system provides clear commercial benefits over other systems. This is particularly the case in Australia where there is a significant amount of literature questioning the proposed benefits of clinical decision support systems. Until there are clear metrics on the benefits of the system, there will always be a risk that the Miya platform may not be widely accepted in the healthcare industry.

The company is positioning itself to enter the US market to meet the demand there for effective patient flow management systems. There will always be risks associated with entering this market because of the attitude in that market towards non-local solutions. The fact that when it enters the US market, Alcidion with be able to demonstrate the application of its system over an extended period will be of assistance. Furthermore, Alcidion's ability to demonstrate implementation with minimal disruption to other parts of hospital operations will be seen as a particular advantage in the US market, more so in view of the observation by Gartner that no similar systems appear to be in development in the US market.

In conclusion, there are few risks associated with Alcidion's development in the Australian market at this time, but there may be some risks with its proposed entry to the US market. Alcidion faces the standard risks faced by any technology-based business:

- the degree of competition (there are other competitive products in the market but none with the capability of integration offered by Alcidion)
- the ability of competitors to change their technology offering in response to new market entrants
- changes that could occur in key markets that can significantly disrupt Alcidion's sales and marketing efforts.

Alcidion has staff with experience in offering healthcare IT solutions in the US market and who are able to mobilise a focussed sales force relatively rapidly. The ability of the company to develop other modules and solutions to meet new opportunities in the Australian and international market will also be critical in the future and will need to rely on a close linkage between the sales and market teams overseas and the software development teams in Australia.

7. VALUATION OF INTANGIBLE ASSETS INCLUDING INTELLECTUAL PROPERTY

The assets to be valued are software processes and copyright and the trademarks described in Section 4 of this report.

For these assets to be valued, they must

- Be specifically identifiable and recognisable
- Be subject to legal existence and production
- Be subject to the right of private ownership, which is legally transferable
- Have tangible evidence of existence
- Be created at an identifiable time or as the result of an identifiable event
- Be subject to being destroyed or to a termination of existence
- Confer a commercial benefit to the owner of the asset.

Our review of the material referred to in Section 4 above indicates that the listed assets meet these requirements.

For the valuation of these assets, there are three general approaches that might be employed: the market approach, the cost approach and the income approach.

While some technology assets can be readily appraised by all three approaches, the indications of value resulting from each approach are often assigned different weights in arriving at a conclusion of value, based on the quantity and quality of data supporting each approach.

7.1 Market-Based Approaches

A reasonable approach to valuing intangible assets is to look for market comparisons, based on the widely held belief that the market (i.e. the economic environment where arm's length transactions between unrelated parties occur) is typically the best indicator of the value of an asset. This involves a search of the appropriate exchange market to obtain information on sale transactions, listings and offers to purchase or licence comparable assets that are similar to the subject in terms of characteristics such as technology type, technology use, industry in which the technology functions, date of sale and so forth. Allowance must then be made for the differences in the technology and the nature of the environment for any previous sale of technology.

In the case of the valuation of intellectual property of Alcidion, there are a number of well established companies that are providing similar solutions in the market, although they are providing proprietary solutions unlike the more "open" offering of Alcidion.

McKesson Corporation is engaged in delivering pharmaceuticals, medical supplies and healthcare information technology. It operates through two business segments; McKesson Distribution Solutions and Technology Solutions. The Technology Solutions segment delivers clinical, patient care, financial, supply chain and strategic management software solutions, as well as connectivity, outsourcing and other services, including remote hosting and managed services to healthcare organisations. McKesson is valued at US$46.4 billion with revenue of US$180 billion in fiscal 2015.The Technology Solutions segment of the company accounts for only approximately 2% of McKesson's revenue but it is by far McKesson's most profitable business.

Allscripts Healthcare Solutions Inc. sells information technology and services to physicians, hospitals, governments, health systems, health plans, retail clinics, retail pharmacies, pharmacy benefit managers and post-acute organisations. Allscripts Sunrise is the company's EHR solution for hospitals, health systems and physicians for revenue care and administrative solutions. The company is valued at US$2.5 billion with revenue of US$1.4 billion projected for the current year.

Cerner Corp. is a supplier of healthcare information technology and offers a range of intelligent solutions and services that support the clinical, financial and operational needs of organisations, covering software, hardware, professional services and managed services. It has systems in more than 18,000 facilities around the world including hospitals, physician practices, laboratories etc. and has business activities in all continents. Solutions are offered on the unified Cerner Millennium architecture and on the HealtheIntent cloud-based platform. The company has a market capital of US$22.5 billion with revenue of US$4.5 billion projected for the current year.

