PRIME MINERALS LIMITED
(TO BE RENAMED "COVATA LIMITED")
ACN 120 658 497

NOTICE OF GENERAL MEETING

TIME: 9.00am (WST)

DATE: 23 September 2014

PLACE: The Celtic Club
48 Ord Street
WEST PERTH WA 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9481 7833.

CONTENTS

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 9.00am (WST) on 23 September 2014 at:

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 9.00am (WST) on 21 September 2014.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;

- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 - CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 Shares be consolidated into 1 Share, and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction down to the nearest whole Share."*

3. RESOLUTION 3 – CREATION OF A NEW CLASS OF SECURITIES

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of Section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement."*

4. RESOLUTION 4 – PLACEMENT – ADVISER SHARES

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

> *"That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Adviser Shares (on a post-Consolidation basis) to CPS Capital Group Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the

Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – CAPITAL RAISING

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

> *"That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares (on a post-Consolidation basis as), when multiplied by the issue price, will raise up to $15,000,000 as part of the Capital Raising on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – PLACEMENT OF SHARES TO COCOON NOTEHOLDERS

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

> *"That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 13,500,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

> *"That, subject to and conditional upon the passing of all Essential Resolutions and successful completion of the Takeover Offer, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to 'Covata Limited'."*

8. RESOLUTION 8 – ELECTION OF DIRECTOR – MR CHARLES ARCHER

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purpose of clause 14.3 of the Constitution and for all other purposes, Mr Charles Archer who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Takeover Offer."*

9. RESOLUTION 9 – ELECTION OF DIRECTOR – MR PHILIP KING

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purpose of clause 14.3 of the Constitution and for all other purposes, Mr Philip King who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Takeover Offer."*

10. RESOLUTION 10 – ELECTION OF DIRECTOR – MR TRENT TELFORD

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purpose of clause 14.3 of the Constitution and for all other purposes, Mr Trent Telford who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Takeover Offer."*

11. RESOLUTION 11 – GRANT OF REPLACEMENT OPTIONS

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 14,625,000 Options (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 12 – GRANT OF RELATED PARTY OPTIONS TO MR TRENT TELFORD

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 10,375,000 Options (on a post-Consolidation basis) to Trent Telford (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Trent Telford (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. RESOLUTION 13 – GRANT OF RELATED PARTY OPTIONS TO MR CHARLES ARCHER

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 5,306,250 Options (on a post-Consolidation basis) to Mr Charles Archer (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Charles Archer (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 14 – GRANT OF RELATED PARTY OPTIONS TO MR PHIL DUNKELBERGER

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 5,000,000 Options (on a post-Consolidation basis) to Mr Phil Dunkelberger (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Phil Dunkelberger(and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 15 – GRANT OF RELATED PARTY OPTIONS TO APCL

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 900,000 Options (on a post-Consolidation basis) to Asia Principal Capital Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Asia Principal Capital Limited (and its nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. RESOLUTION 16 – ADOPTION OF EMPLOYEE SHARE PLAN

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Share Plan and for the issue of securities under that plan, on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director or Proposed Director, other than any Directors or Proposed Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors or Proposed Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

  (i) a member of the Key Management Personnel; or

  (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

17. RESOLUTION 17 – ADOPTION OF US SHARE AND OPTION PLAN

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

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled US Share and Option Plan and for the issue of securities under that plan, on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director or Proposed Director, other than any Directors or Proposed Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors or Proposed Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

  (i) a member of the Key Management Personnel; or

  (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

18. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

> *"That, subject to and conditional on the passing of all Essential Resolutions and the successful completion of the Takeover Offer, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes."*

Dated: 25 August 2014
By order of the Board

Norman Grafton
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

All Resolutions, other than Resolutions 7 and 18 are Essential Resolutions. If any of the Essential Resolutions are not passed, then all of the Resolutions will be taken to have been rejected by Shareholders and the transaction the subject of this Notice of Meeting will not proceed. All Resolutions (other than 7 and 18) must be passed for the transaction to proceed.

1. BACKGROUND TO PROPOSED ACQUISITION OF COCOON DATA HOLDINGS LIMITED

1.1 General background

On 20 May 2014, Prime Minerals Limited (**Company** or **Prime**) announced its intention to merge with unlisted Australian public company Cocoon Data Holdings Limited (ACN 127 993 300) (**Cocoon**), which holds an attractive portfolio of data security patents (**Merger**).

The Merger is proposed to be effected by means of an all scrip off market takeover offer by the Company to acquire all of Cocoon's fully paid ordinary shares (**Cocoon Shares**) on the basis of 0.6547 Shares and 0.0953 Performance Shares for every 1 Cocoon Share held (on a post-Consolidation basis, as defined below) (**Takeover Offer**). This equates to a total consideration of $57,281,673 (based on each Share and Performance Share having a deemed price of $0.20, being the issue price per Share under the Capital Raising).

The valuation and number of Shares to be issued in consideration for the acquisition of Cocoon was determined through arm's length negotiations with the Cocoon board of directors. In determining the purchase price for Cocoon, the directors of the Company took into account the following considerations:

(a) internal revenue and profit forecasts of Cocoon. However, those forecasts cannot be stated publically as they do not comply with ASIC guidelines (in particular, ASIC Regulatory Guide 170 which requires directors to have a reasonable basis for disclosing forecast financial information);

(b) the last prices at which Cocoon raised equity funding from third party investors;

(c) the paid up capital of Cocoon at the time negotiations were being undertaken;

(d) Cocoon's future prospects based on the status of its technology portfolio and potential interest from third parties; and

(e) representations from the Cocoon directors as to the price at which a takeover offer for Cocoon would be likely to succeed.

The final price was determined through arm's length negotiations that took place over a number of weeks between the directors of Cocoon and the Directors of the Company.

It has been difficult for the Directors to employ traditional valuation methodologies in determining the purchase price given the nature of Cocoon's historical and future business operations and financial performance. As a result, the Directors have negotiated the purchase price and terms of the Merger based on various qualitative factors including those outlined above.

The Company confirms that no formal valuation was undertaken in respect of Cocoon by an independent adviser.

The Takeover Offer will be subject to a number of defeating conditions, including (among others):

(a) a minimum acceptance level of 90% of all Cocoon Shares on issue as at the close of the Takeover Offer1;

(b) the Company obtaining necessary shareholder approvals for the Merger (including under Chapter 11 of the ASX Listing Rules);

(c) a consolidation of the Company's securities on a 1:10 basis (**Consolidation**);

(d) raising a minimum of $2.5 million of new equity capital under a full form prospectus (**Capital Raising**); and

(e) ASX conditional approval being obtained for the securities of the Company to be re-admitted to trading following re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

If the conditions to the Takeover Offer are not satisfied or waived before the end of the offer period under the Takeover Offer, including if any of the Essential Resolutions are not passed, the Merger will not proceed. See Section 1.11 for further details. The full conditions of the Takeover Offer are set out in Schedule 4.

The full conditions of the Takeover Offer are also set out in the Bidder's Statement to be issued by the Company in connection with the Takeover Offer, anticipated to be lodged with ASIC on or about 25 August 2014.

This Notice of Meeting sets out the Resolutions necessary to complete the Merger and associated transactions. Each of the Resolutions is conditional upon the approval by Shareholders of each of the Essential Resolutions. If any of the Essential Resolutions are not approved by Shareholders, all of the Resolutions will fail and the Merger will not be completed. A summary of the Resolutions is as follows:

(a) as the Company is currently a mineral exploration company, the Merger with Cocoon, if successfully completed, will represent a significant change in the nature and scale of the Company's operations to an information and security software development company, for which Shareholder approval is required under ASX Listing Rule 11.1.2 (Resolution 1);

(b) the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, to achieve this, must:

[1] The Company may vary the 90% minimum acceptance condition without Cocoon's consent if the Company has a voting power in Cocoon Shares, as a result of receiving acceptances under the Takeover Offer, of at least 80%.

(i) undertake a 1:10 Consolidation of its Shares, for which Shareholder approval is being sought under Resolution 2. If approved, the Consolidation will take effect following the Meeting in accordance with the ASX timetable (Resolution 2); and

(ii) successfully undertake the Capital Raising by issuing a minimum of 12.5 million Shares (to raise $2.5 million) and a maximum of 75 million Shares (to raise $15 million)at an issue price of $0.20 per Share (Resolution 5).

(c) the creation of a new class of shares, being the Performance Shares, which are being offered as consideration pursuant to the Takeover Offer (Resolution 3). Full terms and conditions of the Performance Shares are set out at Schedule 1;

(d) subject to agreement with advisers of Prime, Prime proposes to issue up to 10 million Shares (on a post-Consolidation basis) to key advisers of Prime in consideration for those persons introducing the Merger to the Company and assisting with its implementation (Resolution 4);

(e) on successful completion of the Merger, the Company has agreed, subject to Shareholder approval, to appoint 3 directors nominated by Cocoon to the Board (Resolutions 8-10);

(f) the Company intends to change its name to Covata Limited on completion of the Merger, with Shareholder approval being sought for this change under Resolution 7;

(g) the Company agreed to assume the obligations of Cocoon in respect of convertible notes issued to investors in accordance with the terms of the BIA under which it will issue those investors a total of 13,500,000 Shares upon completion of the Takeover Offer (Resolution 6);

(h) the Company agreed to grant the Replacement Options and the Related Party Options to Cocoon Optionholders in consideration for the cancellation of their Cocoon Options (Resolutions 11 – 15);

(i) the Company agreed (subject to Shareholder approval) to adopt the Plans (Resolutions 16 and 17); and

(j) the Company agreed (subject to Shareholder approval) to adopt a new constitution (Resolution 18).

The Company does not require Shareholder approval for the issue of Shares or Performance Shares under the Takeover Offer.

1.2 Merged Group Board

Upon completion of the Merger, the existing Directors, being Messrs Michael Scivolo, Robert Collins and Sol Majteles, will resign from the Board. The following Proposed Directors will join the Board upon successful completion of the Takeover Offer:

(a) Mr Charles Archer;

(b) Mr Philip King; and

(c) Mr Trent Telford.

It is also the intention of Cocoon to appoint Mr Phil Dunkelberger to the Board of the Merged Group post completion of the Merger.

The qualifications and biographies of the Merged Group's Board are set out in Section 9 of this Explanatory Statement.

