

Appendix 4E

Reporting period

Reporting period: Financial year ended 30 June 2015
Comparative period: Financial year ended 30 June 2014

Results for announcement to the market

	<u>\$</u>	<u>Up/Down</u>	<u>Movement %</u>
Revenue from ordinary activities	1,809,285	Down	(35.6%)
Loss from ordinary activities after tax attributable to members	(27,926,470)	Down	(185.9%)
Net loss attributable to members	(27,926,470)	Down	(185.9%)

Revenue from ordinary activities includes the research and development tax concession which has decreased 40.6% from the corresponding period as the Group transitions from the research and development of data security technology to the commercialisation and implementation of data security products.

The Group recorded a loss after tax of \$27,926,470 for the year to 30 June 2015 (2014: \$9,769,356). Included within this loss is \$9,959,795 of non-cash, non-recurring, expenses primarily related to the acquisition of Prime Minerals Limited.

The \$9,959,795 of non-cash items is made up of the following:

- \$5,428,991 – listing expense on acquisition of Prime Minerals Limited (refer to Note 1 of the consolidated financial statements for further detail).
- \$2,196,318 – being the fair value movement of shares issued in Cocoon Data Holdings Limited as a result of the conversion of convertible notes prior to the acquisition of Prime Minerals Limited and in accordance with the Plan of Recapitalisation, with an additional \$334,486 non-cash finance costs relating to the convertible notes prior to conversion.
- \$2,000,000 – being the value of 10,000,000 ordinary shares in the Company issued to advisors of the acquisition of Prime Minerals Limited and as detailed in the Prospectus dated 23 September 2014.

In addition, there was \$6,075,181 of non-cash expenses related to the issue of equity instruments as share based payments. The loss after tax excluding these non-cash items is \$11,891,494.

Covata will release a business update on Tuesday September 1st 2015, giving further insight into the company through FY2016 and beyond.

Dividend information

No dividend has been proposed to be paid or payable for the year ended 30 June 2015, nor for the comparative period.

Appendix 4E

Net tangible assets per security

	2015	2014
Net tangible assets per security	1.82 cents	(3.99 cents)

Details of entities over which control has been gained or lost during the period

Name of entity over which control was gained Cocoon Data Holdings Limited

Date control was gained 31 October 2014

Covata Limited (formerly Prime Minerals Limited) during the year completed the acquisition of Cocoon Data Holdings Limited, an unlisted public company involved in the development and commercialisation of intellectual property predominantly in the field of data security technology.

Prime Minerals Limited gained legal control of Cocoon Data Holdings Limited through the issue of Prime Minerals Limited ordinary shares to the shareholders of Cocoon Data Holdings Limited. The acquisition of Prime Minerals Limited by Cocoon Data Holdings Limited does not meet the definition of a business combination under AASB 3 Business Combinations as Prime Minerals Limited did not meet the business test at the time of acquisition. From an accounting perspective, the transaction is treated as a reverse acquisition where the acquirer is Cocoon Data Holdings Limited and the acquiree is Prime Minerals Limited because the shareholders of Cocoon Data Holdings Limited gained an 89% interest and therefore control of Prime Minerals Limited post acquisition. Refer to note1 for further detail.

Details of associates and joint ventures

Not applicable.

Audit

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

Attachments

The preliminary final report of Covata Limited (formerly Prime Minerals Limited) for the year ended 30 June 2015 is attached.

Covata Limited and its controlled entities
Unaudited consolidated statement of profit or loss and
other comprehensive income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue and other income			
Revenue – technology related products and services		349,584	439,591
Research & development tax concession		1,391,652	2,342,935
Foreign currency exchange income		65,645	-
Other income		2,404	25,688
		1,809,285	2,808,214
Expenses			
Employee benefit expense	3	(8,488,629)	(7,666,005)
Communication expense		(128,002)	(187,897)
Consultancy fees expense		(1,921,840)	(264,321)
Depreciation expense		(119,953)	(319,803)
Legal fees expense		(584,885)	(175,182)
Marketing and promotion expense		(494,567)	(283,109)
Travel and accommodation expense		(723,536)	(284,448)
Office and administration expense		(644,230)	(586,897)
Professional fees expense		(369,194)	(382,659)
Other direct research and development project expense		(43,396)	(20,103)
Foreign currency exchange expense		-	(317)
Advisor fees on acquisition of Prime Minerals Limited		(2,000,000)	-
Costs arising from recapitalisation		(2,196,318)	-
Listing expense on acquisition of Prime Minerals Limited	1	(5,428,991)	-
Share-based payments expense on issuing equity instruments		(6,075,181)	-
Other expenses		(413,481)	(196,418)
		(29,632,203)	(10,367,159)
Results from operating activities		(27,822,918)	(7,558,945)
Finance income		248,005	84,239
Finance costs		(351,557)	(2,294,650)
Net finance costs		(103,552)	(2,210,411)
Loss before income tax		(27,926,470)	(9,769,356)
Income tax expense		-	-
Loss for the year		(27,926,470)	(9,769,356)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(39,380)	(31,016)
Total other comprehensive income / (loss)		(39,380)	(31,016)
Total comprehensive loss for the year		(27,965,850)	(9,800,372)
Basic earnings per share (cents per share)	2	(8.5)	(4.4)
Diluted earnings per share (cents per share)	2	(8.5)	(4.4)