The above three companies are all profitable and major players in the global healthcare IT industry and are not suitable comparisons for a market valuation of the Alcidion technology. Another company more comparable is Orion Health Group Ltd, a New Zealand-based provider of health information exchange and healthcare integration solutions. The Company has three solution groups: Intelligent Integration, Smarter Hospitals and Healthier Populations. The Intelligent Integration solutions are used to connect, integrate and share information between disparate health software systems, users and organizations. The Smarter Hospitals solutions connect all clinical information into a single view within a Provider setting, as well as automate key processes. The Healthier Populations solutions are utilized by Funders and Providers to connect, consolidate and structure healthcare information from multiple sources, making it available across a geographical region and enabling care coordination, actionable insights and consumer engagement. The company is listed on the Australian Stock Exchange with a value of A$562 million and revenue of A$164 million in FY2015 of which 42% is annualised recurring revenue. The company has 28 offices in 15 countries including Europe, Canada, Asia and New Zealand and is able to demonstrate savings from the use of its solutions.

This company, like Alcidion, offers integration solutions in the global healthcare industry and indicates company value at a significant multiple of turnover, even though the company experienced an operating loss of $60 million in the last financial year. A crude comparison with Alcidion would suggest in broad terms a company value of $18 million where much of the value would be the intellectual property.

7.2 **Cost-Based Approaches**

With regard to cost based valuation approaches, the most common types of cost based valuations that are used for technology and other intangible asset valuation purposes are reproduction cost and replacement cost. Reproduction cost is the total cost, at current prices, to create an exact duplicate asset or technology using the same scientific research, design and development methods used to create the original technology.

The replacement cost is the total cost to create, at current prices, a technology having equal utility to the technology being valued. However, the replacement technology would be created with contemporary scientific research, design and development methods. Accordingly, the replacement technology may have greater utility in terms of commercial potential and technological accomplishment than the subject property.

Replacement cost of the technology as new technology typically establishes the maximum amount that a prudent investor would pay for a fungible, or replaceable, asset. However, in some cases, the technology may be so unique that it is not replaceable and in these circumstances, replacement cost as new may not establish the maximum amount that a buyer would pay for the subject asset.

To the extent that an asset is less than an ideal replacement for itself, the value of the subject technology may need to be adjusted for losses in economic value due to functional obsolescence, technological obsolescence and economic obsolescence.

In the case of the intellectual property of Alcidion, all the items listed in Section 4 contribute to the current and future revenues of the company.

Accountants for Alcidion have advised that Alcidion has spent $15.822 million to develop its intellectual property. Using a cost-based valuation and applying a 20-30% premium to the intellectual property as it has potential for gaining significant sales in the future, the intellectual property of Alcidion could be valued in the range of $19-20.6 million using a cost-based approach.

In the absence of any indication that the intellectual property of Alcidion is not viable in the market, and in view of the fact that the company has been able to implement its solution successfully in a number of Australian hospitals, the funds spent to develop the intellectual property could be considered as a reasonable indicator of value of the technology. However, with mature technologies that are already being commercialised, a cost-based approach to valuation can only be indicative without clearer market information to support a valuation of the technology.

7.3 Income-Based Approaches

In situations where there is a clear link between the subject intangible asset and economic returns or income, a valuation based on an income approach is usually preferred. There are a number of measures of economic income that may be relevant to the various income approach methods, including:

- Gross or net revenues
- Gross income or gross profit
- Net operating income,
- Net income after tax
- Operating cash flow
- Net cash flow
- Margins attributable to intellectual property such as licensing income or its equivalent.

Several categories of income approach methods are listed below:

1. Methods that quantify incremental levels of economic income (i.e. the owner of the intellectual property or asset will benefit from a greater level of economic income by owning the technology than by not owning it).

2. Methods that quantify decremental levels of economic cost (i.e. the owner will benefit from lower levels of costs as a result of ownership)

3. Methods that estimate a relief from a hypothetical royalty or rental payment (i.e. the amount of a royalty that the owner would be willing to pay to a third party in order to obtain the use of and rights to the intellectual property) (Note: this approach ignores benefits that can be gained by internalising costs or applying the intellectual property to other products).