1.3 Company's existing activities

Prime was admitted to the Official List of the ASX on 28 December 2006 under the name Prime Minerals Limited. Prime is primarily a Uranium explorer, and holds an exploration licence at Lake Mason in Western Australia.

For the past 2 years, Prime has been evaluating alternative corporate opportunities, both in Australia and overseas, which have the potential to deliver strong future growth for shareholders.

1.4 Overview of Cocoon Data Holdings Limited

Cocoon was incorporated on 15 October 2007 with the intention of developing and commercialising a new approach to data security, with a vision that network and perimeter security would eventually become a redundant commodity, giving rise to the need to secure the data itself. On 22 January 2010, Cocoon converted to be, and remains, a public company limited by shares. Since incorporation and the initial development of the Covata Platform, Cocoon has commenced the commercialisation of its technology in Australia, the United States and Europe. The Covata Platform is the core underlying technology that encrypts and decrypts the data, applies access controls based on permissions administered according to set security policies and provides visibility, auditability and analytics against all access activity. Cocoon has offices in Sydney and Washington DC with a well-credentialed management team.

The "Cocoon Data" name was supplanted by Covata to ensure trade-mark compliance in target markets. It is anticipated that the Cocoon Data name be retired upon the successful ASX listing.

Cocoon has taken a fundamentally different approach to securing sensitive information residing within enterprise networks and more importantly outside of these networks across the internet. The technology protects the data itself – at its source - rather than the network. Covata's approach to protection means tying the data to three key principles: strong encryption; rights management (what you can or can't do with the data); and audit (who did what).

Cocoon believes that this data-centric approach, which allows businesses to share sensitive data over 'untrusted' networks and devices (smart-phones, cloud storage providers, internet connections, email and so on), is innovative and has the potential to be commercially distributive.

The Covata Platform and Cocoon's approach to its technology highlight important developments in how the 'plumbing' of the internet is changing. This technology is expected to facilitate a potentially seismic change in the confidence of organisations to conduct sensitive and governed business over the internet - from the largest network and IT companies in the world, to small businesses.

Cocoon has attained various certifications including those from the US and Australian governments. Many government departments require such

certifications as a pre-requisite to purchasing software products. These extensive certifications, each taking around one to two years to obtain, have the benefit of providing assurance to companies and investors that the Covata technology is of a high standard.

The management of Cocoon believe that the Covata Platform offers significant product and service differentiation [to existing data security solutions in the market].

The management of Cocoon have identified additional potential future revenue streams including:

(a) cloud storage security and file sharing services offered by the company hosted in the Amazon cloud and by other Managed Service Providers;

(b) enterprise platform sales by system integrator partners; and

(c) government and / or classified high assurance deployments typically sold directly by Covata sales people.

Cocoon is currently in the process of aggressively ramping up its distribution of the Covata Platform both through direct sales efforts and via strategic partnerships and agreements with systems integrators. The first of these strategic partnerships is in Europe.

The management team are focused on extracting significant revenue growth expected from the recent investment of over $10 million in its new generation cloud and platform offering.

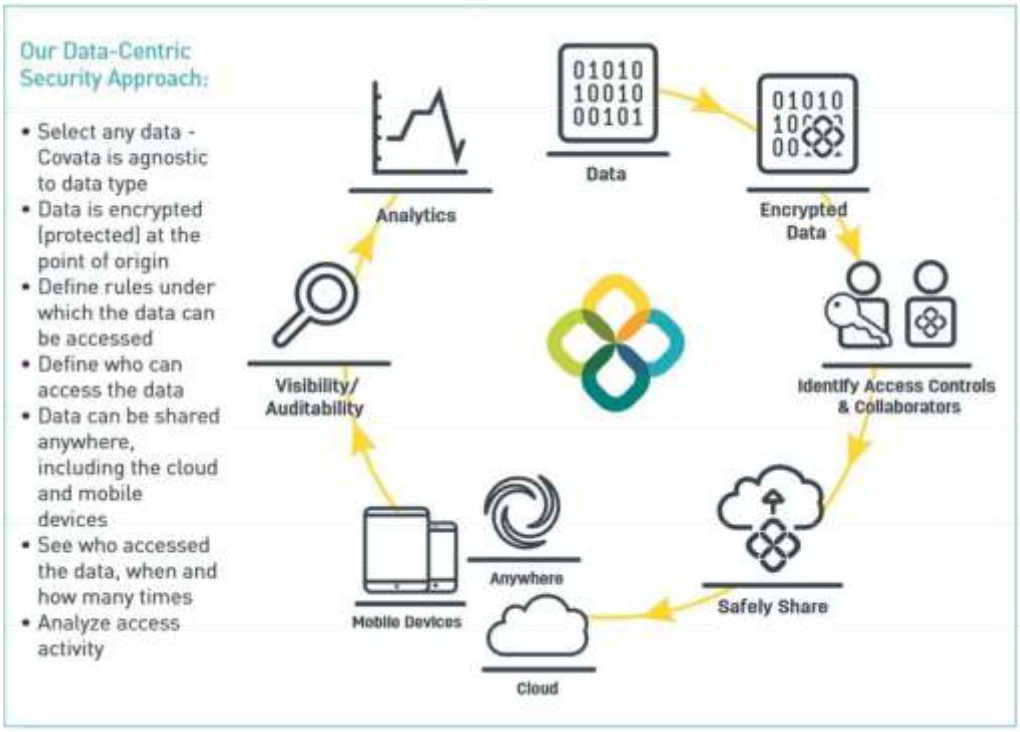
Cocoon's patents and trademarks are set out at Schedule 3.

An overview of the Covata Platform and its underlying technology are set out below.

(a) *Covata Platform overview*

The Covata (a name derived from "covert data") technology was developed as a solution for business and government to manage data security and the application of access permissions at the data object level, rather than at a network level. The technology builds on the concept of 'data-centric security', that is, the application of security policies and access controls at a data level and maintaining those security policies within and across organisations. This concept is a move away from the paradigm where data is securely stored (at rest) on a network and access to the data repository is secured at the network or storage area level.

The diagram below outlines the model for how Covata's data-centric security model works.



The technology facilitates controlled sharing of data objects - allowing access to those who are specifically trusted - and controlled distribution - which limits the user's ability to interact with data objects based on individual, explicit permissions set by the data owner or those that are aligned with existing security policies. Covata is designed for person to person (**P2P**) exchange of information but is also applicable to machine to machine (**M2M**) secure communications as well as other potential communication models.

The security principles embodied in the Covata technology are designed to allow transmission of sensitive or secret data across untrusted networks or environments, as a result of the data being encrypted at the point of origin. This technology can potentially remove the need for the implementation, operation and maintenance of technologies such as virtual private networks (**VPN**). This capability simplifies information transfer requirements by the user without them having to log on and make a secure connection across the VPN to access relevant data when they are not co-located with their trusted network.

The Covata Platform is a solution which can be implemented independent of the product or application; via the Covata Software Development Kit (**Covata SDK**). The Covata SDK enables system integrators to develop specific applications for the customer leveraging all the power of the Covata technologies. Cocoon has developed an application called Safe Share as an example of the applications which can be developed using the Covata SDK. The Safe Share application is available through a web application, a windows application, and a universal iOS app for iPad and iPhone to access documents securely in a mobile environment. Products such as Safe Share can also be used as an 'opener' for enterprise level server installations when companies wish to integrate the Covata platform into legacy applications. This product is an Enterprise File Sharing Service aimed specifically at industry verticals where the 'consumer-like' offerings sometimes lack the underlying architecture and security required of corporates. Finance and

Managed Service Providers (ISP's) are an example of the target market for Safe Share

The Covata Platform can be integrated with different systems without a singular dependence on a particular operating system or application, maximizing its potential utility.

(b) *Underlying technology*

The Covata Platform has been developed using a combination of proprietary source code and open source third party libraries. The encryption and security tools used within the technology comply with industry standards such as the Advanced Encryption Standard (**AES**) and the Covata Platform have been developed to meet with specific certification requirements in Cocoon's key target markets.

Furthermore the Covata Platform development model has avoided dependence on operating system (**OS**) based security and encryption tools, which are beyond the control of Cocoon and are potentially more vulnerable than those incorporated into the Covata Platform.

The architecture of the Covata Platform has been designed to be modular and replaceable so that where technology changes are required or mandated, then the Covata Platform can be rapidly adapted or changed.

1.5 Effect on Capital Structure

On the basis Prime completes the Merger and associated transactions on the terms set out in Section 1.1, Prime's capital structure on a post-Consolidation basis will be as follows (assuming 100% acceptance of the Takeover Offer, conversion of all convertible notes and warrants in Cocoon (including any additional convertible notes issued in accordance with the terms of the BIA and no other Shares are issued by either Prime or Cocoon):

	Minimum Subscription under Capital Raising ($2,500,000)	Full Subscription under Capital Raising ($15,000,000)
Current issued capital	337,444,946	337,444,946
Post-Consolidation issued capital	33,744,495	33,744,495
Takeover Offer consideration	250,000,000	250,000,000
Takeover Offer consideration (Performance Shares)[1]	36,408,365	36,408,365
Capital Raising	12,500,000	75,000,000
Advisor Shares[2]	10,000,000	10,000,000
Issue of Shares to Cocoon Noteholders[3]	13,500,000	13,500,000
Total Post Merger & Capital Raising	**356,152,860**	**418,652,860**

Notes:

1. The deferred consideration will be payable by way of an issue of Performance Shares to Cocoon shareholders. The terms and conditions of the Performance Shares (including the milestones for conversion) are set out in Schedule 1 of this Notice.

2. Upon completion of the Merger, Prime proposes issuing up to a total of 10 million Prime Shares to advisors of Prime.

3. The convertible notes held by the Convertible Noteholders incur interest at a rate of 2% per month (payable monthly in arrears). As such, the total Shares to be issued to the Convertible Noteholders will change depending on the date that the Merger completes. The table assumes that interest will be incurred for a period of 4 months prior to completion of the Merger. In the event that completion occurs later than that date, the Company will issue additional Shares to the Cocoon Noteholders using its annual 15% placement capacity.

1.6 Pro Forma Statement of Financial Position

Set out in Schedule 2 is an unaudited statement of financial position of the Company as at 31 December 2013, together with a pro forma statement of financial position of the Merged Group following completion of the Merger and associated transactions as set out above.