Appendix 4E Preliminary final report

Covata Limited and its controlled entities Unaudited consolidated statement of changes in equity

For the year ended 30 June 2015

	Note	Share Capital	Equity Conversion Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Warrants Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2013		14,836,983	2,866,667	22,038	2,081,691	5,377,157	(28,123,510)	(2,938,974)
Total comprehensive income for the year								
Loss for the year		-	-	-	-	-	(9,769,356)	(9,769,356)
Total other comprehensive income		-	-	(31,016)	-	-	-	(31,106)
Total comprehensive income/(loss)		-	-	(31,106)	-	-	(9,769,356)	(9,800,372)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Share based payments – share options		-	-	-	(638,517)	-	-	(638,517)
Share based payments – employee loan shares		-	-	-	820,958	-	-	820,958
Convertible notes issued		-	2,530,000	-	-	-	(30,000)	2,500,000
Total contributions by and distributions to owners		-	2,530,000	-	182,441	-	1,088,217	3,800,658
Balance at 30 June 2014		14,836,983	5,396,667	(8,978)	2,264,132	5,377,157	(36,804,649)	(8,938,688)
Balance at 1 July 2014		14,836,983	5,396,667	(8,978)	2,264,132	5,377,157	(36,804,649)	(8,938,688)
Total comprehensive income for the year								
Loss for the year		-	-	-	-	-	(27,926,470)	(27,926,470)
Total other comprehensive income/(loss)		-	-	(39,380)	-	-	-	(39,380)
Total comprehensive income/(loss)		-	-	(39,380)	-	-	(27,926,470)	(27,965,850)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Ordinary shares issued	9	18,479,474	-	-	-	-	-	18,479,474
Ordinary shares issued on conversion of notes	9	19,005,533	(5,396,667)	-	-	-	(200,000)	13,408,866
Share based payments – acquisition of PIM	9	6,748,899	-	-	-	-	-	6,748,899
Share based payments – warrants	9	5,377,157	-	-	-	(769,907)	-	4,607,250
Share based payments – share options		413,737	-	-	1,158,648	-	441,935	2,014,320
Share based payments – employee loan shares		1,079,717	-	-	(820,958)	-	-	258,759
Capital raising costs	9	(900,000)	-	-	-	-	-	(900,000)
Total contributions by and distributions to owners		50,204,517	(5,396,667)	-	337,690	(769,907)	241,935	44,617,568
Balance at 30 June 2015		65,041,500	-	(48,358)	2,601,822	4,607,250	(64,489,184)	7,713,030

Covata Limited and its controlled entities
Unaudited consolidated statement of financial position

As at 30 June 2015

	Note	2015	2014
Assets			
Cash and cash equivalents		1,809,699	2,158,047
Term deposits	4	9,000,000	-
Trade and other receivables	5	1,673,771	2,579,399
Prepayments		48,541	-
Other current assets		198,000	106,617
Total current assets		12,730,011	4,844,063
Property, plant and equipment		193,634	177,968
Other non-current assets		221,588	68,757
Total non-current assets		415,222	246,725
Total assets		13,145,233	5,090,788
Liabilities			
Trade and other payables	6	945,379	643,219
Deferred income	7	266,667	266,667
Employee benefits		78,327	133,034
Loans and borrowings	8	2,300,000	10,878,062
Total current liabilities		3,590,373	11,920,982
Deferred income	7	1,841,830	2,108,494
Total non-current liabilities		1,841,830	2,108,494
Total liabilities		5,432,203	14,029,476
Net assets / (liabilities)		7,713,030	(8,938,688)
Equity			
Share capital	9	65,041,500	14,836,983
Reserves		7,160,714	13,028,978
Accumulated losses		(64,489,184)	(36,804,649)
Total equity / (deficiency)		7,713,030	(8,938,688)