4. Methods that quantify the difference in value of an overall business enterprise as the result of owning the subject technology or intellectual property (strategic investment)

5. Methods that estimate the value of the intellectual property as a residual from the value of an overall business enterprise or as a residual from the value of an overall estimation of the total intangible value of a business enterprise.

Income approach methods of valuation are commonly used with regard to technology assets and intellectual property valuation if the assets are already providing or about to provide commercial returns and are at the very core of the commercial operation. In the case of Alcidion, the Miya platform technology is already being commercialised and is already enabling the company to gain a significant profile in the Australian market; several other hospitals are currently evaluation the platform. Furthermore, the company is already gaining annualised recurring revenues from implementation of its solution in a number of Australian hospitals.

Valuation of the intellectual property on the basis of past income is likely to provide only a low value and would not take into account the potential offered by expanding the company's offering in the Australian and international market.

In our review of the intangible assets of Alcidion and their valuation, we concluded the following:

1. The major intellectual property asset held by Alcidion is the "Miya" platform, associated product modules and integration modules with other clinical information systems. The company is commercialising this intellectual property and it is critical to the future economic plans of the company. A crude market-based indicative valuation indicated a value around $18 million. A cost-based valuation of this intellectual property would provide little more than an indicative value of the asset. However, due to the interest in the market for the Miya platform and modules, an income-based valuation approach may be more suitable than a cost-based approach. .

2. As the intellectual property in the Miya platform and modules is predominantly software, value forms a significant percentage of revenues to be generated from sales of these products.

8. VALUATION OF ALCIDION INTELLECTUAL PROPERTY

The following sets out our views on the valuation on the intangible assets of Alcidion as listed in Section 4 of this report.

A review of available material indicates that Alcidion has spent around $15.822 million to develop the software and associated intellectual property to the current stage which is mature and already implemented in a number of hospitals in Australia. The software products are essentially complete but may be further developed to meet user expectations and to facilitate integration with other clinical information systems but the costs to undertake this are not significant compared to the funds spent to date. A crude market-based valuation indicated a value for the intellectual property around $18 million. A cost-based valuation incorporating a 20-30% premium for the fact that the intellectual property is already being commercialised would provide an indicative value for the intangible assets of between $19 million and $20.6 million.

The software-related intangible assets are already being commercialised so a more appropriate valuation approach would be an income-based approach based on making some assessment of sales into the future, allowing for a royalty rate equivalent on future sales and discounting future projected income based on the technical and commercial risks over a set period for commercialisation.

In the past year, Alcidion has been generating some $5 million in sales of its software platform and modules and integrations services to Australian hospitals and health organisations. We have reviewed the sales expectations of Alcidion related to continuing business in the Australian healthcare market and consider them as a reasonable basis for use in an income-based intellectual property valuation. We have also considered projections incorporating a rapid growth of sales as envisaged by Alcidion for the next four years but a fall off in sales to a long term growth in sales of 4%, less than half of the annual growth rate of the industry as a whole.

In making our assessments, we have noted the following:

- The target markets are substantial and there is a strong demand by hospitals for patient flow management solutions that can be implemented without disruption of existing services, can result in improvements in patient care and provide demonstrable cost benefits.

- The development of the Alcidion intellectual property is substantially complete with little risk associated with commercialisation. Most further development will be refinement of existing technology and the addition of new features or integration with other clinical information systems found in hospitals.
- Because of its success so far in providing solutions in the Australian hospital market, it is unlikely that Alcidion will experience unforeseen hurdles to its expansion of activities in the Australian market and it has experienced staff that will be able to assist in the company's entry into the North American market.
- There are few or no technical risks in developing the intellectual property further to meet market needs

