



# PRIME MINERALS LIMITED

Level 1, 8 Parliament Place, West Perth WA 6005

PO Box 1618 West Perth WA 6872

Telephone: +61 8 9481 7833 Facsimile: +61 8 9481 7835

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## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2014

### LAKE MASON URANIUM PROJECT, WESTERN AUSTRALIA

Prime holds 100% of exploration licence (E 57/785) located central to the Lake Mason palaeo-drainage in the Southern Cross region of Western Australia. The palaeo-drainage system contains calcrete-hosted carnotite mineralisation in Lake Mason and its surrounds. This style of uranium mineralisation is similar to that at Mega Uranium's Lake Maitland project and Cameco's Yeelirrie project.

No field work was conducted this quarter, with the Board focusing on acquiring a new project for the Company.



### CORPORATE – CHANGE OF FOCUS

On 20 May 2014, the Company announced that it had entered into a binding heads of agreement to merge with Cocoon Data Holdings Limited, an unlisted Australian public company which holds various intellectual property interests pertaining to data security software known as Covata.

Under the terms of the Agreement, Prime will merge with Cocoon either by:

- making an off-market takeover offer to acquire all of Cocoon's fully paid ordinary shares (**Cocoon Shares**);
- a scheme of arrangement; or
- a sale of Cocoon's business and assets to Prime.

The merger process will be more fully documented in a "Merger Implementation Agreement" to be executed between PIM and Cocoon.

### TRANSACTION HIGHLIGHTS

- Exciting transformational growth opportunity secured for Prime at an attractive valuation.
- Covata's disruptive technology offers a game changing approach to internet and data security – a revolution in the approach to the security 'plumbing' of the internet.
- Significant strategic contract signed in Europe and advanced discussions with other strategic global partners in North America.

- Technology independently verified through certification from government accreditation bodies in North America and Australia.
- Product commercialisation achieved through both direct sales and global distribution partners, including system integrators.
- Appointment of a new board and management team with significant experience in the cyber-security industry.

## TERMS OF AGREEMENT

In consideration for Cocoon undertaking the Merger, Prime has agreed to pay to the Cocoon shareholders an equivalent sum of \$57,221,673 (, which shall be satisfied through the issue of fully paid ordinary shares in the capital of Prime at a deemed issue price of \$0.20 per Prime Share. The consideration will be paid as follows:

- \$50,000,000 worth of Prime Shares to be issued upon completion of the merger; and
- \$7,221,673 worth of Prime shares to be issued upon satisfaction of any one of the following milestones:
  - annualised revenue over three consecutive calendar months equivalent to at least \$20,000,000 on an annual basis;
  - execution of an agreement with a recognised multi-national original equipment manufacturer for the integration of Cocoon's products or technology; or
  - commenced or contracted proof of concept trials with a minimum of 20 enterprises/corporations who each have annualised revenues of at least \$200,000,000 and, of these, 10 of which have been converted into binding commercial contracts,

Cocoon may, at any time prior to completion of the merger, effectuate further equity funding (on a pre-money valuation of \$57,221,673), and/or debt funding, from existing and new investors, to raise up to \$2,500,000 in additional funding.

The consideration (and hence the number of Prime shares) will be increased by the amount of any additional funding.

Prime has also agreed to provide to Cocoon a fully secured, interest free loan of \$1,500,000 for a term of 12 months (which will be convertible in certain circumstances), with the full terms and conditions to be set out in a formal loan agreement to be entered into contemporaneously with the MIA (Loan Agreement). In the event that the merger is not completed by 30 September 2014 but all of the conditions precedent have been satisfied (other than receipt of conditional approval for readmission to trading on the ASX, completion of the capital raising and, if the merger is to be implemented by a scheme of arrangement, the scheme becoming effective), Prime has agreed to increase the loan by \$500,000.

The merger is conditional upon satisfaction or waiver of the following conditions precedent by 30 September 2014:

- completion by Prime and Cocoon, to the absolute satisfaction of their respective boards of directors, of all necessary legal and technical due diligence investigations in respect of the other;
- execution of the MIA on or prior to 6 June 2014 (or such alternate date as Prime and Cocoon may agree in writing);
- Prime and Cocoon entering into the Loan Agreement;
- ASX granting conditional approval to reinstate the securities of Prime to trading on ASX (after Prime re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being satisfied to the reasonable satisfaction of Prime and Cocoon;

- Prime undertaking a capital raising and receiving valid applications for at least \$5,000,000 (less the amount of any additional funding);
- Prime undertaking a consolidation of its issued share capital on a basis to be agreed, which shall not be more than a 10 for 1 basis (if shares under the Capital Raising are offered at \$0.20 per share, otherwise the maximum consolidation ratio shall be adjusted accordingly);
- Prime holding a shareholder meeting to:
  - obtain all approvals that are required to give effect to the transactions contemplated by the Agreement, including ASX Listing Rule 11.1; and
  - change the name of Prime to such name as is nominated by Cocoon;

all convertible securities in Cocoon being converted into Cocoon Shares by completion of the merger, excluding any entitlements under Cocoon's employee option schemes;