1.7 Indicative timetable

An indicative timetable for completion of the merger with Cocoon and associated transactions is set out below:

Event	Date
Announcement of Takeover Offer	27 June 2014
Bidder's Statement lodged with ASIC and served on Cocoon and ASX	25 August 2014
Target's Statement lodged with ASIC and served on Prime and ASX	25 August 2014
Notice of Meeting sent to Prime shareholders	25 August 2014
Bidder's Statement and Target's Statement sent to Cocoon shareholders	27 August 2014
Notice to Target and ASIC that Bidder's Statement and Takeover Offer has been sent to Cocoon shareholders	27 August 2014
Prospectus lodged with ASIC	Mid-late September 2014
Prime Shareholder Meeting	23 September 2014
Takeover Offer closes	10 October 2014
Re-instatement to trading on ASX	17 October 2014

Please note this timetable is indicative only and the directors of Prime reserve the right to amend the timetable as required.

1.8 Advantages of the Takeover Offer

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

(a) the Takeover Offer represents an attractive investment opportunity for the Company to change its business focus to that of a data security company;

(b) with increasing use of cloud computing and other web-based methods for sharing information, the Company will be exposed to an industry which has potential to grow significantly;

(c) the Company will obtain an interest in market-leading intellectual property interests which has a point of differentiation to other data security products currently on the market and which will take potential competitors significant time and expense to replicate;

(d) the Company will acquire a company in the process of ramping up its distribution channels with a view to having access to two distinct revenue streams through both direct sales of products to consumers and through collaborating with partners and integrators who can develop Cocoon's technology for use by their existing client bases; and

(e) the Company will be managed by directors and officers with significant experience in the data security industry with a view to guiding the Company to be a significant player in the data security industry.

1.9 Disadvantages of the Takeover Offer

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

(a) the Company will be changing the nature and scale of its activities to primarily be an information and security software development company, which may not be consistent with the objectives of all Shareholders;

(b) the acquisition of Cocoon will result in the issue of a significant number of Shares to Cocoon Shareholders and further Shares are proposed to be issued pursuant to Resolutions 4, 5 and 6, which if completed, will have a dilutionary effect on the holdings of Shareholders;

(c) future outlays of funds from the Company may be required for the operations of Cocoon; and

(d) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Merger with Cocoon. Some of the key risks are summarised in Section 1.10 below.

1.10 Risk factors

Shareholders should be aware there are risks associated with the Merger and associated transactions. Based on the information available, a non-exhaustive list of risk factors that the Company will be subject to should the Merger be successful is set out below.

1.11 Risks in respect of Cocoon's current operations

(a) **Redundancy, Upgradability and Scalability Risk**

There is a risk that product integrators will not be able to use the Covata Platform in conjunction with its existing products as a result of the core engines on which the Covata Platform is based becoming redundant or no longer being updated.

Cocoon has significantly addressed this risk by ensuring that its current technology choices and architecture use industry standard development frameworks. This creates a low risk of redundancy as changes to these frameworks are monitored internally. In addition, the modular architecture of the Covata Platform also allows for substitution of redundant or deprecated technologies and scale performance testing in the development process mitigates the risk associated with product integrators being unable to integrate the technology in their products.

(b) **Third Party Reliance Risk**

There is a risk that the technology used by Cocoon in the development of the Covata Platform may subsequently require payment to upgrade that technology or the payment of royalties to the proprietors of that technology.

Cocoon's current strategy avoids the risk of dependence on proprietary third party technology by using technology with standardised open source or royalty free tools and libraries. Cocoon is of the view that if the technology it currently uses becomes proprietary in the future, there are existing open source technologies which are available. However, the Company cannot guarantee that such alternatives will remain available at all times.

By using third party tools in the development of its technology, Cocoon faces a risk that those tools contain imperfections such as bugs or errors which may adversely affect the operation of the Covata Platform. This problem can occur with any third party tools or technologies in use by Cocoon.

Cocoon seeks to mitigate against this risk by ensuring that it maintains an agile development process involved with patching and updates where these problems are publicly identified. In addition, internal processes for testing and quality assurance reduce potential risks caused via the incorporation of updates to third party libraries and development tools.

(c) **Platform Risk**

While Cocoon has an ability to sell products directly to end-users, its current focus is on creating a platform for integration by existing market participants in order to provide a revenue stream. The platform strategy allows the creation of customised value added solutions via a software development kit at the consumer end point, rather than a general 'product' solution for use in point cases.

The risk in this strategy is low adoption by smaller market segments which are unable to afford tailored solutions or have limited needs where there is no 'shrink-wrapped' product to implement. To some

degree this can be alleviated by the 'white labelling' of technology products based on the Covata Platform and sold through branded solution providers.

(d) **Staff Risk**

There is a risk that, where there is a turnover of development staff who have knowledge of the technology and business, that knowledge will be lost in the event that those staff resign or retire. This involves the risk that those staff will have information in respect of Cocoon's intellectual property which has a commercial value to Cocoon as well as an opportunity cost for replacement of those staff and subsequent training.

This risk is mitigated as Cocoon has historically had low levels of staff turnover in the development teams. In addition, all staff contracts contain express provisions with respect to ownership of intellectual property and restraints of trade to limit any potential loss suffered by Cocoon to the maximum extent possible.

(e) **Market Risk**

The data centric security market in which Cocoon currently operates is relatively undeveloped. As such, it is difficult to ascertain the level of knowledge and confidence in the market regarding such technology. Knowledge and informational barriers may prevent uptake of data centric security except in specific applications, thus limiting market opportunities.

(f) **Competition Risk**

Both the markets for information technology and information security are highly competitive across all segments with offerings in both product and platform from companies of all sizes both on a domestic and global scale.

Although Cocoon will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the projects and business of the Company.

The size and financial strength of some of Cocoon's competitors may make it difficult for it to maintain a competitive position in the technology market. In particular, Cocoon's ability to acquire additional technology interests could be adversely affected if it is unable to respond effectively and/or in a timely manner to the strategies and actions of competitors and potential competitors or the entry of new competitors into the market. This may in turn impede the financial condition and rate of growth of the Company.

The key competition risk is in achieving appreciable market share and differentiation from its key competitors.

(g) **Certification lead times**

Due to the lead times often involved in certification, rapid development of products may invalidate certain certifications. This leads to the risk of

delay in purchase by some entities, or refusal to deal with products that are not independently verified under certain standards.

(h) **Risk of inadequate security procedures jeopardising the integrity of the Covata Platform**

To date, Cocoon has not received ISO 27001 certification with respect to its management system to bring information security under explicit management control. Cocoon may need to make changes to its internal processes in order to be eligible for such certification. Whilst Cocoon anticipates pursuing ISO 27001 certification, the absence of such certification may lead to the risk of delay in purchase by some entities, or refusal to deal with products that are not ISO 27001 certified.

(i) **Lack of intellectual property protection**

The ability of the Company to obtain and sustain patents, maintain trade secret protection and operate without infringing proprietary rights of third parties will be an integral part of the Company's business. The granting of protection, such as a registered patent, does not guarantee that the rights of others are not infringed, that competitors will not develop technology to avoid the patent or that third parties will not claim an interest in the intellectual property with a view to seeking a commercial benefit from the Company or its partners.

In this regard, based on the perceived cost verses benefit of doing so, Cocoon has discontinued its patent filing in certain jurisdictions, including throughout Europe. This may allow competitors in such jurisdictions to develop products functionally identical to the Covata Platform and Cocoon may not be able to seek injunctive or financial relief against those companies by virtue of not having registered interests in those jurisdictions.

Competition in obtaining and sustaining protection of intellectual property, together with the complex nature of intellectual property, can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. Any breach of the Company's patents will not necessarily be notified to the Company and, in any event, the Company may not be in a financial position to pursue the necessary remedial action in the event of such a breach.

As a result, no guarantee can be given that the patents will give the Company commercially significant protection of its intellectual property.

(j) **Currency Risk**

Cocoon expects to derive a majority of its revenue from the United States, in US dollars. Accordingly, changes in the exchange rate between the United States dollar and the Australian dollar would be expected to have a direct effect on the performance of Cocoon.

1.12 General Risks Relating to the Merged Group

(a) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Merged Group depends substantially on its senior management and directors. There can be no assurance that

there will be no detrimental impact on the performance of the Merged Group or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. The Merged Group does not have any present intention to obtain "key person" insurance for any member of its management.

(b) **Risk of High Volume of Sale of Securities in Prime**

If the Takeover Offer is successfully completed, Prime will have issued a significant number of new Shares to various parties. Some of the Cocoon Shareholders and others that receive Prime Shares as a result of the Takeover Offer may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company's securities.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Cocoon Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price at the date of this Bidder's Statement.

(c) **Acquisition of less than 90% of Cocoon Shares**

It is possible that Prime could acquire a relevant interest of less than 90% of all Cocoon Shares on issue under the Takeover Offer (in the event that Prime waives, with the prior written consent of Cocoon, the 90% minimum acceptance condition). The existence of third party minority interests in Cocoon Shares may have an impact on the operations of Cocoon as Cocoon would not, in those circumstances, be a wholly owned subsidiary of Prime. However, this impact will depend upon the ultimate level of Prime ownership in Cocoon.

(d) **Trading Price of Prime Shares**

Prime's operating results, economic and financial prospects and other factors will affect the trading price of the Prime Shares. In addition, the price of Prime Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the performance of the Australian dollar and United States dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Prime Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that Prime's market performance will not be adversely affected by any such market fluctuations or factors.

(e) **Additional Requirements for Capital**

The capital requirements of the Merged Group depend on numerous factors. Depending on the ability of the Merged Group to generate income from its operations, the Merged Group may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Merged Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(f) **Litigation Risks**

The Merged Group is exposed to possible litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Merged Group may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Merged Group's operations, financial performance and financial position. Neither Prime nor Cocoon is currently engaged in any litigation.

(g) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Merged Group's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

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

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

(vi) terrorism or other hostilities.

(h) **Force Majeure**

The Merged Group and its projects, now or in the future may be adversely affected by risks outside the control of the Merged Group including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

1.13 What if the Takeover Offer does not succeed?

If the conditions to the Takeover Offer are not satisfied or waived before the end of the Takeover Offer period, including if the Essential Resolutions are not passed, the Merger with Cocoon will not proceed, and the Company will apply to the ASX to have its suspension lifted and quotation of its securities reinstated as soon

as possible.