Covata Limited and its controlled entities
Unaudited statement of cash flows

For the year ended 30 June 2015

	<i>Note</i>	2015	2014
Cash flows used in operating activities			
Cash receipts from customers		39,420	171,848
Cash paid to suppliers and employees		(11,338,477)	(8,902,939)
Cash used in operating activities		(11,299,057)	(8,731,091)
R&D rebates received		2,342,935	2,402,344
Interest received		81,538	84,239
Interest paid		(25,529)	(2,405)
Net cash used in operating activities	10	(8,900,113)	(6,246,913)
Cash flows used in investing activities			
Payments for investments in term deposits (Payment for) / refund of deposits		(9,000,000) (244,213)	- 9,741
Acquisition of controlled entity (net of cash received)	1	1,176,773	-
Proceeds from disposal of property, plant and equipment		23,285	3,475
Acquisition of property, plant and equipment		(138,072)	(3,677)
Net cash from / (used in) investing activities		(8,182,227)	9,539
Cash flows from financing activities			
Proceeds from the issue of share capital		15,000,000	-
Proceeds from the issue of convertible notes		100,000	2,400,000
Proceeds from employee loan shares repaid		61,923	-
Proceeds from the exercise of share options		172,069	-
Short term debt facility draw-down		2,300,000	-
Payment of share issue costs		(900,000)	-
Net cash from financing activities		16,733,992	2,400,000
Net increase in cash and cash equivalents		(348,348)	(3,837,374)
Cash and cash equivalents at 1 July		2,158,047	5,995,421
Cash and cash equivalents at 30 June		1,809,699	2,158,047

Covata Limited and its controlled entities
Notes to the preliminary final report

For the year ended 30 June 2015

1. Acquisition of Prime Minerals Limited

On 31 October 2014, Covata Limited (formerly Prime Minerals Limited) acquired 100% of the ordinary share capital and voting rights of Cocoon Data Holdings Limited as detailed in the Bid Implementation Agreement between Prime Minerals Limited and Cocoon Data Holdings Limited dated 27 June 2014. Cocoon Data Holdings Limited was an unlisted public company involved in the development and commercialisation of intellectual property predominantly in the field of data security technology.

The difference between the fair value of the identifiable net assets of Prime Minerals Limited acquired and the fair value of the shares deemed to be issued by Cocoon Data Holdings Limited to the shareholders of Prime Minerals Limited, measured at the acquisition date, is recognised as an expense of the acquisition in the current year profit and loss.

The consideration in an acquisition accounted for under *AASB 2 Share Based Payments* is measured at the fair value of the deemed issue of shares by Cocoon Data Holdings Limited, equivalent to the current shareholders interest in Prime Minerals Limited post the acquisition. Any excess of the fair value of the shares over the acquired assets and liabilities is recognised as a listing expense in profit or loss. Other transaction costs related to the acquisition have also been recognised as an expense in profit or loss.

	\$
Fair value of share-based payment, assessed in accordance with AASB 2	6,748,899
Fair value of Prime Minerals Limited assets and liabilities held at acquisition date:	
Cash and cash equivalents	1,176,773
Trade and other receivables	108,790
Other current assets	34,345
	1,319,908
Listing expense on reverse acquisition recognised on the date of acquisition	5,428,991

Covata Limited and its controlled entities
Notes to the preliminary final report

For the year ended 30 June 2015

2. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares for the year ended 30 June 2015 has been calculated as the weighted average number of ordinary shares of Cocoon Data Holdings Limited outstanding during the year before acquisition, amended by the ratio of Cocoon Data Holdings Limited shares to Prime Minerals Limited shares established at acquisition, and the weighted average number of ordinary shares outstanding in the year from acquisition up until 30 June 2015.

	2015	2014
	\$	\$
Earnings per share from continuing operations:		
Loss after income tax (basic)	(27,926,470)	(9,769,356)
Loss after income tax (diluted)	(27,926,470)	(9,769,356)
Weighted average number of ordinary shares used in calculating basic earnings per share	327,287,027	224,170,039
Basic earnings per share (cents per share)	(8.5)	(4.4)
Diluted earnings per share (cents per share)	(8.5)	(4.4)

3. Employee benefit expense

	2015	2014
	\$	\$
Wages and salaries	5,225,711	5,125,421
Directors fees	123,827	109,104
Termination benefits	20,104	293,973
Other employee related expenses	576,273	141,973
Payroll taxes	228,870	203,647
Contributions to defined contribution superannuation plans	312,324	491,228
Equity-settled share-based payments	2,001,520	1,300,659
	8,488,629	7,666,005

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Covata Limited and its controlled entities Notes to the preliminary final report

For the year ended 30 June 2015

4. Financial assets

	2015 \$	2014 \$
Term deposits	9,000,000	-

Term deposits have a remaining maturity of less than 6 months. Term deposits of \$7,000,000 have been pledged as security over short term borrowings.