We have valued the intangible assets associated with the software listed in Section 4 of this report based on the expectations of the company over the next four years in the Australian market. As a royalty rate equivalent on product sales we have used a margin of 15% based on our previous experience in valuing software sales and software-based services where hardware as well as software is sold and there are significant costs associated with implementation and integration. We have considered projected sales over a ten year period because once providers are selected for the installation and maintenance of hospital systems, this relationship (and recurring annual revenue) is maintained for an extended period due to the need to keep these systems operating effectively. Furthermore, there is little demand for technical change in these market with the main technical change likely to be introduction of the FHIR standard for healthcare IT systems. To generate these projections, we have accepted Alcidion projections over the next four years with a subsequent decline to a long term 4% growth rate. We believe this is a conservative view as sales have the potential to increase further after the initial five year period and market research reports indicate that the annual growth rate for the industry over the next decade will be 22%. We have also used a discounted cash flow analysis over the ten year period of projected equivalent royalties and the selection of an after tax discount range (10.25-13.25%) which represents a low to moderate commercial risk to take into account the fact that the product is technically complete, is already commercial and generating revenues. The selection of the discount rate resulted from a review of the risk profiles of listed healthcare IT companies such as McKesson, Wolters Kluwer, Allscripts Healthcare Solutions, HCL Technologies, Cerner Corp and Medworxx Solutions which indicated individual beta factors of 0.46 to 1.06. For Alcidion, we chose a beta range of 1.25-1.75 which, conservatively, was at the top of the risk range. Post-tax discount ranges were calculated using the Capital Asset Pricing Model with a risk free rate of 2.75%, a risk premium rate of 6.00%[14] and the beta range above. A terminal value was applied in the analysis because of the importance of long term business relationships in the industry and this was calculated using the Gordon Growth Model incorporating the long term growth rate and the discount rate. Using this income-based methodology, we have valued the Alcidion intellectual property in the range of $16.8 million and $25.6 million.

As indicated in Section 7.2 of this report, for technologies already being commercialised, a cost-based approach to valuation can only be indicative. Alcidion has spent almost $16 million to develop its current intellectual property which, allowing for some commercialisation premium of 20-30%, would provide an indicative value for the intangible assets of between $19 million and $20.6 million.

Using cost-based and income-based approaches, we have valued the intangible assets of Alcidion as set out in the following table.

	Approach	Low	Preferred	High
Alcidion IP	Market (crude)	18		18
Alcidion IP	Cost (ndicative only)	19		20.6
Alcidion IP	Income	16.8	20.3	25.6

Data in A$ million

[14] Average rate from survey of Australian practice in 2015 by IESE Business School

9. DISCLOSURE OF BASES AND SOURCES

In forming our opinion of the value of the intellectual property of Alcidion, we have reviewed and relied upon the following discussions and documents:

- Discussions with Mr Nathan Buzza, EVP, Sales and Marketing, Alcidion
- Material provided by Alcidion Corporation
- Publicly available material.

10. CONCLUSIONS

Three approaches to the valuation of the intangible assets of Alcidion were considered: market, cost and income-related approaches.

A market-based approach provided an indicative valuation around $18 million based on comparison with a similar New Zealand company providing integrated solutions in healthcare IT. The cost-based approach based on cost to develop Alcidion's Miya platform and associated modules was also used to indicate in broad terms the value of the intellectual property. This indicated a value in the range of $19 to $20.6 million.

The income-based approach has been preferred for the valuation of the Alcidion Miya platform and modules because this intellectual property is already generating revenues and has been installed in eleven Australian hospitals. A valuation based on company commercialisation plans for the next four years allowing for a levelling off of sales after that time to a long term growth rate, assessing a royalty rate equivalent for software and software services of 15% and considering a discount rate of between 10.25% and 13.25% post tax over a ten year period of projected sales in line with the developed nature of the software platform and the tendency for revenue streams in healthcare IT to persist over an extended period, provides a valuation range for the intangible assets of $16.8–25.6 million with our preferred value at $20.3 million.

11. QUALIFICATIONS AND DECLARATIONS

Valutech Pty Ltd is a company specialising in market research on high technology products and the valuation and assessment of identifiable intangible assets from a wide range of industries. It was established in 1992 by Dr Maurice Venning who has a background of over 25 years in technology assessment and advisory roles with the Federal Government, large companies, consulting companies and universities. Dr Venning has been undertaking intangible asset valuations on behalf of Valutech and other companies for over twenty years.

Valutech has undertaken a number of valuations in the past related to intellectual property, copyright and other identifiable intangible assets of companies operating in the computer software and computer and communications networks industries.

Valutech has not undertaken work for Alcidion or NRR in the past and has no interest in Alcidion, NRR or related companies.

12. DISCLAIMER

This assessment represents solely the expression by Valutech of its opinion as to a fair market valuation for assets of Alcidion in October 2015. This assessment is based upon information submitted to us as well as external sources and we do not imply nor should it be construed that we have carried out any form of audit or verification of the information and records supplied to us.

We have no reason to believe that any material facts have been withheld or misstated and have no reason to doubt the reasonableness of judgements made. However, Valutech cannot underwrite or guarantee the achievability of the financial forecasts.

Yours sincerely,

Maurice Venning
Director

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