If the Merger does not proceed, the Company will continue in its current form. The Company will also likely investigate new opportunities, both in Australia and overseas, which have the potential to deliver strong future growth to Shareholders.

1.14 Conditionality of Resolutions

Each of the Resolutions in this Notice of Meeting is conditional upon the approval by Shareholders of each of the Essential Resolutions. Should any of the Essential Resolutions not be approved, the Company will not proceed with the Takeover Offer or the Merger with Cocoon. The Company would then immediately request that ASX remove the suspension order and allow the Company to resume trading on the ASX in its current form.

1.15 Intentions of the Company

The Company reserves its right to declare the Takeover Offer free from the 90% minimum acceptance condition (and any other condition) to the Takeover Offer, provided that Cocoon's consent is required for a waiver of:

(a) the 90% minimum acceptance condition (unless Prime holds at least 80% acceptances under the Offer, upon which Prime may waive this minimum acceptance condition without Cocoon's consent);

(b) the condition requiring the Company to raise a minimum of $2,500,000 under the Capital Raising; or

(c) the condition requiring the receipt of written approval from ASX that it will re-admit the Company's securities to trading on the ASX, subject to such conditions as may be imposed by the ASX.

However, the Company has not decided at this stage whether it will free the Takeover Offer from the 90% minimum acceptance condition (or any other condition) to the Takeover Offer.

1.16 Directors' recommendation

No Director currently has any interest in Cocoon Shares or Cocoon Options. The Directors recommend that Shareholders vote in favour of each of the Resolutions (including the Essential Resolutions) and consider the Takeover Offer to be beneficial to Shareholders because of the advantages set out in Section 1.8.

2. RESOLUTION 1 – APPROVAL TO CHANGE THE NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to change the focus of the Company's activities into technology, hardware, and equipment.

As outlined in Section 1.1 of this Explanatory Statement, the Company has entered into the BIA whereby the Company proposes to acquire all of the issued capital in Cocoon by way of an off-market takeover bid.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of proposed Merger requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back-door listing of Cocoon which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's securities as restricted securities). Accordingly, it is anticipated that the Company's securities will be subjected to a trading halt or suspension and thereby cease trading on ASX's Official List prior to market open on the day of the Meeting. If the Essential Resolutions are approved at the Meeting, it is expected that the Company's Securities will remain suspended from quotation until the Company has acquired Cocoon pursuant to the BIA and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Essential Resolutions are not approved at the Meeting, it is expected that the Company's securities will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

3. RESOLUTION 2 – CONSOLIDATION

3.1 Background

Resolution 2 seeks Shareholder approval to consolidate the number of Shares on issue on a 1 for 10 basis (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant ASX Listing Rules as part of the back-door listing when the Company seeks to obtain re-quotation of its Shares on ASX, should Shareholder approval be obtained for the Essential Resolutions.

The Directors intend to implement the Consolidation prior to completion of the Agreement and prior to the proposed issues of Securities pursuant to the Essential Resolutions, but the Consolidation will only occur if Shareholders approve those Resolutions.

3.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. The Company currently has no Options on issue.

3.3 Fractional entitlements

Not all security holders will hold that number of Shares which can be evenly divided by 10. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole security.

3.4 Taxation

It is not considered that any taxation implications will exist for security holders arising from the Consolidation. However, security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the Directors and the Proposed Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the other Essential Resolutions.

3.5 Holding statements

From the date of the Consolidation all holding statements for previously quoted Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares proposed to be quoted to be issued to holders of those Shares.

It is the responsibility of each security holder to check the number of Shares held prior to disposal.

3.6 Effect on capital structure

The estimated effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.5.

3.7 Indicative timetable

If Resolution 2 and all the other Essential Resolutions are passed, the Consolidation of capital is proposed to take effect pursuant to the timetable below:

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	25 August 2014
Company tells ASX that Shareholders have approved the Consolidation.	23 September 2014

Action	Date
Last day for pre-Consolidation trading.	24 September 2014
Post-Consolidation trading starts on a deferred settlement basis.	25 September 2014
Last day for Company to register transfers on a pre-Consolidation basis.	29 September 2014
First day for Company to send notice to each holder of the change in their details of holdings.	30 September 2014
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Change of details of holdings date. Deferred settlement market ends.	6 October 2014
Last day for Securities to be entered into holders' security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

4. RESOLUTION 3 – CREATION OF A NEW CLASS OF SECURITIES

This Resolution seeks Shareholder approval for the Company to be authorised to issue the Performance Shares.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Under clause 3.1 of the Company's Constitution and, subject to the Corporations Act and the Listing Rules, the Company may allot and issue shares in the Company on any terms, at any time and for any consideration as the Directors resolve.

Section 246B of the Corporations Act and clause 3.2 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

(a) a special resolution passed at a meeting of the Members holding Shares in that class; or

(b) the written consent of the Members who are entitled to at least 75% of the votes that may be cast in respect of Shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 1 of this Explanatory Memorandum. This Resolution is a special resolution.

5. RESOLUTION 4 – PLACEMENT – ADVISER SHARES

5.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 10,000,000 Shares (on a post-Consolidation basis) to CPS Capital Group Pty Ltd (**CPS**) (or its nominees) (**Adviser Shares**) in consideration for CPS and its nominees introducing

the Merger to the Company and assisting with its implementation (**Adviser Placement**).

ASX 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 Resolution 4 will be to allow the Company to issue the Adviser Shares pursuant to the Adviser Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Adviser Placement:

(a) the maximum number of Adviser Shares to be issued is 10,000,000, on a post-Consolidation basis;

(b) the Adviser Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Adviser Shares will occur on the same date;

(c) the Adviser Shares will be issued for nil cash consideration in satisfaction of the key advisers introducing the Merger to the Company and assisting with its implementation;

(d) the Adviser Shares will be issued to CPS (or its nominees), none of which are related parties of the Company. The Company's present understanding is that CPS proposes nominating the following entities as recipients of the Adviser Shares:

(i) Kalgoorlie Mine Management Pty Ltd – 4,000,000 Adviser Shares;

(ii) CPS Capital Group Pty Ltd – 1,200,000 Adviser Shares;

(iii) Brijohn Nominees Pty Ltd <Nelsonio A/C> – 700,000 Adviser Shares;

(iv) Michael Stanley Carter – 700,000 Adviser Shares;

(v) Bluebase Pty Ltd <Rural Investment Account> - 700,000 Adviser Shares;

(vi) 1001 Investments Pty Ltd – 2,000,000 Adviser Shares;

(vii) Mr Damian Peter Black + Mr Andrew James Black <Lenoir Superfund A/C> - 600,000 Adviser Shares; and

(viii) Mr Shane Osboine – 100,000 Adviser Shares;

(e) the Adviser Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) no funds will be raised from the Adviser Placement as the Adviser Shares are being issued in consideration for the reason set out at section 5.2(c).

6. RESOLUTION 5 – CAPITAL RAISING

6.1 General

As detailed in Section 1.1, the Company proposes under the Capital Raising to issue up to 75,000,000 Shares on a post-Consolidation basis at an issue price of $0.20 per Share. The raising will be undertaken pursuant to the Prospectus to raise a minimum of $2,500,000 and a maximum of $15,000,000.

Resolution 5 seeks Shareholder approval for the issue of up to 75,000,000 Shares (on a post-Consolidation basis), being the number of Shares proposed to be issued to applicants of the Capital Raising, at an issue price $0.20 per Share on a maximum raise of $15,000,000.

For the purposes of the Listing Rules, none of the subscribers for the Shares to be issued under Resolution 5 will be related parties of the Company.

The Capital Raising offer will be conditional on the following:

(a) Shareholders passing all of the Essential Resolutions; and

(b) the Shares to be issued pursuant to the Capital Raising being issued contemporaneously with the completion of the Takeover Offer.

Further details of the Capital Raising will be set out in the Prospectus.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 5 will be to allow the Company to issue 75,000,000 Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

(a) the maximum number of Shares to be issued under Resolution 5 is 75,000,000 Shares, on a post-Consolidation basis;

(b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(c) the issue price will be $0.20 per Share;

(d) the Shares are proposed to be issued to the applicants of the Capital Raising under a Prospectus offer. None of these subscribers will be related parties of the Company;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue; and

(f) the Company intends to use the funds raised from the Shares issued under the Capital Raising as follows:

	Amount Raised			
	$2,500,000	**$5,000,000**	**$10,000,000**	**$15,000,000**
Costs of Offer	$610,000	$760,000	$1,060,000	$1,360,000
Operating Expenses / Working Capital	$390,000	$740,000	$2,940,000	$5,140,000
Current Employee, Contractor, Consultant expenses				
Research & Development	$550,000	$550,000	$550,000	$550,000
Quality Assurance	$150,000	$150,000	$150,000	$150,000
Support & Maintenance	$150,000	$150,000	$150,000	$150,000
Administration	$325,000	$325,000	$325,000	$325,000
Sales	$325,000	$325,000	$325,000	$325,000
Sub-Total	**$1,500,000**	**$1,500,000**	**$1,500,000**	**$1,500,000**
Additional Employee, Contractor, Consultant expenses				
Research & Development	$0	$350,000	$450,000	$800,000
Quality Assurance	$0	$100,000	$150,000	$250,000
Support & Maintenance	$0	$100,000	$150,000	$250,000
Administration	$0	$100,000	$100,000	$200,000
Sales	$0	$850,000	$1,150,000	$2,000,000
Sub-total	**$0**	**$1,500,000**	**$2,000,000**	**$3,500,000**
Global Marketing Activities				
Branding & Advertising	$0	$250,000	$1,000,000	$1,500,000
Direct Sales & Marketing Activities	$0	$250,000	$750,000	$1,100,000
Indirect Sales &	$0	$0	$250,000	$400,000

	Amount Raised			
	$2,500,000	**$5,000,000**	**$10,000,000**	**$15,000,000**
Marketing Activities				
Certification	$0	$0	$500,000	$500,000
Sub-total	**$0**	**$500,000**	**$2,500,000**	**$3,500,000**
TOTAL	**$2,500,000**	**$5,000,000**	**$10,000,000**	**$15,000,000**

7. RESOLUTION 6 – PLACEMENT – SHARES TO NOTEHOLDERS

7.1 General

Under the BIA, Cocoon has a right to raise bridge funding of up to $2.5 million by way of an issue of convertible notes (**Cocoon Bridge Funding**). As at the date of this Notice, Cocoon has raised approximately $2.5 million by way of an issue of convertible notes. The convertible notes accrue interest at a rate of 2% per month which accumulates monthly in arrears.