5. Trade and other receivables

R&D rebate receivable	1,391,652	2,342,935
Trade receivables	2,760	37,688
Other receivables	233,023	144,721
GST receivables	46,336	54,055
	1,673,771	2,579,399

6. Trade and other payables

Trade payables	368,905	333,136
Amounts owing to related parties	36,585	6,667
Other payables and accrued expenses	539,889	303,416
	945,379	643,219

7. Deferred income

Licence income received in advance	2,108,497	2,375,161
Current	266,667	266,667
Non-current	1,841,830	2,108,494
	2,108,497	2,375,161

8. Loans and borrowings

Short term borrowings	2,300,000	-
Converting notes	-	10,878,062
	2,300,000	10,878,062

The Covata Limited Group has entered into a short term finance facility of \$7,000,000 which is secured over a term deposit of \$7,000,000 and where both mature in December 2015. The short term borrowings of \$2,300,000 is the drawn down balance of the finance facility.

Covata Limited and its controlled entities
Notes to the preliminary final report

For the year ended 30 June 2015

9. Capital and Reserves

	<i>Ordinary Shares</i>	
	2015	2014
Number of Shares		
On issue at the start of year	224,170,039	224,170,039
Conversion of convertible notes	116,777,777	-
Conversion of warrants	26,000,000	-
Conversion of restricted employee shares to ordinary shares	14,930,000	-
	381,877,816	224,170,039
Cocoon Data Holdings Limited ordinary shares		
Cocoon Data Holdings Limited ordinary shares surrendered	(381,877,816)	
Covata Limited shares issued to the shareholders of Cocoon Data Holdings Limited	250,015,292	
Covata Limited shares held by the shareholders of Prime Minerals Limited	33,744,495	
Shares issued under the Covata Limited's prospectus	75,000,000	
Covata Limited shares issued on conversion of Cocoon Data Holdings Limited convertible notes	13,650,000	
Issued for non-cash – advisor fees	10,000,000	
Performance shares converted to ordinary shares	36,392,879	
Share options exercised – cashless exercise	1,164,278	
Share options exercised – cash settled	907,457	
Shares issued under the employee share loan plan	1,436,925	
Issued for non-cash – advisor fees	2,373,129	
Issued for non-cash – employee incentive	38,834	
Total Covata Limited ordinary shares on issue	424,723,289	
	\$	\$
On issue at the start of year	14,836,983	14,836,983
Issued for cash	15,000,000	-
Less: issue costs paid in cash	(900,000)	-
Issued for non-cash – advisor fees	2,000,000	-
Share based payment – acquisition of Prime Minerals Limited	6,748,899	-
Share based payment – employee loan shares exercised	119,491	-
Conversion of convertible notes	19,005,533	-
Conversion of warrants	5,377,157	-
Share based payment – modification of employee loan shares	852,443	-
Share options exercised – cashless exercise	157,562	-
Share options exercised – cash settled	256,175	-
Shares issued under the employee loan share plan	107,783	-
Issued for non-cash – advisor fees	1,459,474	-
Issued for non-cash – employee incentive	20,000	-
Share capital at the end of the year	65,041,500	14,836,983

Appendix 4E
Preliminary final report

Covata Limited and its controlled entities
Notes to the preliminary final report

For the year ended 30 June 2015

10. Reconciliation of cash flows from operating activities

	2015	2014
	\$	\$
Loss for the year	(27,926,470)	(9,769,356)
Adjustments for:		
Depreciation	119,953	319,803
Share-based payments	10,076,700	1,300,659
Net finance costs	326,029	2,294,650
Provision for doubtful debts	-	(5,140)
Gain on disposal of property, plant and equipment	(2,404)	-
Exchange differences on translation of foreign operations	(39,380)	-
Costs arising from recapitalisation	2,196,318	-
Listing expense on acquisition of Prime Minerals Limited	5,428,991	-
	(9,820,263)	(5,859,384)
Changes in:		
- trade and other receivables	953,558	233,409
- prepayments	(14,196)	5,329
- trade and other payables	35,496	(571,727)
- provisions and employee benefits	(54,708)	(54,540)
Net cash used in operating activities	(8,900,113)	(6,246,913)