- either:
  - if the merger proceeds by way of takeover bid, the holders of at least 90% of the Cocoon shares accepting the offer under the takeover bid and Prime being entitled to proceed to compulsory acquisition of Cocoon; or
  - if the merger proceeds by way of scheme of arrangement, the requisite approvals being obtained at a scheme meeting of Cocoon shareholders and the scheme becoming effective; and
- any other third party approvals, regulatory consents or conditions required to give effect to the transactions contemplated by the Agreement being obtained,

Prime will also issue 100,000,000 shares (on a pre-consolidation basis) to key consultants as consideration for those persons formulating the proposed merger, introducing the proposal to the parties and assisting with its implementation.

## **NEW BOARD & MANAGEMENT TEAM**

Upon completion of the merger, the current Prime directors will resign from the Board and will be replaced by nominees of Cocoon. It is anticipated that Cocoon will initially nominate at least two Australian based persons and two US based persons to fill these positions.

## **ESCROW**

The Prime shares issued to Cocoon shareholders holders will be subject to any applicable escrow restrictions in accordance with the ASX Listing Rules.

## **RE-COMPLIANCE WITH ASX LISTING RULES CHAPTERS 1 AND 2**

Since the merger will result in a significant change to the nature and scale of Prime's activities, the merger will require Prime shareholders' approval under ASX Listing Rule 11.1.2 and will also require Prime to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

## **CONSOLIDATION**

In order to re-comply with the ASX Listing Rules, Prime intends, subject to shareholder approval, to undertake the Consolidation of its issued capital with a view to Prime shares being valued at a minimum of \$0.20 each post Consolidation.

## **CAPITAL RAISING**

To enable Prime to re-comply with the ASX Listing Rules and to support its growth strategy post-completion of the merger, Prime plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise at least \$5 million, less the amount of any additional funding granted.

Under the prospectus, Prime shares will be offered at an issue price of at least \$0.20 per share.

Prime intends to appoint one or more brokers to manage the capital raising.

## SHAREHOLDER APPROVALS

A notice of meeting seeking shareholder approval for the resolutions required to effect the merger will be sent to Prime shareholders in due course. It is expected that Prime will convene a meeting to facilitate shareholder approval in August 2014.

On the date of the meeting, Prime securities will be suspended and, subject to Prime shareholder approval being obtained, will remain suspended until Prime has re-complied with ASX Listing Rules and the merger has taken effect.

## PRO-FORMA CAPITAL STRUCTURE

On the basis Prime completes the merger and associated transactions on the terms set out above, Prime's capital structure on a post-consolidation basis will be as follows (assuming a 1 for 10 consolidation, 100% acceptance of the takeover offer, \$5 million is raised under the capital raising at \$0.20 per Prime share and no other shares are issued by either Prime or Cocoon), excluding Cocoon staff options:

	Shares	Options
Current Issued Capital	337,444,946	Nil
Post Consolidation Issued Capital	33,744,495	Nil
Takeover Offer	250,000,000 <sup>1</sup>	Nil
Satisfaction of a Milestone	36,108,365	Nil
Capital Raising	25,000,000	Nil
Issue of Prime Shares to advisers	10,000,000	Nil
<b>Total Post Merger &amp; Capital Raising</b>	<b>354,852,860</b>	<b>Nil</b>

1. This number may increase by up to 12,500,000 shares in the event the Additional Funding is completed.

Note: The above table shows Prime's pre and post-merger capital structure. As part of the merger process, the Company will most likely need to undertake the consolidation in order to comply with Chapters 1 and 2 of the ASX Listing Rules, which require a capital raising at \$0.20 per share. The above table is based on a share price of \$0.02 immediately prior to the issue of the requisite notice of meeting, and consequently a consolidation ratio of 1 share for every 10 held. However, if the share price is at a higher price prior to the issue of the notice of meeting, the reconstruction ratio may be reduced. As a result, the issue of Prime shares under the takeover offer, the capital raising and to advisers of Prime will be adjusted accordingly.

**For further information please contact:**

Norman Grafton, Company Secretary

Phone (08) 9481 7833

**Or consult our website:**<http://www.primeminerals.com.au/>**Competent Persons Declaration**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter, who is a consultant to Prime Minerals Limited and is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Dr Painter has sufficient experience that is relevant to the various styles of mineralisation and types of deposit under consideration, and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Dr Painter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Forward-Looking Statements**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Prime Minerals Limited's planned exploration programme and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Prime Minerals Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

**Appendix 1 – Schedule of Mining and Exploration Tenements**

<i>Country</i>	<i>State/Region</i>	<i>Project</i>	<i>Tenement ID</i>	<i>Area (km<sup>2</sup>)</i>	<i>Grant date</i>	<i>Interest</i>
Australia	WA	Lake Mason uranium	E 57/785	12.17	16/01/2009	100%