The Company proposes entering into agreements with Cocoon and the holders of the convertible notes issued in accordance with the Cocoon Bridge Funding (**Cocoon Noteholders**) under which those convertible notes will, upon successful completion of the Takeover Offer, convert into Shares in the capital of the Company.

Resolution 6 seeks Shareholder approval for the issue of up to 13,500,000 Shares at a deemed issue price of $0.20 per Share to the Cocoon Noteholders (being Shares to the value of $2,500,000 plus 4 months interest). In the event that additional interest is payable as a result of conversion occurring later than anticipated, Shares will be issued to the Cocoon Noteholders out of the Company's existing 15% placement capacity.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 6 will be to allow the Company to issue Shares to the Cocoon Noteholders in accordance with the terms of the BIA during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares to the Cocoon Noteholders:

(a) the maximum number of Shares to be issued is 13,500,000;

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(c) the deemed issue price will be $0.20 per Share;

(d) the Shares will be issued to the Cocoon Noteholders. None of these subscribers are related parties of the Company;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) as the Shares will be issued upon conversion of convertible notes for which Cocoon has already received funds, no funds will be raised by the issue of Shares to the Cocoon Noteholders. Cocoon will use the Cocoon Bridge Funding for working capital and research and development expenses.

8. RESOLUTION 7 – CHANGE OF NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 7 seeks the approval of Shareholders for the Company to change its name to "Covata Limited". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the successful completion of the Takeover Offer.

If Resolution 7 is passed the change of name will take effect after the successful completion of the Takeover Offer and when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 7 is passed, the Company will lodge a copy of the special resolution with ASIC on successful completion of the Takeover Offer in order to effect the change.

9. RESOLUTIONS 8 TO 10 – ELECTION OF DIRECTORS

Clause 14.3 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 14.3 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Charles Archer, Mr Phillip King and Mr Trent Telford, to be appointed upon successful completion of the Takeover Offer, seek election from Shareholders.

It is also the intention of Cocoon to appoint Mr Phil Dunkelberger to the Board of the Merged Group post completion of the Merger.

The qualifications and experience of the proposed Directors are set out below:

Trent Telford

Trent started his career in large financial organizations in Europe including Bankers Trust and Deutsche Bank, before becoming an IT Management Consultant across Australia and Asia. He has advised blue-chip companies on government strategy, delivery, technology architecture, change management

and transformation; including Vodafone, GE, Amex, NAB, CBA, Bankers Trust, Deutsche Bank, CentreLink, Australian Department of Defense and First Pacific Co. Hong Kong.

Trent founded one of Australia's first mobile marketing technology companies with STW Group (part of WPP) and counted major television networks and global brands as customers. Trent founded CDHL in Oct 2007 and acquired the Secure Objects conceptual technology. He is responsible for the vision and path that has underpinned the company's market position today. He is also is a regular contributor to industry forums' and media outlets on cyber-security in Australia and the U.S.

Charles Archer

Charles ("Chuck") Archer is a senior executive with Government and Industry experience of exceptional breadth and access. Chuck culminated his 28 years of US Federal Government service as Assistant Director of the FBI in charge of the FBI's Criminal Justice Information Services Division (**CJIS**), managing 3,000 employees and overseeing 600 contractors. He was appointed by the US Attorney General to SES-6, the highest civil-service rank in the US Government. Chuck has frequently testified before multiple Senate and House committees on policy matters and issues related to advancing technology for Criminal Justice. He has also spoken at international conventions including the United Nations in Vienna, Interpol in Lyon, and the International Association of Chiefs of Police in New Delhi and Canberra.

Philip King

A senior executive across a diverse range of businesses for over 30 years, focusing principally on financial services, payments and IT and including consulting and project management, IT recruitment and data security. He has been a private equity investor for 20 years and has been a founder, seed and early stage investor in a variety of successful IT&T businesses.

10. RESOLUTION 11 – GRANT OF REPLACEMENT OPTIONS

10.1 General

Under the BIA, it is a condition to the Takeover Offer that the Company grants Options to holders of Cocoon Options in consideration for them cancelling those Cocoon Options. As a result, pursuant to this Resolution, the Company is seeking Shareholder approval for the grant of up to 14,625,000 Options to the Cocoon Optionholders (other than those related parties who are the subject of Resolutions 12 – 15) on equivalent terms to their Cocoon Options (**Replacement Options**), as set out in the table below:

Number of Replacement Options	Exercise Price	Expiry Date
2,250,000	$0.2933	9 March 2016
12,375,000	USD0.1467	Five years from the date of issue

Resolution 11 seeks Shareholder approval for the grant of 14,625,000 Replacement Options to Cocoon Optionholders in consideration for the cancellation of their Cocoon Options.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 11 will be to allow the Company to grant the Replacement Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Replacement Options:

(a) the maximum number of Replacement Options to be issued is 14,625,000;

(b) the Replacement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;

(c) as the Replacement Options will be granted in consideration for the cancellation of the Cocoon Options, no money will be raised by their grant;

(d) the Replacement Options will be issued to the Cocoon Optionholders, who (other than those related parties who are the subject of Resolutions 12 to 15) are not related parties of the Company;

(e) the Replacement Options will be granted on the terms and conditions set out in Schedule 5; and

(f) no funds will be raised from the grant of the Replacement Options as they are being granted in consideration for the cancellation of the Cocoon Options.

11. RESOLUTIONS 12 TO 15 – GRANT OF OPTIONS TO RELATED PARTIES

11.1 General

As set out in Section 10.1, under the BIA, it is a condition to the Takeover Offer that the Company grants Options to holders of Cocoon Options (or persons entitled to be holders of Cocoon Options) in consideration for them cancelling those Cocoon Options (or entitlements to Cocoon Options), some of which are held by the Proposed Directors and some of which are held by an individual who may become a director of the Merged Group in the future.

As a result, pursuant to Resolutions 12 to 15, the Company is seeking Shareholder approval for the grant of up to 21,581,250 Options to Trent Telford, Telford OpCo Pty Ltd (a company controlled by Mr Trent Telford), Mr Charles Archer and Asia Principal Capital Limited (an entity controlled by Mr Philip King), each a Proposed Director, and Mr Phil Dunkelberger, whom Cocoon intends to appoint to the Board of the Merged Group, on equivalent terms to their Cocoon Options, as follows:

(a) Telford OpCo Pty Ltd: 375,000 Options exercisable at $0.2933 and expiring on 9 March 2016

(b) Mr Trent Telford: 10,000,000 Options exercisable at $0.20 and expiring five years from the date of issue;

(c) Mr Charles Archer: 5,306,250 Options exercisable at USD0.1467 and expiring five years from the date of issue;

(d) Mr Phil Dunkelberger: 5,000,000 Options exercisable at $0.20 and expiring five years from the date of issue; and

(e) Asia Principal Capital Limited: 900,000 Options exercisable at $0.2933 and expiring on 9 March 2016,

(together, the **Related Party Options**).

11.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options will result in the grant of Options which constitutes giving a financial benefit and the Proposed Directors are related parties of the Company by virtue of having a reasonable belief that they will become Directors in the future.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Related Party Options because they will be granted to the Proposed Directors on the same terms as Options granted to non-related Cocoon Optionholders and as such the giving of the financial benefit is on arm's length terms. The Board has formed this view on the basis that the terms of the Related Party Options were determined by reference to the terms of the existing Cocoon Options and the consideration ratio under the Offer.

11.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Related Party Options involves the grant of Options to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

11.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of the Related Party Options:

(a) the Related Party Options will be granted to Telford OpCo Pty Ltd, Mr Trent Telford, Mr Charles Archer, Asia Principal Capital Limited and Mr Phil Dunkelberger (or their nominee);

(b) the maximum number of Related Party Options to be granted is as set out below:

(i) Telford OpCo Pty Ltd (an entity controlled by Mr Trent Telford) – 375,000;

(ii) Mr Trent Telford – 10,000,000;

(iii) Mr Charles Archer – 5,306,250;

(iv) Mr Philip Dunkelberger – 5,000,000; and

(v) Asia Principal Capital Limited (an entity controlled by Mr Philip King) – 900,000;

(c) the Related Party Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that grant of the Related Party Options will occur on the same date;

(d) as the Related Party Options will be granted in consideration for the cancellation of the Proposed Directors' Cocoon Options, no money will be raised by their grant;

(e) the Related Party Options will be granted on the terms and conditions set out in Schedule 5; and

(f) no funds will be raised from the grant of the Related Party Options as they are being granted in consideration for the cancellation of the Proposed Directors' Cocoon Options.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to the Proposed Directors (or their nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

12. RESOLUTIONS 16 AND 17 – APPROVAL OF EMPLOYEE INCENTIVE PLANS

Under the BIA, the Company has agreed to replicate (to the extent possible) the terms of the employee incentive schemes of Cocoon. As such, Resolutions 16 and 17 seek Shareholder approval for the adoption of the following employee incentive schemes:

(a) a plan titled Employee Share Plan (the terms of which are summarised in Schedule 6) (**Share Plan**); and

(b) a plan titled US Share and Option Plan (the terms of which are summarised in Schedule 7) (**US Share and Option Plan**),

(together, the **Plans**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX 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. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolutions 16 and 17 are passed, the Company will be able to issue Shares or Options under each of the Plans to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period. Shareholders should note that no Shares or Options have previously been issued under the Plans.

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

Any future issues of Shares or Options under the Plans to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. The Related Party Options will not be granted under any of the Plans.

Copies of the Plans are available for review by Shareholders at the registered office of the Company until the date of the Meeting. Copies of the Plans can also be sent to Shareholders upon request to the Company Secretary (+61 8 9481 7833). Shareholders are invited to contact the Company if they have any queries or concerns.

13. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

13.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 18 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2006.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

(a) updating the name of the Company to that adopted in Resolution 7;

(b) updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and

(c) expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website **http://www.primeminerals.com.au/** and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9418 7833). Shareholders are invited to contact the Company if they have any queries or concerns.

13.2 Summary of material proposed changes

Fee for registration of off market transfers

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

The Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not a pay a dividend unless:

(a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;

(b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and

(c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

Other than the proposed Merger, as at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to

make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

(a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;

(b) assisting in preventing Shareholders from being locked in as a minority;

(c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and

(d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

(a) proportional takeover bids may be discouraged;

(b) lost opportunity to sell a portion of their Shares at a premium; and

(c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 18.

GLOSSARY

$ means Australian dollars.

Additional Funding has the meaning given at Section 7.1.

Adviser Placement has the meaning given at Section 5.1.

Adviser Shares has the meaning given at Section 5.1.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

BIA means the bid implementation agreement between the Company and Cocoon dated 27 June 2014 (as amended).

Bidder's Statement means the Bidder Statement issued by the Company in connection with the Takeover Offer and to be lodged with ASIC on or about 12 August 2014.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising has the meaning given at Section 1.1.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Cocoon means Cocoon Data Holdings Limited (ACN 127 993 300).

Cocoon Bridge Funding has the meaning given at Section 7.1.

Cocoon Noteholders has the meaning given at Section 7.1.

Cocoon Option means an option to acquire Cocoon Shares.

Cocoon Optionholder means a holder of a Cocoon Option.

Cocoon Shares means a fully paid ordinary share in the capital of Cocoon.

Company or **Prime** means Prime Minerals Limited (ACN 120 658 497).

Consolidation means the consolidation of the Company's issued securities on a 1 for 10 basis as contemplated in Resolution 2.

Constitution means the Company's constitution.

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

Covata or **Covata Platform** means the core underlying technology held by Cocoon that secures access to data and encrypts and decrypts that data based on permissions administered according to set security policies.

Directors means the current directors of the Company.

Essential Resolutions means all Resolutions other than Resolutions 7 and 18.

EST means Eastern Standard Time as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Merged Group means the Company and its subsidiaries after completion of the Takeover Offer, including without limitation Cocoon.

Merger has the meaning given at Section 1.1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Performance Shares means the shares offered as consideration under the Takeover Offer and as contemplated by Resolution 3 with terms set out in Schedule 1.

Plans means the Share Plan and the US Share and Option Plan.

Proposed Directors means Mr Charles Archer, Mr Philip King and Mr Trent Telford.

Prospectus means the prospectus prepared by Prime in accordance with Chapter 6D of the Corporations Act, pursuant to which the Prospectus Offer will be made.

Prospectus Offer means an offer by Prime of 75,000,000 Prime Shares at $0.20 per Prime Share (on a post-Consolidation basis), made pursuant to the Prospectus.

Proxy Form means the proxy form accompanying the Notice.

Related Party Options has the meaning given at Section 11.1.

Replacement Option has the meaning given at Section 10.1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Share Plan means the employee incentive scheme, the terms and conditions of which are set out in Schedule 6.

Share Plan Share means a Share issued under the Share Plan.

Shareholder means a registered holder of a Share.

Takeover Offer or **Offer** means the off market takeover offer by Prime to acquire all Cocoon Shares (including all Rights attaching to them) in consideration for 0.6547 Prime Shares and 0.0953 Performance Shares for every 1 Cocoon Share (on a post-Consolidation basis), which is equal to 6.547 Prime Shares and 0.953 Performance Shares for every 1 Cocoon Share (on a pre-Consolidation basis).

USD means US dollars.

US Share and Option Plan means the employee incentive scheme, the terms and conditions of which are set out in Schedule 8.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PERFORMANCE SHARE TERMS

1. Terms of Performance Shares

(a) (**Performance Shares**): Each Performance Share is a share in the capital of Prime.

(b) (**General Meetings**): The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of Prime that are circulated to Prime Shareholders. Holders have the right to attend general meetings of Prime Shareholders.

(c) (**No Voting Rights**): The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Prime Shareholders, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.

(d) (**No Dividend Rights**): The Performance Shares do not entitle the Holder to any dividends.

(e) (**No Rights on Winding Up**): Upon winding up of Prime, the Performance Shares may not participate in the surplus profits or assets of Prime.

(f) (**Transfer of Performance Shares**): The Performance Shares are not transferable.

(g) (**Reorganisation of Capital**): In the event that the issued capital of Prime is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.

(h) (**Application to ASX**): The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Prime Shares in accordance with these terms, Prime must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.

(i) (**Participation in Entitlements and Bonus Issues**): Subject always to the rights under item (g) (Reorganisation of Capital), holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Prime Shares such as bonus issues and entitlement issues.

(j) (**Amendments required by ASX**): The terms of the Performance Shares may be amended as necessary by the Prime Board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

(k) (**No Other Rights**): The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

2. Conversion of the Performance Shares

(a) (**Issue of Performance Shares**): The Performance Shares will be issued at the same time as all other consideration under the Takeover Offer.

(b) (**Milestones**): The Performance Shares will convert upon satisfaction of any one of the following milestones:

(i) Cocoon receives annualised revenue over three consecutive calendar months equivalent to at least $20,000,000 (based on Cocoon's half yearly financial statement for the relevant period) on an annual basis, and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in Cocoon's audited financial statements;

(ii) deployment on a revenue generating basis of Target's "Covata Platform", "Covata Safe Share" and/or "Covata SDK" software services in the internal or cloud-hosted IT infrastructure of a multinational corporation included on the S&P 500 Index or the FTSE500; or

(iii) deployment of Target's "Covata Platform", "Covata Safe Share" and/or "Covata SDK" software services in the internal or cloud-hosted IT infrastructure on a proof-of-concept basis with at least:

(A) twenty (20) corporations, each having an annualised revenue of at least $200,000,000;

(B) twenty (20) G20 (permanent) member governments (or a department of such government); or

(C) twenty (20) of a combination of (A) and (B) above,

and such deployment on a revenue generating basis with ten (10) of (A), (B) or (C) above,

(each referred to as a **Milestone**).

(c) (**Conversion of Performance Shares**): In the event a Milestone is satisfied, all of the Performance Shares held by the Holder will convert into an equal number of Prime Shares.

(d) (**No Conversion if Milestone not Achieved**) Any Performance Share not converted into a Prime Share within 3 years from the issue of the Performance Share will lapse.

(e) (**After Conversion**) The Prime Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Prime Shares then on issue and application will be made by Prime to ASX for official quotation of the Prime Shares issued upon conversion.

(f) (**Conversion Procedure**) Prime will issue the Holder with a new holding statement for the Prime Shares as soon as practicable following the conversion of the Performance Shares into Prime Shares.

(g) (**Ranking of Shares**) The Prime Shares into which the Performance Shares will convert will rank pari passu in all respects with the Prime Shares on issue at the date of conversion.

SCHEDULE 2 – STATEMENTS OF FINANCIAL POSITION

Assuming $2.5 million raised under Capital Raising:

	Unaudited PIM 30-Apr-14 $	Unaudited Cocoon 30-Apr-14 $	Subsequent events 30-Apr-14 $	Pro forma adjustments 30-Apr-14 $	Pro forma unaudited 30-Apr-14 $
CURRENT ASSETS					
Cash and cash equivalents	2,622,635	1,083,650	2,350,000	1,640,000	7,696,286
Trade and other receivables	1,904	2,091,693	-	-	2,093,596
Prepayments	-	5,942	-	-	5,942
Other assets	5,015	10,000	-	-	15,015
Total current assets	**2,629,554**	**3,191,285**	**2,350,000**	**1,640,000**	**9,810,839**
NON-CURRENT ASSETS					
Property, plant & equipment	-	253,221	-	-	253,221
Other non-current assets	-	161,344	-	-	161,344
Total non-current assets	**-**	**414,565**	**-**	**-**	**414,565**
Total assets	**2,629,554**	**3,605,850**	**2,350,000**	**1,640,000**	**10,225,404**
CURRENT LIABILITIES					
Trade and other payables	19,287	2,748,818	-	-	2,768,104
Employee benefits	-	115,940	-	-	115,940
Total current liabilities	**19,287**	**2,864,758**	**-**	**-**	**2,884,045**
NON-CURRENT LIABILITIES					
Loans and borrowings	-	9,919,151	(7,419,151)	(2,500,000)	-
Total non-current liabilities	**-**	**9,919,151**	**(7,419,151)**	**(2,500,000)**	**-**
Total liabilities	**19,287**	**12,783,909**	**(7,419,151)**	**(2,500,000)**	**2,884,045**
NET ASSETS	**2,610,267**	**(9,178,059)**	**9,769,151**	**4,140,000**	**7,341,359**
EQUITY					
Share capital	5,954,957	14,836,983	9,287,082	5,383,942	35,462,964
Reserves	-	9,458,878	-	-	9,458,878
Retained earnings	(3,344,690)	(33,473,920)	482,069	(1,243,942)	(37,580,482)
Total equity	**2,610,267**	**(9,178,059)**	**9,769,151**	**4,140,000**	**7,341,360**

Key assumptions:

1. Capital Raising of $2.5 million through the issue of 12.5 million post-Consolidation Shares at $0.20 per Share with Capital Raising costs assumed to be $460,000, based on professional fee estimates, plus 6% of total funds raised ($150,000).
2. Costs of $250,000 have been assumed for the cost of the Takeover Offer based on professional fee estimates.
3. The convertible notes which make up the Bridge Funding (together with interest incurred at a rate of 2% per month) convert into Shares upon successful completion of the Takeover Offer at a deemed issue price of $0.20 per Share. This assumes that 4 months interest is payable in respect of the convertible notes the subject of the Bridge Funding at the time of conversion.
4. Fund raising costs of 6% have been assumed for the convertible notes the subject of the Bridge Funding.

Assuming $15 million raised under Capital Raising:

	Unaudited PIM 30-Apr-14 $	Unaudited Cocoon 30-Apr-14 $	Subsequent events 30-Apr-14 $	Pro forma adjustments 30-Apr-14 $	Pro forma unaudited 30-Apr-14 $
CURRENT ASSETS					
Cash and cash equivalents	2,622,635	1,083,650	2,350,000	13,390,000	19,446,286
Trade and other receivables	1,904	2,091,693	-	-	2,093,596
Prepayments	-	5,942	-	-	5,942
Other assets	5,015	10,000	-	-	15,015
Total current assets	**2,629,554**	**3,191,285**	**2,350,000**	**13,390,000**	**21,560,839**
NON-CURRENT ASSETS					
Property, plant & equipment	-	253,221	-	-	253,221
Other non-current assets	-	161,344	-	-	161,344
Total non-current assets	**-**	**414,565**	**-**	**-**	**414,565**
Total assets	**2,629,554**	**3,605,850**	**2,350,000**	**13,390,000**	**21,975,404**
CURRENT LIABILITIES					
Trade and other payables	19,287	2,748,818	-	-	2,768,104
Employee benefits	-	115,940	-	-	115,940
Total current liabilities	**19,287**	**2,864,758**	**-**	**-**	**2,884,045**
NON-CURRENT LIABILITIES					
Loans and borrowings	-	9,919,151	(7,419,151)	(2,500,000)	-
Total non-current liabilities	**-**	**9,919,151**	**(7,419,151)**	**(2,500,000)**	**-**
Total liabilities	**19,287**	**12,783,909**	**(7,419,151)**	**(2,500,000)**	**2,884,045**
NET ASSETS	**2,610,267**	**(9,178,059)**	**9,769,151**	**15,890,000**	**19,091,359**
EQUITY					
Share capital	5,954,957	14,836,983	9,287,082	17,133,942	47,212,964
Reserves	-	9,458,878	-	-	9,458,878
Retained earnings	(3,344,690)	(33,473,920)	482,069	(1,243,942)	(37,580,482)
Total equity	**2,610,267**	**(9,178,059)**	**9,769,151**	**15,890,000**	**19,091,360**

Key assumptions:

1. Capital Raising of $15.0 million through the issue of 75.0 million post-Consolidation Shares at $0.20 per Share with Capital Raising costs assumed to be $460,000, based on professional fee estimates, plus 6% of total funds raised ($900,000).
2. Costs of $250,000 have been assumed for the cost of the Takeover Offer based on professional fee estimates.
3. The convertible notes the subject of the Bridge Funding (together with interest incurred at a rate of 2% per month) will automatically convert into Shares upon successful completion of the Takeover Offer at a deemed issue price of $0.20 per Share. This assumes that 4 months interest is payable in respect of the convertible notes the subject of the Bridge Funding at the time of conversion.
4. Fund raising costs of 6% have been assumed for the convertible notes the subject of the Bridge Funding.

SCHEDULE 3 – COCOON PATENTS AND TRADEMARKS

The patents and trademarks of Cocoon are set out in the tables below.

Patent Number	Country	Case Name and Status	Status
2008341026	Australia	System and Method for Securing Data.	Accepted and Sealed
586279	New Zealand	System and Method for Securing Data.	Accepted and Sealed
201004425-3	Singapore	System and Method for Securing Data.	Accepted and Sealed
2709944	Canada	System and Method for Securing Data.	Request Examination
12/809758	United States of America	System and Method for Securing Data.	Notice of allowance received. Formal patent issue pending.
2013902603	Australia	Secure data object generation and management (API).	International PCT application

Trademark Number	Country	Mark Title	Filing Date	Registered Date	Classes
1433246	Australia	Covata	27 June 2011	15th December 2011	9[1] and 42[2]
959788	New Zealand	Covata	31 May 2012	12 September 2012	9 and 42
1103772	European Community	Covata	29 July 2011	9th October 2012	9 and 42
79107960	United States of America	Covata	27 June 2011	28th November 2012	9 and 42
840189095 840189195	Brazil Brazil	Covata	10 July 2012	In examination	9 42
112012-350580	Japan	Covata	29 July 2011	22nd November 2013	9 and 42 1103772 – International Registration Number
T1200921E	Singapore	Covata	26 January 2012	22nd August 2013	9 and 42 1103772 – International Registration Number

1. Class 9: this class provides protection for a range of goods including data processing equipment, computers, and computer software.
2. Class 42: This class provides protection for a range of services, including: technological services and research and design relating thereto, as well as design and development of computer hardware and software.

SCHEDULE 4 – TAKEOVER OFFER CONDITIONS

The Takeover Offer is proposed to be subject to the following defeating conditions. Terms used below have the meaning given in the BIA, as disclosed to the ASX on 27 June 2014 and in the Bidder's Statement to be lodged with ASIC on or about 12 August 2014.

(a) **Approval of Essential Bidder Resolutions**

Bidder Shareholders approve the Essential Bidder Resolutions, in accordance with the Corporations Act and ASX Listing Rules, before the end of the Offer Period.

(b) **No Target Material Adverse Change**

During the period from the Announcement Date to the end of the Offer Period (inclusive), no Target Material Adverse Change occurs, is announced or becomes known to Bidder (whether or not it becomes public).

(c) **No Target Prescribed Occurrence**

During the period from the Announcement Date to the end of the Offer Period (inclusive), no Target Prescribed Occurrence occurs.

(d) **Minimum Acceptance Condition**

As at the end of the Offer Period, Bidder Group has a Relevant Interest in such number of Target Shares as represents at least 90% in aggregate of all Target Shares then on issue and being entitled to proceed to compulsory acquisition of Target Shares under the Corporations Act.

(e) **Prospectus Offer Condition**

The Prospectus Offer closes and, as at the close of the Prospectus Offer, Bidder receives or becomes entitled to receive, in immediately available funds, gross proceeds of no less than $5 million (less the amount of any Convertible Note Proceeds) as a result of subscriptions made under the Prospectus Offer.

(f) **ASX consent to re-admission**

Bidder receives from ASX written confirmation that ASX will re-admit Bidder to the official list of ASX and terminate the suspension from official quotation of Bidder Shares, subject to the satisfaction of such terms and conditions (if any) as are prescribed by ASX or the ASX Listing Rules.

(g) **No regulatory intervention**

During the period from the Announcement Date to the end of the Offer Period (inclusive):

(i) there is not in effect any preliminary or final decision, order or decree issued by an Authority; and

(ii) no application is made to any Authority (other than by Bidder or a subsidiary of Bidder), or action or investigation is announced, threatened or commenced by an Authority,

in consequence of or in connection with the Offer (other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers

and discretions conferred by the Corporations Act), which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer or any transaction contemplated by this agreement, the Offer or the rights of Bidder in respect of Target or the Target Shares to be acquired under the Takeover Bid, or requires the divestiture by Bidder or Bidder's Shareholders of any Target Shares or the divestiture of any assets of Target Group, Bidder, Bidder Group or otherwise.

(h) **No material acquisitions**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Target Material Transaction occurs.

(i) **Conversion of Target Convertible Securities**

By the end of the Offer Period, all Target securities convertible into Target Shares on issue as at the date of this Agreement have been either converted into Target Shares or cancelled, except for securities issued under the Target's Employee Option Scheme (US), and Target having no more than 381,877,818 Target Shares on issue.

SCHEDULE 5 – TERMS AND CONDITIONS OF REPLACEMENT BIDDER OPTIONS AND RELATED PARTY OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (m), the amount payable upon exercise of each Option will be as set out in the below table (**Exercise Price**)

(c) **Vesting Schedule**

The vesting of each Option will be as set out in the below table.

(d) **Expiry Date**

Each Option will expire at 5:00 pm (EST) on the dates set out in the below table (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

Replacement Options

Recipient	Number of Options	Vesting Commencement Date	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
Vic Winkler	6,975,000	01/05/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD$0.1467	Five (5) years from the date of issue
	150,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
Jim Ivers	1,500,000	01/06/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD$0.1467	Five (5) years from the date of issue

Recipient	Number of Options	Vesting Commencement Date	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
	112,500	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
	750,000	18/12/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
William Stroud	487,500	01/11/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing December 31, 2013	USD$0.1467	Five (5) years from the date of issue
	75,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
	187,500	18/12/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
Arthur Fisher	900,000	03/12/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing December 31,	USD$0.1467	Five (5) years from the date of issue

Recipient	Number of Options	Vesting Commencement Date	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
				2013		
	112,500	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
Mike Young	1,125,000	28/08/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
Philip Argy	750,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016
Philip Cuff	750,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016
Kamil Kreiser	375,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016
Mat Collett	375,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016

Related Party Options

Recipient	Number of Options	Vesting Commencement Date (number of options vested on that date)	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
Mr Trent Telford	10,000,000	01/08/2014 (2,000,000)	3,000,000	Equally over four (4) calendar quarters on the last day of each quarter commencing September 30,	$0.20	Five (5) years from the date of issue

				2015		
Telford OpCo Pty Ltd	375,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016
Mr Charles Archer	5,231,250	20/04/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD$0.1467	Five (5) years from the date of issue
Mr Charles Archer	75,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD$0.1467	Five (5) years from the date of issue
Mr Phil Dunkelberger	5,000,000	1/08/2014 (500,000)	750,000	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2015	$0.20	Five (5) years from the date of issue
Asia Principal Capital	900,000	Fully vested	Fully vested	Fully vested	$0.2933	9 March 2016

(e) **Exercise Period**

Subject to paragraph (i) below, the Options are exercisable during the period commencing on and from the date that the vesting conditions set out in paragraph (c) are satisfied and ending on the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company.

(i) **Cessation of employment**

If the Optionholder ceases to be an employee or director of, or render services to, the Company or a related body corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the expiry of the Replacement Options, and the vesting conditions attaching to the Replacement Options have been met, the Optionholder will be entitled to exercise the Replacement Options within 3 months after the Optionholder's employment ceases (other than without cause or as a result of death, permanent disability or retirement in which case the Replacement Options will lapse automatically).

(j) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(k) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(l) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(n) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(o) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(p) **Transferability**

The Options are not transferable.

SCHEDULE 6 – SUMMARY OF THE SHARE PLAN

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

(a) **Eligibility:** Participants in the Share Plan may be salaried employees or executive directors of the Company or any of its subsidiaries (**Employee Participants**).

(b) **Administration of Share Plan:** The Board, or a duly appointed committee of the Board, is responsible for the operation of the Share Plan.

(c) **Invitations:** The Board of Directors may issue an invitation to the Employee Participant to participate in the Share Plan. The invitation will:

(i) invite applications for the number of Share Plan Shares specified in the invitation;

(ii) specify the date of issue of the Share Plan Shares;

(iii) specify the issue price for the Share Plan Shares;

(iv) invite applications for a loan up to the amount payable in respect of the Share Plan Shares accepted by the Employee Participant in accordance with the invitation;

(v) any vesting conditions applicable to the Share Plan Shares; and

(vi) specify any other terms and conditions attaching to the Share Plan Shares.

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

(d) **Employee Loan:** An Employee Participant who is invited to subscribe for Share Plan Shares may also be invited to apply for a loan up to the amount payable in respect of the Share Plan Shares accepted by the Employee Participant (**Employee Loan**), on the following terms:

(i) the Employee Loan must be made solely to the Employee Participant and in the name of that Employee Participant;

(ii) the Employee Loan will be interest free;

(iii) the Employee Loan will be limited-recourse, the effect of which is that if all of the Shares issued in respect of the Employee Loan are sold by the Company on behalf of the Employee Participant, the Employee Participant's liability is discharged regardless of the sale price;

(iv) the Employee Loan made available to an Employee Participant shall be applied by the Company directly toward payment of the issue price of the Share Plan Shares;

(v) the Employee Loan must be repaid on the earlier to occur of:

(A) a Liquidity Event (defined below) occurring;

(B) the date on which the Share Plan Shares have been compulsorily divested in accordance with the Plan rules; and

(C) the date on which an Employee Participant disposes of, or attempts to dispose of, the Share Plan Shares;

(vi) an Employee Participant may elect to repay the Employee Loan amount in respect of any or all of the Share Plan Shares at any time prior to expiry of the term of the Employee Loan;

(vii) any fees, charges and stamp duty payable in respect of an Employee Loan will be payable by the Employee Participant;

(viii) the Company shall have security over the Share Plan Shares in respect of which an Employee Loan is outstanding and the company shall be entitled to sell those Share Plan Shares in accordance with the terms of the Share Plan; and

(ix) Share Plan Shares will not be tradeable by an Employee Participant until the Employee Loan amount in respect of those Share Plan Shares has been repaid and the Company will retain the share certificate in respect of such Share Plan Shares until the Employee Loan has been repaid.

(e) **Divestment of Share Plan Shares:** If, prior to repayment of an Employee Loan by an Employee Participant, the Employee Participant:

(i) ceases employment with the Company as a result of the Employee Participant's termination without notice, resignation, gross negligence or serious and wilful misconduct (**Bad Leaver**), does not satisfy any relevant vesting conditions, acts fraudulently or dishonestly, becomes insolvent or fails to repay the Employee Loan on the due date for repayment,

(A) the Employee Participant will retain all vested Share Plan Shares; and

(B) all of the unvested Share Plan Shares will be compulsorily divested on a date determined by the Board;

(ii) ceases employment with the Company and is not a Bad Leaver (or the Board considers that the Employee Participant should not be treated as a Bad Leaver):

(A) the Employee Participant will retain all vested Share Plan Shares; and

(B) all of the Employee Participant's Share Plan Shares will be compulsorily divested on a date determined by the Board, unless the Board provides express written consent that the Employee Participant may retain any or all of such unvested Share Plan Shares.

(f) **Liquidity Event:** If a change of control occurs (**Liquidity Event**), or the Board determines such event is likely to occur:

(i) the Board may in its absolute discretion determine the manner in which any or all of the Employee Participant's Share Plan Shares (whether vested or unvested) will be dealt with which may include, without limitation, in a manner that allows the Employee Participant to participate in and/or benefit from any transaction arising from or in

connection with the Liquidity Event and/or the re-designation of any or all of the Employee Participant's Share Plan Shares; and

(i) if required, the Employee Participant must do and procure all things the Board considers necessary or appropriate to facilitate the variation of the rights of their Share Plan Shares such that, following such variation, they are ordinary shares in the capital of the Company.

(g) **Restriction on transfer:** Employee Participants may not sell or otherwise deal with a Share Plan Share until the Employee Loan amount in respect of that Share Plan Share has been repaid and until the expiry of the qualifying period in respect of the Share Plan Shares, if any, that may be imposed by the Board and set out in the invitation.

(h) **Voting of Share Plan Shares**: Employee Participants grant to the Company an irrevocable power of attorney pursuant to which it appoints the Company Secretary as its proxy to vote the Share Plan Shares at its discretion;

(i) **Rights attaching to Share Plan Shares:** Share Plan Shares will rank equally in all respects (other than with respect to any restrictions on transfer specified above or otherwise imposed by the Board) with other Shares on issue.

SCHEDULE 7 – SUMMARY OF THE US SHARE AND OPTION PLAN

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

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or a related body corporate of the Company who are resident in the United States of America (or other jurisdictions outside of Australia) to participate in the US Share and Option Plan (**Eligible Employee**).

(b) **Offer of Options or Shares**

The US Share and Option Plan will be administered by the Board which may, in its absolute discretion, offer Options or rights to subscribe for Shares (**Rights**) to any Eligible Employee from time to time as determined by the Board.

(c) **Number of Options**

The number of Options or Rights to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the US Share and Option Plan and applicable law.

(d) **Conversion**

Each Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company. The Rights will be convertible in accordance with their terms of grant.

(e) **Issue price**

The exercise price for Options offered, and for Rights granted, under the US Share and Option Plan will be determined by the Board but will not be less than 100% of the fair market value of Shares on the date of grant.

(f) **Issue conditions**

The Board may impose conditions on the right of a participant to exercise Options or Rights granted under the US Share and Option Plan.

(g) **Exercise of Options**

A participant in the US Share and Option Plan will be entitled to exercise their Options or Rights in respect of which the exercise conditions have been met provided the Options or Rights have not lapsed. A holder may exercise Options or Rights by delivering an exercise notice to the Company Secretary along with the Option certificate (if Options are issued under the US Share and Option Plan), and paying the applicable exercise price of the Options multiplied by the number of Options proposed to be exercised or the consideration for exercise of the Rights.

Within 20 Business Days of receipt of the required items, the Company will issue to the participant the relevant number of Shares.

(h) **Cessation of employment**

(i) For any reason (other than as a result of death or permanent disability, or for Cause)

If the participant in the US Share and Option Plan ceases to be an employee or director of, or render services to, the Company or a related body corporate for any reason (other than as a result of death or permanent disability, or for Cause) prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, the participant will be entitled to exercise their Options within 3 months after the employment of such participant ceases.

(ii) Death or permanent disability

If the participant in the US Share and Option Plan ceases to be an employee or director of, or render services to, the Company or a related body corporate as a result of death or permanent disability prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, the participant (or its estate) will be entitled to exercise their Options within 12 months after the employment of such participant ceases.

(iii) For Cause

If the participant in the US Share and Option Plan ceases to be an employee or director of, or render services to, the Company or a related body corporate for Cause prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, their Options will lapse automatically.

In this clause, "**Cause**" means (i) failure by the participant to substantially perform his or her duties and obligations to the Company or a related body corporate (other than any such failure resulting from his or her incapacity due to physical or mental illness); (ii) engaging in misconduct or a fiduciary breach which is or potentially is materially injurious to the Company or its shareholders; (iii) commission of an indictable offence; (iv) the commission of a crime against the Company which is or potentially is materially injurious the Company; (v) a material breach of any written agreement between the participant and the Company or a related body corporate; or (vi) as otherwise provided in any written employment agreement between the participant and the Company or a related body corporate.

(i) **Lapse of Options and Rights**

Options and Rights held by a participant in the US Share and Option Plan will lapse after the expiration of five (5) years after the date the Option is granted.

(j) **Participation in Rights Issues and Bonus Issues**

The Options and Rights granted under the US Share and Option Plan do not give the holder any right to participate in new issues unless Shares are allotted pursuant to the exercise of the relevant Options or Rights prior to the record date for determining entitlements to such issue.

If there is a bonus issue to holders of Options or Rights, the number of Shares that the holder may be issued upon exercise of the Options or Rights may be increased by the number of Shares that the holder would have received if the Options or Rights had been exercised prior to the record date of the bonus issue. No adjustment will be made to the exercise price per Share of the Option or Right.

(k) **Reorganisation**

If there is a reorganisation of the issued capital of the Company, the Options and Rights will be reorganised in the same proportion as the issued capital of the Company is reorganised.

(l) **Change in Control**

Subject to the terms upon which Options were issued or Rights were granted, where a change of control event has occurred, or in the opinion of the Board, will occur, the Board may determine the manner in which Options will be dealt with so that each Option holder remains in a financial position in respect of the Options which is as near as possible as to that which existed prior to the change of control event.

(m) **Transfer**

Rights under the US Share and Option Plan may not be transferred. Options under the US Share and Option Plan may be transferred with the consent of the Board.

APPOINTMENT OF PROXY FORM

PRIME MINERALS LIMITED
(TO BE RENAMED "COVATA LIMITED")
ACN 120 658 497

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 9.00am, on 23 September 2014 at The Celtic Club, 48 Ord Street, West Perth, WA 6005, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1	Change to nature and scale of activities	☐	☐	☐
Resolution 2	Consolidation of capital	☐	☐	☐
Resolution 3	Creation of a new class of securities	☐	☐	☐
Resolution 4	Placement – Adviser Shares	☐	☐	☐
Resolution 5	Capital Raising	☐	☐	☐
Resolution 6	Placement to Noteholders	☐	☐	☐
Resolution 7	Change of Company name	☐	☐	☐
Resolution 8	Election of Director – Mr Charles Archer	☐	☐	☐
Resolution 9	Election of Director – Mr Philip King	☐	☐	☐
Resolution 10	Election of Director – Mr Trent Telford	☐	☐	☐
Resolution 11	Grant of Replacement Options	☐	☐	☐
Resolution 12	Grant of Related Party Options to Mr Trent Telford	☐	☐	☐
Resolution 13	Grant of Related Party Options to Mr Charles Archer	☐	☐	☐
Resolution 14	Grant of Related Party Options to Mr Phil Dunkelberger	☐	☐	☐
Resolution 15	Grant of Related Party Options to APCL	☐	☐	☐
Resolution 16	Adoption of Employee Share Plan	☐	☐	☐
Resolution 17	Adoption of US Share and Option Plan	☐	☐	☐
Resolution 18	Replacement of Constitution	☐	☐	☐

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:** **YES** ☐ **NO** ☐

Instructions for Completing 'Appointment of Proxy' Form

1. (**Appointing a proxy**): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing instructions**):

   - (**Individual**): Where the holding is in one name, the Shareholder must sign.
   - (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.
   - (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) post to Prime Minerals Limited, 1st Floor, 8 Parliament Place, WEST PERTH, WA, AUSTRALIA; or

   (b) facsimile to the Company on facsimile number +61 8 9481 7835; or

   (c) email to the Company at **ngrafton@kmm.com.au**,

   so that it is received not less than 48 hours prior to commencement of the Meeting.

   Proxy Forms received later than this time will be invalid.